

.BRAND

Your Guide to the New TLDs

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New TLDs are Coming January 12, 2012—Are You Ready?

The Internet is getting a make-over. Consumers will soon be typing newly branded and generic top-level domains in their search engines and browsers like .HONDA and .TOYS rather than .COM. On January 12, 2012, the Internet Corporation for Assigned Names and Numbers (ICANN) will begin accepting applications for new top level domains. What is your company planning to do? Will you play offense, defense or both? The goal of this Guide from Dykema's Brandamentals™ team is to explain the new TLD system and help you answer these questions.

What are TLDs?

TLD stands for "top-level domain"—the technical name for the string of characters to the right of the dot. Second-level domains are the string of characters to the left of the dot. For example, in the website <http://www.nike.com>, the TLD is ".com" and the second-level domain is "nike". If Nike applies for a new .NIKE TLD and is successful, it would be the "Registry Operator" for the .NIKE TLD in the same way another company is currently the Registry Operator for .COM. Nike would actually be the organization in control with the ultimate say over the TLD and who is allowed to register and use second-level domains in that string (e.g., <http://www.shoes.nike>).

New TLD registries may be open or closed. An open registry is one where the public can register second-level domains within it. Most .GENERIC top level domains like ".TOYS" or ".CARS" will be open since the Registry Operators will sell second-level domains, e.g. <http://www.dolls.toys>, for use by other individuals and companies. With an open registry, the Registry Operator can set restrictive registration policies as well.

A closed registry is one where all second level domains within the registry can be accessed by the public, but cannot be registered by members of the public. Most .BRAND TLDs will fall into this category because the operators will not sell second-level domains but allow them to be used by their affiliates, franchisees, and perhaps customers (e.g., john.smith.canon) instead.

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Playing Offense—Benefits of Having Your Own TLD

In addition to having control over an entire TLD, there are tangible benefits of having a TLD such as:

- **Preventing Fraud:** Consumers will eventually learn to look for their favorite companies and brands by their .BRAND TLD. They will come to understand that “if it’s not .BRAND, it’s not authentic.” A company which controls a TLD may have fewer problems with its customer base being confused as to the source of other web sites. This could be extremely beneficial to industries such as the financial sector which are susceptible to fraud and phishing schemes.
- **Gain Consumer Trust:** Consumers will be assured any website within your TLD comes from a legitimate source—YOU.
- **Improved Accessibility:** Having your own TLD will make it easier for consumers to find information on your products—information that is legitimate.
- **Savvy Marketing:** The public will think of you as an innovator. The Internet is taking a new shape, and you will be among the forward-thinking pioneers who took the bull by the horns.
- **Prevent Cybersquatting:** Since you would have control over your registry, you can prevent cybersquatting at the second-level.

Application Basics—Process and Timelines

The application process and operation of a registry is complex. Therefore, you need experienced counsel familiar with the domain name landscape like Dykema to help you apply for a TLD. This is a one time opportunity and you may not have another chance to apply for a TLD for another decade.

Jan 12—April 12, 2012:

The application period opens January 12, 2012 and runs through April 12, 2012. An applied-for TLD must be at least three characters and can be in non-Latin characters. Importantly, only organizations can apply, not individuals. Moreover, applications are not granted on a first-come-first-served basis. Rather, ICANN will evaluate all of them at the same time at the end of the application period.

April 12—26, 2012:

Two weeks after the application period closes ICANN will publish pertinent information from all of the submitted applications.

April 26—May 26, 2012:

There will be a 60-day public comment period.

May 27—December 27, 2012:

A 7-month objection window.

Thereafter:

The applications undergo an Initial Evaluation and if an applied-for TLD is “confusingly similar” to another applied-for TLD, they will be placed in a “string contention set.” An auction among the applicants in the string contention set will follow with the highest bidder acquiring rights to the TLD. During the Initial Evaluation, ICANN will determine whether your company has the technical and financial capabilities to operate a registry. ICANN will also investigate the entity and its members (e.g., directors, partners, officers) and will look for any instances of malfeasance such as cybersquatting and criminal activity. If necessary, the application may go into Dispute Resolution and/or Extended Evaluation, both of which cost more money.

The next TLD application period could be 10 years from now!

The entire process can take 9-20 months or longer, depending on how many applications ICANN receives and how many objections are filed. Applicants can withdraw during the application process and may get a refund of fees, depending on which stage they are in. The sooner they withdraw, the more money they will get back.

If you do decide to apply for a TLD, here are a few things to be aware of:

- If your applied-for TLD is too generic or identifies a geographic location, you may face objections or be rejected by ICANN;
- ICANN has the power to “redelegate” the TLD which means that it can transfer the registry to another operator at its sole discretion. There is an exception, but it is limited. At this point, it is unclear under what circumstances ICANN would force a redelegation; and
- The agreement with ICANN dictates that you operate the registry for a period of ten (10) years, so you will be in it for the long haul and should budget accordingly.

Costs of Applying and Maintaining a New TLD

With great opportunity comes great cost. ICANN's application fee alone is \$185,000 for each applied-for TLD. This is just the application fee and does not mean you will be granted the TLD. There may be additional costs if you become involved in a dispute where two applicants with equal rights both apply for the same or similar TLD. Some estimate the cost to obtain and run a TLD will be about \$2 million over the next 1-2 year period. If you are successful in applying, there are quarterly fees amounting to \$25,000 per year. In addition, you must pay ICANN 25 cents per domain name registered within your TLD per year once there are over 50,000 domain names.



The cost of obtaining and operating a TLD could be covered if you operate an open TLD and successfully market and sell second level domains to the public. However, because operating a registry is highly complex and technical, unless you are a sophisticated technology company you most likely will have to hire a back-end registry service provider and a data escrow company, among other service providers, thus adding even more overhead costs. Moreover, there are several onerous obligations to ICANN once you begin operating your registry so there will be costs associated with compliance. Lastly and perhaps most importantly, you will need to pay to market your new TLD and re-educate consumers on where to find information about your brand and products. After all, Internet consumers are only accustomed to searching for most brands in the .COM or .NET space. Thus, marketing and education costs could be significant.

Regardless of whether you apply for a new TLD, you will need to defend your brand from misuse by others. Initially, you will want to ensure your brand is protected from misuse at the top level by monitoring the applications for new TLDs to make sure none are too close to your brand. If you have to object to an applied-for TLD, here are the procedures:

Playing Defense—Protecting Your Brand Even if You Have No Interest in Having Your Own TLD

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Protecting Your Brand at the Top Level

ICANN recognizes the following four types of objections to newly applied for TLDs:

1. String Confusion objection. Can only be made by fellow TLD applicants. In essence, a TLD applicant files an objection to another TLD application and asserts that the two applied-for TLDs are confusingly similar. If successful, the two TLDs are placed in a contention set together and, as noted previously, the name is auctioned to the highest bidder;
2. Legal Rights objection. Arguably the most important, only rights holders can make this objection, and the source of the legal right can be either a registered or unregistered trademark;
3. Limited Public Interest objection. Available when the applied-for TLD is contrary to general principles of morality or public order; and
4. Community objection. Only "communities" can make this type of objection. ICANN has established stringent criteria for community TLDs and the community must be clearly delineated. The community, which could be an industry, contends that the applied-for TLD would result in material detriment to the rights and interests of the community. For example, the banking industry could object to an application for .bank. Or the adult entertainment industry might object to an application for .sex.

Protecting Your Brand to the Left of the Dot at the Second-Level:

There are several ways to protect your brand after a second-level domain has been registered. This Guide only highlights the rights protection mechanisms available immediately before and after the launch of the new TLDs, namely the Sunrise Period and the Trademark Claims Service, respectively.

Sunrise Period

This Sunrise Period is for a minimum of 30 days and occurs BEFORE the new TLDs go live. During this period, trademark holders can apply for second-level domains within the new TLD before the general public can. Also during this time, the registry operator is obligated to provide notice to trademark holders that another applicant has taken advantage of this Sunrise Period and has applied for a second-level domain

that is identical to that of the holder's mark. However, in providing this notice, the registry operator only looks to the Trademark Clearinghouse. Therefore, you **MUST** register your mark in the Trademark Clearinghouse if you want to be notified of such activity. There are specific requirements for registering your mark with the Clearinghouse.

Requirements for Trademark Clearinghouse

Sunrise Period	Trademark Claims Service
(i) Nationally or regionally registered AND proof of use, (ii) Court-validated, OR (iii) Protected by statute or treaty currently in effect and that was in effect on or before June 26, 2008.	(i) Nationally or regionally registered, NO proof of use, (ii) Court-validated, OR (iii) Protected by a statute or treaty in effect at time mark is submitted to Clearinghouse <i>*No demonstration of use is required.</i>

Trademark Claims Service

AFTER the launch of the new TLD, the registry operators must provide for at least 60 days a Trademark Claims Service. This Service is essentially another notification system in which the registry operator notifies the trademark holders (who have registered their marks in the Trademark Clearinghouse) that someone in the general public has sought or has received registration of a second-level domain that is identical to the holder's mark. There are also specific requirements for registering your mark with the Clearinghouse, which are not as stringent as those for the Sunrise Period.

Takeaways

Offense:

1. If you haven't decided whether to apply for a new TLD, do so NOW. The next TLD application period could be 10 years from now! If your brand name is shared with another entity that also has legitimate rights to the brand (e.g., Delta faucets, Delta airlines, Delta dental), you should carefully consider applying now. If the other entity applies during this application round and you don't, you will lose your chance to control the string (e.g., .DELTA).
2. If you do decide to apply for a new TLD, remember it is no simple undertaking. You will need experts to help you through the process and to maintain your registry. Contact Dykema for assistance.

3. If you are successful in applying for a new TLD, you are signing an agreement with ICANN for 10 YEARS. It is difficult to make amendments later in time, so be sure to look into the future when drafting your application. Dykema is here to help you with your application.

Defense:

1. Register your marks with the Trademark Clearinghouse. To make that process much easier, ensure your marks are registered with the USPTO. If they are not, you can contact Dykema's Trademark Practice to assess the strength of your marks and to determine whether they are registrable.
2. Even if you do not apply for a new TLD, you will need to take SOME action and have the resources to do so. Be sure to adjust your brand protection budget accordingly because you may need to make an objection.
3. MONITOR! You need to monitor the list of new TLD applications and second-level domains to ensure no one is unrightfully taking advantage of your brand name. The TLD operators are only obligated to provide notice for a total of 90 days. Thereafter, it will be a free-for-all. Dykema's Trademark Practice can do the monitoring for you.
4. Be prepared to purchase second-level domains for your brand in the new .GENERIC extensions that correspond to the industry in which you operate. Again, Dykema can assist you.

This is the New Frontier...

Be excited and on-guard simultaneously. Several organizations have vehemently objected to the new TLD program saying there will be disastrous consequences and that with more Internet space, more criminal activity will follow. While it will be fascinating to see how the Internet transforms as a result of the new TLDs, there is no doubt brand owners will incur additional costs on the enforcement/defensive front during and after the initial application period. If you choose to be a pioneer and apply for a .BRAND TLD, you also will incur significant costs in re-educating consumers and building brand equity in this new Internet frontier.

If you are interested in working with us, or would like more information about the new TLDs, call or email Dykema's Trademark Practice Group Leader, Eric Fingerhut, at 202.906.8618 or efingerhut@dykema.com.

Please also visit us at www.dykema.com