

Client Alert

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of the Firm

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ICANN Releases Draft Applicant Guidebook for New Generic Top Level Domains

The Internet Corporation for Assigned Names and Numbers (ICANN), the organization that is responsible for the allocation of Internet domain names and IP addresses, is about to launch a new program that will permit organizations to create and operate generic top-level domains (“gTLD”s) (e.g., .com, .net, etc.). Last week, ICANN released a draft version of the “Draft Applicant Guidebook for new Generic Top-level Domains” (the “Guidebook”) which sets out proposed policies and processes for the new gTLD program.

There are currently 21 top-level domains, including the familiar .com, .net and .org domains, and the less well-populated .info, .kids and .biz domains. Under the new gTLD program, applicants can design and “self-select” a new domain that they feel is appropriate for their customers or for their target market. By way of example, the “XYZ” company might choose to apply for and operate the “.xyz” domain on behalf of itself and its related corporate entities, or a trade organization might choose to apply for and operate a domain reflecting the nature of its membership.

You should be aware of the new gTLD program and the draft Guidelines. Obviously, to the extent your company is interested in operating a gTLD, either alone or in conjunction with other companies in your industry (e.g., videogames, .books, .cable, etc.), the Guidelines are relevant. Also, you may be concerned about others operating such a gTLD. Finally, trademark holders must understand the dispute resolution process by which ICANN will evaluate objections by existing rights holders to the establishment of new domains.

The draft Guidebook has been posted on the ICANN website and is available for public review and comment for at least 45 days. It is available at ICANN’s website at: <http://www.icann.org/en/topics/new-gtld-draft-rfp-24oct08-en.pdf>

Comments will be used to revise and prepare the final Applicant Guidebook, which ICANN is working to release in early 2009. To the extent you are interested in having input into the final version of the Guidebook, this is your opportunity.

The gTLD Application Process

According to the draft Guidebook, during an application period to be determined, any “established entity” from anywhere in the world may submit an application to operate a gTLD.

ICANN has defined two types of gTLDs that would be available: “open” gTLDs and “community-based” gTLDs. Open gTLDs are generally available to any type of applicant. A “community-based” gTLD must address a clearly identified, organized, pre-established community, and be endorsed by that community. Applicants must establish a clear link between the “gTLD string” representing the new domain and the community. The applicant also must propose a dedicated registration and use policy.

Information about all applications will be posted on ICANN’s website for the duration of the application period.

According to the draft Guidebook, ICANN will review each applicant’s organizational, operational, technical and financial capability to maintain a gTLD. All proposed gTLD strings also will be checked for stability, conflict and confusion. Any strings that may lead to technical instability, unexpected results in the domain name system, or that may cause string confusion will be rejected. Additionally, a proposed gTLD string can not be a reserved name or an existing gTLD.

Objection and Dispute Resolution

The draft Guidebook also sets forth an objection mechanism that is of particular importance for trademark holders. Within a defined objection filing period, interested parties can challenge the registration of a new gTLD. Potential grounds for objection include:

- String confusion – strings cannot be confusingly similar to an existing gTLD.
- Infringement of rights – strings must not infringe the existing legal rights of others that are recognized or enforceable under generally accepted and internationally recognized principles of law.
- Morality and public order – strings must not be contrary to generally accepted legal norms relating to morality and public order.
- Community objection – an application will be rejected if an expert panel determines that there is substantial opposition to it from a significant portion of the community to which the string may be explicitly or implicitly targeted.

The objection mechanism gives trademark holders, as well as other interested parties, the opportunity to oppose a gTLD application based on existing rights. However, there is no procedure in place to notify brand owners that a third party has submitted an application that includes the owner's trademark as part of the gTLD string. Brand owners will have to monitor carefully the posting of gTLD applications on ICANN's website, and file any objections within the filing period. Failure to utilize this defensive strategy could result in costly litigation post-approval.

In the event that two or more qualified applicants apply for identical or overly similar gTLDs, a string contention process will be invoked. Applicants will be informed about the contention and given time to mutually resolve the issue. If applicants are unable to resolve conflicts among themselves, ICANN will either conduct comparative evaluations to determine who is best qualified to operate the gTLD or auction off the domain name to the highest bidder.

Fees and Costs

ICANN has set the proposed application fee at \$185,000. In addition, applicants must pay registrar fees and the costs of addressing potential objections. The application fee also does not include the cost of running the domain once the application is finally approved.

Practical Implications of gTLD Expansion

ICANN's gTLD expansion plan presents business opportunities, as well as risks, for trademark owners and others.

From a trademark owner's perspective, an organization can exercise greater control over its brand on the Internet by creating a relevant top-level domain name. An entity that obtains a gTLD can create a closed registry where all domains and sub-domains may be used for internal organizational use only. Creating a brand focused gTLD also may foster a greater sense of community among customers and business partners. gTLD owners also would be able to set their own standards and rules within the domain. However, given the expense and administrative burden of such an undertaking, it should not be pursued without careful thought.

One way of potentially taking advantage of the new GTLD program while sharing the cost and burden is to create an industry gTLD. This may be done most easily by a trade association or other collaboration between members of an industry.

The plan poses several challenges for companies. An increase in the availability of gTLDs will expand the ever-growing challenges for trademark holders on the Internet. If a trademark owner does not apply for the relevant gTLDs in the earliest application rounds, the owner may lose the opportunity to register either identical or similar gTLDs in the future. Additionally, the six-figure cost of the application makes large scale defensive registration a less feasible brand-protection strategy. Instead, organizations will have to proactively monitor ICANN for new gTLD applications that may be infringing on their rights or pose a threat to their branding, and file the necessary objections within the appropriate filing period.

Similarly, to the extent some members of an industry join together to operate an industry-based gTLD, other players in that industry will have to determine whether to accept that group running a gTLD for an entire industry, or whether they should challenge the group's ability to "speak" for the entire industry.

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Client Alert

This Client Alert is brought to you by the Technology, Media and Communications Practice Group and the Trademark and False Advertising Practice Group of Proskauer Rose LLP.

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