

## New Generic Top-Level Domain Application Process Brings Business Opportunities, Issues

by John L. Nicholson

*Beginning later this year, ICANN is expected to accept applications for new generic domain suffixes for industries, interests and communities, such as “.bank,” “.movie” or “.music.” In addition to the generic terms, this round also includes the potential for various geographic tags that are not country codes (e.g., “.nyc” or “.andes”), brands (“.pillsbury”) as well as non-Latin characters (e.g., “.中國”). ICANN is expecting to approve between 200 and 500 new gTLDs in this round and to have new application rounds approximately every two years.*

For organizations considering applying for a gTLD, the process will be expensive. The initial application fee is \$185,000 and ICANN also requires the provision of a bond or irrevocable line of credit equal to the operating costs to keep a domain in service for three years. Estimates of the operating costs for the first few years could be several hundred thousand dollars or more, depending on the scale of use of the domain and the services offered. (Note, the bond/line of credit would likely be for a smaller amount, as it would only have to cover the most basic domain-name services.) It will only make sense if there is a clear "business plan" for use of the domain to advance short-term or long-term goals of the brand, industry, profession, or field represented.

### Why Is This Important From a Business Perspective?

Many organizations look at this as something like the acquisition of a new internet domain name, which is incorrect. This is a potentially disruptive opportunity for some brands, industries, professions, and fields. The difference between having a .com or other gTLD and controlling the gTLD for your own brand is analogous to renting an apartment versus owning a building and the land on which it sits. No matter how much a tenant spends on an apartment, the tenant's rights are limited and the tenant is potentially subject to the whims of the landlord. The owner of the building, on the other hand, can set the rules for behavior on the property, determine who else is allowed on the property or in the building, allow them to build on the property or rent a space in the building, and throw them off the property. The organization that manages a

domain may set the operational standards for granting domain names in that space. The gTLD ownership model is more like the relationship Facebook has with its users.

Examples of the disruptive opportunities include:

- If an entity were to obtain the gTLD ".ecommerce," that entity could require anyone who wanted a URL in that domain to implement higher level security measure to establish the ".ecommerce" domain as a more trusted space for online commerce. Some have proposed this type of model for the .bank domain.
- In the not-for-profit space, where a field is represented by one dominant and a few smaller nonprofit organizations, if one of the smaller ones were able to obtain an iconic domain suffix that attracted the largest constituency in the field, it might be able to usurp the dominance of the larger (for example, if the American Gun Association were to obtain ".gun" they might be able to siphon membership dollars and support away from larger groups in that field).
- The ability to set standards could create global opportunities. For example, there are few means of enforcing any kind of national or even global standards for transparency and accountability in charities. A ".charity" domain could require entities to comply with certain standards and serve as a "seal of approval" for transparency and accountability.

In addition to the ability to register the generic, community and geographic terms, the gTLD process enables companies and organizations to register their own name as a gTLD. For example, Hitachi, Canon and Deloitte have all indicated that they intend to apply for .hitachi, .canon and .deloitte, respectively. On the not-for-profit front, UNICEF has indicated that it will apply for .unicef and the International Society for Telemedicine and eHealth has indicated that it will apply for .health. While there is no requirement that a potential applicant make an announcement (and most companies that intend to apply for a .brand TLD have not done so), a list of gTLDs and the organizations who have announced they will apply for the domains is available at <http://dot-nxt.com/applicants>.

For brands, controlling a .brand gTLD has particular benefits:

- It provides both brand recognition and a level of authenticity. For any retailer that deals with e-commerce, controlling the .brand gTLD would enable consumers to verify that goods purchased on websites in that domain are legitimate.
- It simplifies users' interaction with the organization:
  - Users would not need to remember that a given organization's home page is at www.brand.net or .org rather than .com. Instead they could simply go to www.home.brand.
  - Similarly, the .brand gTLD enables global organizations to rationalize their secondary domain naming in a more intuitive way. For example, a global organization could simply use www.europe.brand, www.us.brand, and www.china.brand for its European, US and Chinese home pages, respectively, in place of more complex and less intuitive secondary domains like www.brand-europe.com or www.brand.com/china.
  - Controlling the .brand gTLD also simplifies that brand's online strategy – rather than dealing with typosquatters who might try to register www.branT.com to gain traffic from users who mis-type www.brand.com, any undefined address in the .brand domain can be pointed to that brand's home page.

- The owner of a .brand gTLD would have access to all information associated with use of all secondary domains in the .brand domain. Controlling a branded gTLD could be useful for organizations that make extensive use of online marketing tools (e.g., search engine optimization, pay-per-click, or banner ads).
- Finally, controlling the .brand domain also enables the global brand to assign, retrieve or reassign domain names, removing some of the difficulty in dealing with affiliates and resellers. Currently, if a reseller or affiliate holds a secondary domain like [www.BobsBrand-Chicago.com](http://www.BobsBrand-Chicago.com), the associated brand would have a very difficult time forcing Bob to give up that domain.

There has been resistance and there have been objections to this process. Among other things, increasing the number of top level domain names means more opportunities for cybersquatters (those who register, traffic in, or use domain names with bad faith intent to profit from the goodwill of a trademark belonging to someone else).

Many businesses and nonprofit organizations are concerned about the need for defensive registrations and the implications for owners of trademarks and other intellectual property that they feel might be infringed by new domain suffixes. They are also concerned that such a significant increase in the number of gTLDs will cause a considerable burden on trademark owners evaluating online strategies. Since not every country makes use of the Uniform Dispute Resolution Policy (the process for disputing the ownership of an infringing domain name and causing it to be transferred to the trademark owner), it may be difficult for rights owners to address abuses that originate in such countries. Moreover, while the variation of domain name dispute mechanisms available worldwide is considered complex today, in a world with only a handful of gTLDs, it will only get more complex as the number of domain names increases.

Some content owners are also concerned that the new TLDs will make it easier for infringers to distribute unauthorized copies of music, video and software. This article from [arstechnica.com](http://arstechnica.com/web/news/2011/01/big-content-to-icann-make-it-easier-for-us-to-challenge-domain-suffixes.ars) discusses some of the issues being raised by large content owners (<http://arstechnica.com/web/news/2011/01/big-content-to-icann-make-it-easier-for-us-to-challenge-domain-suffixes.ars>) and attached is a [letter from the US Chamber of Commerce, the American Society of Association Executives and others to ICANN](#) raising these issues.

Since these pieces appeared, the process has been delayed, primarily due to pressure from the U.S. Government. The U.S. Dept. of Commerce's recommendations to ICANN regarding amendments to the gTLD process can be found here - <http://www.icann.org/en/topics/new-gtlds/gac-scorecard-23feb11-en.pdf>. The most significant of these objections from various governments is the desire on the part of governments to have the ability to veto a proposed domain name. At this point, ICANN has resisted any proposals that would provide governments with that kind of control over the process.

Despite the opposition from the U.S. Government and some content owners, ICANN is now expecting to finalize the rules for the application process after the ICANN meeting in Singapore scheduled for June 19 - 24, 2011. Given this schedule, the earliest the application period could begin would be late October / early November this year, assuming that the requirement for a four-month communication period is still required.

### What's Next?

For each organization, there are three options:

1. Do Nothing
2. Wait / Defend

### 3. Apply

**Do Nothing:** The do nothing option would be appropriate for smaller organizations for whom the cost of applying and operating a gTLD would be prohibitive, or for larger companies for whom the business case is not adequate. However, such organizations may look to industry trade associations to apply and operate a gTLD on behalf of its members.

**Wait / Defend:** The ability to formally defend against a third party's application (particularly an established brand) during the ICANN process is fairly limited. Unless the third party is clearly infringing on the organization's trademarks or other intellectual property, it is unlikely that ICANN will prevent an applicant from using a gTLD. Thus, the wait / defend option might be appropriate where the business case for the organization is not clear; the organization is dealing with other, higher priority strategic projects; or an industry trade association is applying for a gTLD that either might compete with the organization's TLD or that the organization might be able to use instead. However, those considering this option should also be aware that while ICANN is planning application rounds every two years, many observers believe this round will be sufficiently complex and potentially litigious that the next round might not occur for 4-5 years at the earliest. The wait / defend option might also be appropriate for organizations that are considering using litigation as a strategic tool against an applicant or the applicant's customers once the gTLD is granted by ICANN. The large content owners may be pursuing this strategy.

**Apply:** Applying now for a gTLD would be appropriate if an organization determines that controlling the gTLD:

- is a strong strategic fit and is supported by a valid business case;
- is required to defend trademarks or market share; or
- competitor activity could place the organization at a competitive disadvantage.

For an organization that is interested in applying for or opposing a gTLD, now is the time to get started. By the time the ICANN application period begins it may already be too late to prepare and submit an effective application or to prepare for an effective defense or challenge to the application of another. Among other things, the application includes a technical section that must be completed by the entity that will provide the technical support for the domain operation, which means that if that function will be outsourced the contract must be completed prior to submitting the application.

### What Legal Issues Are Potentially Raised?

Depending on the action an organization decides to take, there may be legal issues on a number of fronts, including:

- **Technology Contracting:** Most organizations applying for a gTLD would outsource the operation of the domain to one of the existing back-end providers. Also on the contracting front, any entity that is delegated responsibility for a gTLD will need to sign a delegation agreement with ICANN that includes a charter describing the function of the domain. Recently, a group of companies that provide job search-related services challenged actions being taken by the .jobs domain based on the domain's charter, resulting in a threat from ICANN to the operator that ICANN might withdraw the domain. See <http://www.thestreet.com/story/11025809/1/jobs-charter-compliance-coalition-applauds-icanns-delivery-of-firm-breach-notice-to-employ-media-llc-regarding-improper-jobs-expansion.html>. Obviously, the charter and delegation agreement will need to be drafted in a manner that provides

sufficient flexibility for the organization to pursue strategic initiatives consistent with the organization's goals.

- **Intellectual Property:** When making the decisions whether to oppose a third party's registration or to apply for a gTLD, an organization will need to evaluate the trademark and other IP issues associated with the new domain on a global basis.
- **Privacy:** Any entity planning to collect, transmit and process personal information around the world will need to comply with the myriad of global privacy laws. For entities that are successful in obtaining a TLD, the collections of personal information created are candidates for a data breach.
- **Not-for-Profit / Trade Association:** Many not-for-profits and trade associations are considering applying for a gTLD. Such organizations will need to evaluate the operational and financial (including tax) issues associated with operating a TLD. The solution may involve the creation of new organizations. For example, when the .museum domain was created, a new organization, the Museum Domain Management Association — MuseDoma — was created to be responsible for the policies and operation of the .museum TLD.

### Additional Information

More information can be found on the ICANN website at <http://www.icann.org/en/topics/new-gtld-program.htm>.

The 312-page document outlining rules for the application process is available at <http://www.icann.org/en/topics/new-gtlds/draft-rfp-clean-28may10-en.pdf>, and the actual application is available at <http://icann.org/en/topics/new-gtlds/draft-evaluation-criteria-clean-18feb09-en.pdf>.

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For more information about the gTLD process, please contact:

John L. Nicholson [\(bio\)](#)  
Washington DC  
+1.202.663.8269  
[john.nicholson@pillsburylaw.com](mailto:john.nicholson@pillsburylaw.com)

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