

# ARNOLD & PORTER (UK) LLP

## CLIENT ADVISORY

March 2009

## TOP LEVEL DOMAIN NAMES: ROUND TWO—SUN RISING

As detailed in our earlier client advisory, “A New Dawn for Top Level Domain Names,”<sup>1</sup> the Internet Corporation for Assigned Names and Numbers (ICANN) is undertaking an initiative to expand generic Top Level Domain Names (gTLDs) from the 21 that currently exist (e.g., .com, .biz, .net, .org) to potentially many thousands more. After receiving over 300 comments in response to its initial Draft Applicant Guidebook (Guidebook), ICANN has now summarized and responded to these comments, and released a second Guidebook for public comment. Despite acknowledging that new gTLDs raise “a number of important broader issues,” including trademark protection (e.g., preventing unauthorized registration of gTLDs corresponding to well-known brands), security and stability concerns, and increased malicious conduct such as phishing and spoofing, ICANN has postponed formally addressing these issues until it has had a chance for a more substantive discussion with the relevant communities. Notwithstanding these shortcomings, there are a number of important clarifications and new proposals made in the second draft of the Guidebook, which we summarize below.

### BACKGROUND

At present, there are 21 gTLDs, including .com, .net, .biz, .org, and .gov, and over 200 country code Top Level Domain Names (ccTLDs), such as .eu, .uk, .de, .it, and .fr. ICANN’s stated aim to promote competition in the domain name market place has resulted in a limited number of new gTLDs such as .museum, .aero, and, most recently, .tel. As a continuation of this strategy, the changes now envisaged will, for the first time, open up the top-level domain space to an almost unlimited number of gTLDs. The first drafts of the Guidebook and explanatory memoranda were published in October 2008, and the second drafts have just now been published for public comment. The current deadline for public comments is April 13, 2009.

### WHAT IT MEANS

Once the application process opens, applicants will be able to apply for new gTLDs of generic words such as .law, .bank, .car, or .house, or brand names such as .coke, .guinness, .ford, or .lego. Other gTLDs could incorporate geographical locations, such as .london or .tokyo, provided such applicants establish the requisite government support or non-objection during the application process. Only names that offend public morality, names that are confusingly similar to

#### London

+44 (0)20 7786 6100

#### Brussels

+32 (0)2 290 7800

#### Denver

+1 303.863.1000

#### Los Angeles

+1 213.243.4000

#### New York

+1 212.715.1000

#### Northern Virginia

+1 703.720.7000

#### San Francisco

+1 415.356.3000

#### Washington, DC

+1 202.942.5000

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<sup>1</sup> Available at [http://www.arnoldporter.com/resources/documents/CA\\_ANewDawnForTopLevelDomainNames\\_120108%5b1%5d.pdf](http://www.arnoldporter.com/resources/documents/CA_ANewDawnForTopLevelDomainNames_120108%5b1%5d.pdf).

preexisting gTLDs or ccTLDs, and a handful of so-called reserved names such as .whois, .ICANN, .test, and .invalid will be refused.

## SUMMARY OF KEY CHANGES IN THE GUIDEBOOK

### Timeline

ICANN now anticipates accepting applications for new gTLDs, *at the earliest*, in December, 2009. This date could slip further depending upon the number and strength of the comments received following this second round of consultation.

### Costs and Refunds

Although ICANN has made some reductions in fees, the procedure remains expensive. The US\$185,000 application fee per name remains unchanged. ICANN has reduced the registry fees that successful applicants must pay to ICANN (in addition to the initial application fee) from US\$75,000 to US\$25,000 per year, however. Thus, over the duration of the initial 10-year term of the registry agreement, the successful applicant would pay a total of US\$250,000 instead of US\$750,000.

The Guidebook also details for the first time the refunds that ICANN plans to offer applicants who withdraw their applications. The *maximum* refund of the US\$185,000 application fee is US\$130,000 with a *minimum* of US\$37,000. Would-be cybersquatters would not be able to file an application for purposes of leveraging the application against a brand owner and then withdraw the application without consequence if the attempted extortion is unsuccessful—they would lose at least US\$55,000.

### Trademark Protection

Although ICANN has left the details of enhancing trademark protection to future drafts of the Guidebook, the following considerations and clarifications have emerged:

- ICANN will consider expanding the list of reserved gTLDs that cannot be applied for by any applicant to include certain “famous” marks. It will be interesting to find out how or what criteria will be proposed that will be used to define a “famous” mark. Presumably, the owner of the famous mark would be allowed to apply for the reserved gTLD.
- Trademark protection measures will be available to holders of both registered and *unregistered* (i.e., common law) marks.
- ICANN’s goal is to “reduce costs to trademark holders, and increase and build more confidence in protection measures.” To this end, ICANN has indicated that it would like to prevent the proliferation of defensive registrations “because it is not beneficial to either the trademark rights holders or the Registry Operators.”

## Objections

- **Community-Based Objections.** ICANN has clarified that the community-based objection, which can be asserted by a well-established community against a gTLD application that it believes is likely to harm the community, is not designed to resolve disputes within or between communities. Specifically, if the applicant against which a community-based objection is lodged can demonstrate that it, too, represents a well-established community (either the same or a different community), the objection must fail. Using the example in our first client advisory, the National Football League (NFL) almost certainly could not successfully assert a community-based objection against Fédération Internationale de Football Association (FIFA) to prevent it from securing the .football gTLD.
- **String Confusion Objections v. ICANN’s Initial String Confusion Review.** “String confusion” refers to the situation where a new gTLD “so nearly resembles another that it is likely to deceive or cause confusion.” In the new Guidebook, ICANN clarifies that it will focus its own initial “string confusion” review solely on the visual similarity between the applied-for gTLD on the one hand, and preexisting gTLDs or ccTLDs, or other new gTLD applications on the other. By contrast, the string confusion objection available to operators of existing TLDs or applicants for new gTLDs takes into consideration “all types” of similarity, including “visual, aural, [and] similarity of meaning.” “[T]he standard is open-ended to allow for disputes to be heard according to the claim made by the objector. The goal is to prevent user confusion.”
- **Deadline for Asserting Objections.** Brand owners and other potentially interested communities have only

90 days from the date ICANN publishes preliminarily-approved applications in which to assert an objection. Outside of this period claims must be asserted, if at all, under the laws of other jurisdictions.

### **Community-Based Applications**

As with the previous draft of the Guidebook, ICANN's proposals continue to give preferential treatment to so-called "community-based applications" in selecting a successful applicant from among several applications for the same gTLD. The new Guidebook unfortunately fails to clarify exactly what constitutes a "community." Despite acknowledging the confusion engendered by this term, ICANN does not plan on refining the current vague definition. Nor does it appear that ICANN will eliminate this preference at any point in the future, as it reflects a core belief that "community-based TLDs enhance the name space and that true communities should be afforded some preferences and protections." Nonetheless, ICANN has provided the following guidance on the limitations of the preference afforded communities, and how disputes between community-based applications will be resolved:

- Community-based applicants will find it more difficult to avail themselves of preferential treatment to secure gTLDs corresponding to generic words. ICANN has indicated that the "ideal" community-based gTLD is one exclusively associated with the community in question (e.g., .FIFA). Thus, the NFL and FIFA would most likely be able to take advantage of preferential treatment given to communities to secure the .nflfootball and .fifafootball gTLDs, respectively. Both organizations, however, would likely be on equal footing with non-community based applicants for the generic .football gTLD and therefore subject to the auction process.
- The new Guidebook also clarifies that an applicant for a community-based application is "bound by the registry agreement to implement the community-based restrictions it has specified in the application." For example, a successful applicant for the .hershey gTLD purporting to represent the community of Hershey, Pennsylvania, would be prohibited under ICANN's agreement from later turning the gTLD into an online candy or confectionary store.
- In cases where one or more community-based applications meet the requisite criteria, non-community based applications for the same gTLD will no longer be considered. For example, if the Cherokee Native American tribe applies for the .cherokee gTLD and satisfies the requisite community-based application requirements, a non-community-based application by Chrysler for the .cherokee gTLD would no longer be considered. Moreover, Chrysler would not be allowed to participate in any tie-breaking auction should there be multiple equally-qualified communities that apply for the .cherokee gTLD.
- In cases where multiple community-based applications address the same community and meet the requisite criteria, the applicant (if any) that represents a majority and significantly larger share of that community will prevail. Thus, for example, if Manchester United and FIFA applied for the .football gTLD, in this scenario FIFA would prevail because it represents a larger portion of the relevant community.
- In cases where multiple community-based applications meet comparative evaluation criteria, but neither has demonstrated significantly more support than the other or they represent different communities (and they cannot settle the contention amongst them), an auction will be held between these applicants. Under this proposal, if FIFA and the NFL were both to apply for .football (and assuming they satisfy the requisite community requirements), the gTLD would proceed to auction. ICANN would not make a subjective determination as to which community is more deserving of the gTLD.

### **Auctions**

As referenced in our earlier client advisory, ICANN anticipates resorting to auctions to award gTLDs where the objection process, comparative evaluation process, and voluntary negotiations fail to reduce the applicant pool for the same gTLD to a single applicant. ICANN has now released the following details about how the proposed auction process will work:

- There will be no maximum allowable bid; the domain name will be awarded to the highest bidder.
- The auction will proceed through a series of discrete rounds. Before the start of each round, ICANN will

announce a minimum starting bid and a maximum ending bid, as well as the starting and ending times of the auction round. The starting bid for the first round will be US\$0, and the starting bid for each subsequent round will be the ending bid from the previous round. The maximum ending bid for each round is determined by ICANN.

- The only way for an applicant to ensure that it will remain in the auction for subsequent rounds is to make a bid greater than or equal to the maximum ending bid announced by ICANN for each round. If several bids meet or exceed the maximum ending bid for a particular round, these participants will proceed to the next round, and all participants bidding less than this price can no longer participate in subsequent rounds.
- ICANN will only disclose the number of auction participants remaining at the end of each round. ICANN will not disclose the identity of the remaining participants, nor will it disclose whether a bid has been made that matches the maximum ending bid while the round is proceeding.
- The auction will proceed until only one participant remains. This happens in one of two ways: (1) if there is only one bid that matches the end-of-round price, that participant wins; (2) if there is no bid that matches the end-of-round price, then the next highest bid within that round wins.

ICANN states that any auction proceeds will be “returned to the community via a foundation that has a clear mission and a transparent way to allocate funds to projects that are of interest to the greater Internet community.” A number of examples are given including DNS stability, outreach, and education.

## CONCLUDING REMARKS

From the public comments received by ICANN to date, the only unifying aspect emerging from these submissions is the diversity of interested communities, which includes government agencies, brand owners, registrars, registries, and consumer protection groups, among others. Faced with the impossible task of reconciling the divergent concerns of these groups, it is increasingly apparent that ICANN will strike a balance in favor of placing the onus

of enforcing trademark rights and other national laws on the shoulders of interested stakeholders, instead of proactively addressing these concerns itself during ICANN’s initial review of applications.

It seems relatively clear at this early date that ICANN will take some steps to enhance measures available to protect trademarks in the new gTLD space. For every call to protect marks in the new gTLD space, however, there seems to be an equally-voiced concern that any enhanced measures will stifle competition, or result in brand owners co-opting prized generic words under the auspices of legal rights.

ICANN’s new proposal has the potential to radically alter how Internet users find information on the Internet. Businesses and organizations should continue to keep apprised of these important developments.

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*We hope that you have found this client advisory useful. If you have additional questions, please contact your Arnold & Porter attorney or:*

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