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Top Level Domain Names: Dot Anything Goes

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The Internet Corporation for Assigned Names and Numbers (ICANN), the organization responsible for coordinating the Internet domain addressing system, is proposing to expand generic top-level domain names (gTLDs). Currently, there are 21 gTLDs, such as *.com*, *.net*, *.biz*,

.org, *.gov*, and more than 200 country code TLDs (ccTLDs), such as *.co*, *.uk*, *.de*, *.it*, and *.fr*. Using this system, any individual or entity can register domains and obtain unique Internet addresses. ICANN has decided that to promote competition in the domain name marketplace the system should be expanded to allow for more innovation and choice with the Internet's addressing system. Over the past few years, it has introduced a limited number of new gTLDs such as *.eu*, *.museum*, and most recently *.tel*. The changes now envisaged will open up the process to an unlimited number of gTLDs.

The process began after an initial consultation in October 2007. The ICANN board of directors next convened in Paris in June 2008. ICANN published the first draft applicant guidebook (DAG) and explanatory memoranda in October 2008 and initiated a consultation process. ICANN published a second draft in February. Following another consultation, it published a third draft on May 31, 2009.

In addition, ICANN and the Intellectual Property Constituency (IPC) formed the Implementation Recommendation Team (IRT) to propose recommendations on trademark protection concerns in the planned introduction of new gTLDs. The IRT comprises 18 people experienced in

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trademark protection on the Internet and has representatives from the registry and registrar communities, law firms, and brand owners. The IRT issued its preliminary report for public comment at the end of April 2009. An initial consultation process produced a final draft report, published on May 29, 2009. Comments to that report were due by June 29, 2009. The IRT submitted the final draft report to the ICANN board on June 21, 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 that such applicants establish the requisite government support or non-objection during the application process. Names that offend public morality, names that are confusingly similar to preexisting gTLDs or ccTLDs, and a handful of so-called reserved names such as .whois, .ICANN, .test, and .invalid will be refused.

Summary of the Draft Applicant Guidebook (DAG)

ICANN anticipates accepting applications for new gTLDs in spring 2010. On receipt of an application, ICANN will conduct an initial evaluation to determine whether the proposed gTLD satisfies the eligibility criteria. This will include (1) string reviews and (2) a security and technical determination. Once the application has passed this stage it will proceed to delegation. The string review and string objections have attracted the most attention to date and have a number of features, which will be described in more detail later.

Costs and Refunds

The procedure is expensive. The application fee is US\$185,000 per name. 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. 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 DAG also details the refunds that ICANN plans to offer applicants that 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.

String Confusion

“String confusion” refers to the situation in which a new gTLD “so nearly resembles another that it is likely to deceive or cause confusion.” In the DAG, ICANN clarifies that it will focus its own initial string confusion 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.”

Community-Based Applications

ICANN’s proposals give preferential treatment to so-called “community-based applications” in selecting a successful applicant from among several applications for the same gTLD. The DAG 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., .NFL (National Football League) or .FIFA (Fédération Internationale de Football Association)). 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 DAG 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, PA, would be prohibited under ICANN’s agreement from later turning the gTLD into an online candy or confectionary store.

- When 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.
- When 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, 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 to both apply for .football (and assuming that they satisfy the requisite community requirements), the gTLD would proceed to auction. FIFA was established in 1904 and has 208 member associations. Conversely, the NFL was established in 1936 and also has an international presence in countries such as the UK, Japan, China, and Mexico. In circumstances like this, it will be difficult for ICANN to decide which has a greater entitlement to the gTLD .football. ICANN would not make a subjective determination as to which community is more deserving of the gTLD.

Deadline for Asserting Objections

Brand owners and other potentially interested communities have only 90 days from the date that 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.

Auctions

ICANN anticipates holding auctions to award gTLDs when the objection process, comparative evaluation process, and voluntary negotiations fail to reduce the applicant pool for the same gTLD to a single applicant. The proposed auction process will work as follows:

- 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 disclose the number of auction participants remaining only 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.

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Trademark Protection

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." It has set up the IRT, which has issued its report with recommendations on these issues.

The IRT Report

The IRT report recommends the creation of the following:

- An IP Clearinghouse;
- A globally protected marks list (GPML);
- A uniform rapid suspension system (URS);
- Post-delegation dispute resolution mechanisms at the top level;
- Whois (a tool allowing Internet users to search for particular Internet domain names) requirements for new TLDs; and
- Use of algorithm in string confusion review during initial evaluation.

The IP Clearinghouse

The IP Clearinghouse is intended to act as the central entity through which all new gTLD registries and registrars interact in relation to a GPML and a pre-launch Internet protocol claims service.

Trademark owners should submit the details of any registered trademarks or unregistered rights to the IP Clearinghouse. The IP Clearinghouse will:

- Validate trademark rights annually, which can then be used by new gTLD registries for pre-launch rights protection mechanisms, such as sunrise schemes;
- Produce a GPML of trademarks satisfying strict requirements that has the effect of limiting third-party applications for (1) top-level domains that match or are confusingly similar to trademarks on the list and (2) second-level domains that match trademarks on the list; and
- Provide a pre-launch IP claims service that will notify new gTLD applicants and trademark owners that a

validated right exists when the identical term is applied for at the second level.

The IP Clearinghouse will be operated by a neutral, outsourced service provider under a renewable multi-year contract with ICANN. The IP Clearinghouse will provide its services to gTLD registries and registrars at no charge. Trademark owners will pay a reasonable fee to place and maintain their records in the database.

The GPML

The IRT recommends the creation of a GPML to protect global trademarks at the top and second levels. The criterion for inclusion on the GPML is the ownership of a yet-to-be-determined number of trademark registrations in a number of countries across the five ICANN regions (North America, Europe, Africa, Asia/Australia/Pacific, and Latin America/Caribbean). A previous version of the IRT suggested that 200 registrations would suffice. It is unclear whether this number will be revised upward or downward. All trademark registrations must have been issued on or before the date that the GPM applications are first accepted and must be based on trademark registration applications filed on or before November 1, 2008. In addition, the second-level domain name for the GPM's principle online presence must be identical to the GPM. Registration of a GPM will prevent the successful application of an identical gTLD in all but very limited circumstances.

Second-Level Rights Protection Mechanisms

The IRT recognizes that trademark owners face a larger threat at the second level than at the first level. It recommends a two-tiered approach at this level, one for GPMs and one for other trademarks:

- With respect to GPMs, any new gTLD registry must implement a mechanism that initially blocks the registration of second-level domain names that are an identical match to the GPM. To overcome the block, the applicant must show that it has a right or legitimate interest in the initially blocked name.
- For non-GPMs, any new gTLD registry must provide a pre-launch IP claims service, under which each new gTLD registry must provide notices to both potential registrants of domain names that identically match trademarks contained within the IP Clearinghouse and owners of trademarks contained within the IP Clearinghouse of the registration of domain names that identically match its trademark.

- Except for GPMs, registrants shall not be prevented from registering domain names matching marks contained within the IP Clearinghouse, provided that each registrant receiving a notice through the IP claims service:
 - (a) Opts into the registration of the domain name after receiving notice;
 - (b) Warrants that it has a right or legitimate interest in that domain name;
 - (c) Warrants that it will not use the domain name in bad faith;
 - (d) Acknowledges that the registration or use of the domain name in bad faith may result in suspension; and
 - (e) Warrants that the registrant contact information is valid and accurate.

Draft Uniform Rapid System (URS)

The IRT also recommends the implementation of a new dispute resolution procedure intended to supplement the Uniform Domain Name Resolution Procedure (UDRP). The URS intends to provide a faster, lower-cost way to stop the operation of an abusive site when there is no genuine contestable issue as to the abuse that is taking place. The UDRP, by contrast, is designed to transfer an abusive domain name to the brand owner.

The URS is intended to be mandatory in all registry agreements for new gTLDs and will be administered by a third-party provider. Complaints should set out the basis for the objection and details of the trademarks. Once the complaint is filed and validated, the URS service provider must send a notice to the gTLD registry operator within 24 hours. The gTLD registry then freezes the domain name. Within 24 hours, the URS service provides notice to the registrant and the registrar of record. The registrant then has 14 days to file an answer.

Interestingly, when the complaint concerns 26 or more domain names, the registrant must pay a fee to file an answer. This is intended to strike a balance between requiring a registrant to pay to defend its rights and to prevent gaming.

After the answer is filed, an examiner considers whether there is clear-and-convincing evidence of the following three basic issues:

1. The domain name is identical or confusingly similar to the complainant's valid trademark registration

issued by a jurisdiction that conducts substantive examination of trademark applications before registration;

- 2.. The domain name registrant lacks any right or legitimate interest in the domain name; and
3. The domain name has been registered and used in bad faith.

Unlike the UDRP, the losing party may appeal to the UDRP, a URS ombudsman, or a court of appropriate jurisdiction, depending on the result. If the complainant is successful, the name is frozen but not, as in the UDRP, transferred.

Post-Delegation Dispute Mechanism

This section concerns the ability to control registry operators in the handling of disputes over their activities. The IRT recommends that registry operators be required to submit to mandatory administrative proceedings if the registry operator:

- Operates the TLD in a way that is likely to cause confusion with the complainant's mark;
- Is in breach of specific rights protection mechanisms contained in the registry operator's agreement that is likely to cause confusion with the complainant's mark; or
- Exhibits a bad faith intent to profit from the systematic registration of domain name registrations, which are identical or confusingly similar to complainant's name.

The enforcement tools available include sanctions and suspension, group liability, and termination of the registry operator's contract when there have been three separate and distinct incidents within any 18-month period.

Whois Requirements for New gTLDs

The IRT considers the provision of Whois information essential for the cost-effective protection of consumers and intellectual property owners. For this reason, the IRT recommends that registries provide Whois information, with the full contact details of the registrant.

Conclusion

From the public comments received by ICANN to date, the only unifying aspect emerging from these submissions is the diversity of interested communities,

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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.

Further, if it adopts some or all the recommendations of the IRT, ICANN will have taken some steps to

protect trademarks in the new gTLD space. Nonetheless, for every call to protect marks in the new gTLD space, there is 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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