

## Client Alert.

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# Historic Internet Domain Name Expansion Creates Opportunities and Challenges for Brand Owners

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The organization charged with managing the Internet's domain name system, the Internet Corporation for Assigned Names and Numbers (ICANN), recently approved a long-pending and highly controversial plan to allow for the dramatic expansion of generic top level domains (gTLDs), the most common of which currently are dot-COM, dot-NET, and dot-ORG. Starting January 12, 2012, ICANN will begin accepting applications for new gTLDs that can be comprised of any letter or number string, including trademarks, generic terms, or other combinations. ICANN will charge an \$185,000 filing fee for each application for a new gTLD and there will be considerable additional costs and requirements for approval and issuance of the new gTLD. ICANN has indicated it will allow up to 1,000 new gTLDs to be brought online each year. As a result of this new program, the challenges many trademark owners face in protecting their rights on the Internet will soon multiply. We have outlined below some important considerations for brand owners, as well as provided a summary of the steps and timing relating to the applications to register new gTLDs.

### CONSIDERING YOUR OWN DOT-BRAND

ICANN has long expected that many trademark owners will apply to register their own marks as gTLDs once the process is under way. Many top brand owners are in the process of weighing the benefits to actually getting involved in this new development—and not just defensively. Canon Inc., for example, announced early last year that it had “made the official decision” to acquire “.canon” when the application process finally opens. There are a number of benefits a trademark owner may obtain through registration of a new dot-BRAND gTLD, including attracting more Internet users through enhanced search engine rankings due to incorporating the trademark into the domain name, being able to consolidate multiple websites under a single gTLD suffix, and an intuitively found and easily remembered address for their entire online presence. Canon is not alone, as Hitachi recently announced plans to apply for “.HITACHI,” and the City of New York is already considering how it will use the “.NYC” gTLD if its planned application is approved.

As noted above, any entity seeking to obtain a new gTLD will be required to pay an initial application filing fee of \$185,000. In addition, there will be an annual fee of \$25,000, and gTLD owners must provide evidence of reserve financial resources to be held in a restricted escrow account in an amount sufficient to handle technical issues that could arise. The reserve requirement is not concrete—as it depends on ICANN's evaluation of the financial reserve needed for an applicant's planned use of a new gTLD.

Beyond the financial requirements, prospective gTLD owners will be expected to demonstrate the technical capacity to keep the new gTLD registry functioning. The requirements will vary based on the intended use of the gTLD—having a dot-BRAND gTLD for company employees only will be easier than managing the next dot-COM, such as dot-BUSINESS or dot-FINANCE. Starting from scratch to establish an ICANN compliant infrastructure would be a tremendous undertaking, thus many new gTLD owners can be expected to outsource their operation entirely to companies specialized in gTLD management. Recently, one gTLD management company announced it will offer the management services for a

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flat annual fee of \$100,000 for gTLDs that are not comprised of “high-volume super-generic terms.” New services are coming online, and the cost for technical management for brand owners with modest plans for their new gTLD will likely drop. For example, at least one management company is touting planned services for as little as \$10,000 per year for some gTLD owners.

Brand owners willing to take on the costs and challenges associated with gTLD ownership will need to be prepared to file their applications in the three-month window from January to April 2012. The application is detailed and the application process is extensive and complicated, requiring various communications with ICANN throughout the application process. Given the complexities of the process, companies are advised to begin the process of consultation internally about gTLD ownership and consultation with outside counsel related to the planned application as soon as possible. Brand-owning applicants will then need to be ready to wait for issuance of the new gTLD, as it will be a process of perhaps nine months and possibly as long as twenty months or more before the applications are approved by ICANN.

### TROUBLE FOR TRADEMARK OWNERS

The process leading to ICANN's approval of the new gTLD program took many years and was not without critics, with some of the most pointed criticism coming from trademark law professionals—and professional organizations such as the International Trademark Association—and many organizations representing the business interests of the owners of well-known trademarks. Scott Bain, Chief Litigation Counsel for the Software & Information Industry Association (SIIA), a prominent trade association, was quoted in an SIIA press release about ICANN's move: “This new gTLD program, as currently formulated, represents a significant challenge to trademark and copyright owners.” The problem for trademark owners is the potential for cybersquatters, competitors, disgruntled employees, or others interested in causing mischief to register and use domain names that incorporate the trademark owner's valuable trademarks. Such domain name infringement has long been a problem. However, having potentially limitless gTLDs is a problem unique in scale and adds two new dimensions to potential trademark disputes—there will be an additional place within a domain name for infringement to occur (to the right of the dot) and potential issues with the interplay between the terms to the left and right of the dot.

Trademark owners have long had to deal with domain names registered by third-parties incorporating trademarks in a number of ways—in whole (YourTRADEMARK.com), in combination (YourTRADEMARKandAnotherWord.com), and with common misspellings. Each new gTLD that was released in the past meant that the full set of possible domain names that could incorporate a trademark was available once again, now with a new gTLD after the dot. Soon each set of permutations incorporating a brand owner's mark will be available with up to 1,000 new gTLD suffixes each year. Trademark owners have, in the past, sought to protect against misuse of their marks in domain names by defensively registering domains that incorporate their marks or derivations of their trademarks with different gTLDs as each new gTLD became available. This defensive strategy will become prohibitively expensive under the new gTLD scheme given how many gTLDs may now be launched and available.

Under the new system, trademark owners will face risks that the gTLD itself could be infringing on their trademark rights. For example, “.YOURTRADEMARK” as a gTLD suffix. Yet another problem with the customized gTLDs will be word combinations that may occur that would be troubling to a trademark owner. For example, if “.SUCKS” were approved, then “YourTRADEMARK.SUCKS” might be registered and used in a way objectionable to the trademark owner.

As is clear from the discussion above, trademark owners will face many new risks and challenges when the new gTLD

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system launches in January, 2012. ICANN has developed several new dispute resolution procedures to help trademark owners facing the infringements possible under the new gTLD scheme.

## STEP ONE TO PROTECT YOUR BRAND: THE TRADEMARK CLEARINGHOUSE

ICANN's new gTLD program includes establishment of a "Trademark Clearinghouse" that is designed to: 1) validate trademark ownership claims; and 2) provide information about those trademark rights to new gTLD registries during the early phases of a gTLD roll out. ICANN will require each new registry offering domain registration services to the public at-large to precede their unrestricted registration period with a mandatory "sunrise" period during which trademark owners may claim domains that are identical to their trademark. A "Trademark Claims" period during the first two months of unrestricted domain registrations is required by ICANN as well, and constitutes a window of time during which trademark owners will be informed of potentially infringing domain registrations.

For a fee, trademark owners will be able to have their trademarks included in the Clearinghouse database as long as they meet certain requirements. For inclusion, a trademark must be nationally registered, validated through a judicial proceeding, or protected by statute or treaty. Evidence of use of the trademark will also be required for inclusion in the Clearinghouse. Intent-to-use trademark registrations that have been registered without showing use will not be protected. The final details of the Clearinghouse have not yet been settled. Trademark owners will want to check back in the months to come for further details on when, where, and how to submit their marks for inclusion in the Clearinghouse database.

## NEW DISPUTE PROCEDURES AND RIGHTS PROTECTION POLICIES

New gTLDs come with three new dispute procedures that may impact trademark owners seeking to enforce their rights against infringers. These include:

- **Pre Delegation Dispute Resolution Procedure** – Objection procedures have been established for opposing a new gTLD application before the new gTLD is approved. In the first two months following publication of the details of a given gTLD application on ICANN's website, trademark owners may file a "Legal Rights Objection" to a gTLD application that would arguably infringe their trademark. The Arbitration and Mediation Center of the World Intellectual Property Organization will assign an arbitrator to adjudicate the dispute—charged with applying a unique multi-factor analysis—for what is likely to be a \$10,000 filing fee for a single arbitrator panel. Typically, decisions are to be rendered within 45 days of the assignment of the case to a panel, which will occur shortly after the response submission deadline in the case. Objectors bear the burden of establishing an "impermissible likelihood of confusion" to panelists who are to weigh eight enumerated (though non-exclusive) factors related to similarities between the gTLD and the objector's mark, the objector's rights in the asserted mark and its level of recognition "in the relevant sector of the public," the gTLD applicant's rights in the gTLD term, the applicant's intent and prior conduct, and whether the planned manner of use of the gTLD impacts the likelihood of confusion. The dispute procedure shares some features of typical civil litigation in that there may be limited discovery and a live hearing in some cases.
- **Post Delegation Dispute Resolution Procedure (PDDRP)** – With potentially hundreds of new domain registries selling domain names under their new gTLD suffixes, there is a danger that some subset of the new registries may engage in bad faith conduct to encourage trademark infringement. Trademark owners may bring an arbitration complaint against a registry or gTLD administrator using the PDDRP under such circumstances, and, as with the dispute resolution policy during the gTLD application process, there are provisions for discovery and a live hearing in some cases. The complaining trademark owner will have to prove "a substantial pattern or practice of specific bad faith intent" by an enhanced "clear and convincing" evidence standard to prevail. Complainants who do not prevail are required to pay the defending registry's portion of the arbitration fees. Arbitrators may also award attorneys fees to the defending registry if a complaint is found to have been filed "without merit." The PDDRP rules contemplate a discovery phase with broad discretion for the arbitrator in deciding the scope of discovery. Hearings lasting "no more

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than one day” except in the “most extraordinary circumstances” are also contemplated if “either party requests a hearing” or the arbitrator determines a hearing is necessary. The losing party has a right to appeal to a three-member arbitration panel for *de novo* review of the judgment and may introduce certain new evidence on appeal “upon payment of an additional fee.”

- **Uniform Rapid Suspension System (URS)** – The Uniform Domain Name Dispute Resolution Policy (UDRP) is the standard procedure for resolving disputes over individual domain names. However, a new Uniform Rapid Suspension System (URS) procedure is being introduced with the aim of accelerating the dispute resolution process for “clear cases of trademark abuse” with no genuine issues of material fact. URS arbitrators consider factors that are similar to those used in the UDRP process; however, for the complainant to prevail, the arbitrator must find that the elements of the infringement claim are proved by the enhanced “clear and convincing” evidence standard. The sole remedy is suspension of the registration for the infringing domain for the remainder of the registration period. Using the URS process does not preclude a complainant from also seeking relief through the UDRP process as well.

### NOW WHAT?

It will be important for trademark owners, particularly those with well-known marks, to stay up-to-date with the progress of the program throughout 2012. Here is what trademark owners may want to plan for in the coming months and year:

- **Join the Party?** – Trademark owners face a number of challenges with the gTLD expansion, but they are also presented with an opportunity. As noted above, applying for a new gTLD will begin in January 2012 and continue in its first wave into April 2012. It will cost \$185,000 up front, and also require annual operating fees of \$25,000 for ICANN, maintenance of special cash reserves, and the expense of complying with ICANN’s technical protocols.
- **Opposing New gTLDs** – The new gTLD application process will begin in January, 2012 and continue through April, 2012. Trademark owners should begin checking the ICANN website for a published list of applied-for gTLD suffixes at that time. The opportunity to object to registration of any potentially infringing gTLD before ICANN grants the gTLD is limited, and trademark owners will want to make sure to not let it slip by in case there may be proposed gTLDs that the trademark owner would want to oppose. There are likely to be watch services monitoring the new gTLD applications that can be relied upon to provide notice of potentially problematic gTLD domain applications.
- **Trademark Clearinghouse** – The key to taking advantage of pre-registration opportunities (sunrise periods) and the Trademark Claims services will be getting trademarks included in the Clearinghouse database. The Clearinghouse has not yet been set up, but it is expected that a system will be in place early 2012. Trademark owners seeking to submit their marks to the Clearinghouse should plan to do so early so that there will be plenty of time to address any issues in submitting and validating trademarks that may arise with a brand new bureaucracy that will be operating under complex new rules. Trademark owners will want to ensure that they have taken all the steps necessary to maintain their registered rights and are in compliance and up-to-date with the relevant requirements of the national trademark office where those rights are registered.

If your company is interested in obtaining a new gTLD, or concerned about protecting its trademark rights in the face of the new registrations, the trademark team at Morrison & Foerster can help. Give us a call.

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