

# ALERTS

## ICANN Approves New gTLD Program

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When it comes to matters that affect our clients, Moore & Van Allen stays on top of new developments and works diligently to ensure our clients are every bit as informed. MVA's IP Practice Group wants to update clients on ICANN's approval of the .XXX extension and the generic top-level domain (gTLD) expansion. These developments present a number of issues for trademark owners and entities that conduct a significant amount of business online.

### **Approval of the .XXX Extension:**

On April 1, 2011, ICANN approved the .XXX extension for delegation. ICM Registry, the entity that will own and oversee .XXX, initially applied for the extension as part of a "proof of concept" round of applications for new gTLDs in 2000 as a gTLD intended to benefit the Adult Entertainment Industry. The application was widely criticized by both opponents and supporters of the industry and only just won ICANN's approval.

The extension is currently scheduled to launch in September of 2011 with two Sunrise periods, Sunrise A and Sunrise B beginning September 7, 2011 and extending through October 28.

Sunrise A is directed to trademark and domain name owners within the adult industry and will provide such owners the opportunity to register domains corresponding to their existing trademark registrations or domain names with a .XXX extension.

Sunrise B is directed to trademark owners who desire not to be associated with the .XXX extension. Any entity with trademark registration of national effect in a jurisdiction where the applicant conducts substantial bona fide commerce in connection with the mark will be able to apply for inclusion on a reserved list. The trademark must be registered before the beginning of the Sunrise period and must correspond to the exact mark or textual portion of a word and design mark to the domain name to be added to the reserved list. The cost to apply to add a trademark to the reserved list will be set by individual registrars but will be between \$200 and \$300. This fee is intended to be a one time fee, and if the applicant is successful, should reserve the domain for at least as long as ICM Registry runs the .XXX extension (guaranteed for 10 years).

If an application for the same domain is received from both a Sunrise A applicant and a Sunrise B applicant, both parties will receive notice of the other application and the Sunrise A applicant will be given the opportunity to withdraw its application. If the Sunrise A applicant elects to proceed with the registration of the domain name, it will be granted to the Sunrise A applicant and the Sunrise B applicant will have to rely on existing mechanisms to object to the new domain name.

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If the Sunrise B applicant is the only applicant, the domain name will be reserved and the domain name will resolve to an informational page indicating, at a minimum, that the domain name is not available for registration. Moreover, the Whois information associated with the domain name will include the information of the registry and not the information of the Sunrise B application.

ICM Registry also anticipates offering a number of post registration rights protection mechanisms, but the specifics for these mechanisms has yet to be defined. What has been proposed is a take-down procedure where a panel of experts issues a decision within 48 hours if a third-party registers a domain that corresponds to a well-known or inherently distinctive mark without a legitimate interest in the domain. If the objector is successful, resolution of the domain name will be terminated (not transferred). ICM Registry estimates the cost for the take-down procedure will be between \$750 and \$1500. It is also anticipated that second level registrations (to the left of the dot) under .XXX will be subject to the Uniform Dispute Resolution Procedure (UDRP). ICM Registry also anticipates offering a post-landrush reserved names procedure akin to the Sunrise B. However, the associated fee is likely to be higher than \$200-\$300 and it is unclear what type of trademarks will be eligible.

We generally recommend that trademark owners consider adding at least their primary marks to the reserved list. For a relatively modest investment, a trademark owner can ensure that its primary marks are not improperly associated with the Adult Entertainment industry. Beyond primary marks, trademark owners need to carefully consider the likelihood that its other marks are may be improperly registered by third-party under .XXX and the potential reputational damage to the trademark owner if such a registration were to occur. However, given the historical abuse of domain names and their connection to adult content oriented sites, consumers may be unlikely to believe that a .XXX domain corresponding to the company's brand are somehow associated or endorsed by the trademark owner. Accordingly, the post registration protection mechanisms may ultimately provide sufficient flexibility for trademark owners to protect their marks.

### **New gTLD Program:**

We have previously discussed the proposed expansion of the gTLD space here. On June 20, 2011 ICANN finally approved the new gTLD program. The first round of applications will open January 12, 2012 and last for three months.

There will be a \$185,000 fee for each application, but given the costs associated with preparing and filing an application, responding to potential objections, delegating the new extension to the root zone and operating the new gTLD, entities should anticipate an initial cost of at least \$400,000 to \$500,000 for securing a unique gTLD.

Each application filed during the initial round of applications will be reviewed to ensure that the application is complete and then ICANN will publish a list of all complete applications including all non-confidential portions of the application and the desired new extension. This publication opens the period for third-parties to file an objection to any of the new applications as well as opening the public comment period.

ICANN will then conduct a substantive review of each application consisting of a string review and an applicant review. The string review will consider whether the proposed new gTLD is visually similar to any existing gTLDs, country code top level domains, protected geographical designations (consider for e.g. "USA")

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or reserved names and whether the proposed gTLD is visually similar to a gTLD being requested by another applicant. The applicant review will consider whether the information provided by each applicant demonstrates sufficient financial, technical and operational capability to operate a new gTLD.

As soon as the initial review is concluded for all applications, ICANN will publish notice of the results of its evaluation, currently projected to occur in November 2012, identifying those applications that have been approved and those that have been denied. Two weeks after ICANN publishes its list of successful applicants, the period for filing an objection to a new application will close.

Any application can be objected to, by a party with sufficient standing, on the basis of one or more of the following four grounds:

- String Confusion - i.e. the proposed extension is confusingly similar to an existing gTLD or country code top level domain or the extension requested by another applicant;
- Legal Rights Objections - i.e. proposed extension is confusingly similar to an existing registered trademark
- Limited Public Interest - i.e. the proposed extension is a racial epithet or incites violence; or
- Community Objection - i.e. an application identified as representing a specific community is not representative of the specified community

Each of the grounds for objection is associated with a different dispute resolution process delivered by a different provider, meaning that objections raised on multiple grounds will result in separate proceedings. The fees will vary according the grounds for objection and will be set by the provider. A legal rights objection (i.e. trademark based objection) is estimated to cost between \$8,000 and \$20,000 depending on whether the parties elect to have the objection considered by a one member panel or a three member panel.

If an applicant successfully completes ICANN's review and does not face an objection, or successfully overcomes any objections, the applicant must enter into an agreement with ICANN before the new gTLD will be delegated, requiring among other things, the payment of an annual \$25,000 fee, reporting requirements and adherence to specified rights protection mechanisms ("RPMs").

The mandatory RPMs include multiple dispute resolution procedures as well as the adoption of a Trademark Clearinghouse and the provision of a Claims Service and Sunrise Procedure prior to accepting third-party domain registrations at the second level.

The Trademark Clearinghouse is intended to act as a central repository for information to be authenticated and distributed to new registry operators. Owners of trademark registrations will have the option to record their trademark registrations with the Trademark Clearinghouse. Along with the trademark registration, the owner will be required to submit proof of use of the trademark and an affidavit attesting to the validity of the mark. The Trademark Clearinghouse will collect and verify the documentation of the trademark owner's rights and will provide this information to new registry operators in connection with the operation of the Claims Service and Sunrise Procedure when the new gTLDs begin accepting second level domain registrations.

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A Claims Service refers to a procedure wherein the registry operator is required to give the owner of a trademark registration, recorded with the Trademark Clearinghouse, notice of an application for a domain name registration that is identical to its recorded mark. The domain name applicant is also provided notice of the trademark owner's recorded rights. It is then incumbent on the owner of the trademark registration or domain name applicant to act on the information provided. Under a Sunrise Procedure, trademark owners are provided an opportunity to register second level domains corresponding to its registered trademarks prior to domain names being offered to the general public.

In addition to these pre-registration requirements, the mandatory RPMs also provide for a Uniform Rapid Suspension ("URS") procedure and Post-Delegation Dispute Resolution Procedure ("PDDRP"). The URS is intended to provide an efficient mechanism to object to clear cases of domain name abuse. It is intended to provide resolution in a short period of time (approximately 30 days) for a relatively low fee (around \$300). The sole remedy for a successful URS complaint is suspension of the domain name. The domain will not be transferred over to the complainant.

The PDDRP provides trademark owners with the ability to bring a claim directly against a registry operator. However, in order to bring such a complaint, the trademark owner will need to establish that the registry operator is engaging in a pattern or practice of encouraging third-parties to register domain names that infringe the rights of the trademark owner. It seems to us that the PDDRP, with its requirement of establishing a pattern or practice of behavior will limit the effectiveness of the PDDRP as a right protection mechanism in all but the most egregious cases.

Whether your company should apply for a new extension largely depends on whether you have a business plan for monetizing the new domain or can express a clear value to having your own extension. A brand gTLD may represent a unique opportunity to unify a companies' electronic communications around an existing brand and may provide an effective mechanism for combating cybersquatters as customer learn to recognize that only communications with the brand gTLD originate from your company. However, given the costs and requirements associated with becoming a registry operator, and since it is unclear whether consumers will widely adopt new gTLDs in place of familiar extensions, such as .com, a company should only apply for a gTLD after careful consideration and support from multiple stakeholders (i.e. business, marketing, IT, legal etc) within the organization.

That being said, any entity that does a significant amount of business online, whether they intend to apply for their own extension or not will need to plan for how they will protect their trademarks from a third-party applying for an extension similar to their brand and for protecting trademarks at the second level (i.e. to the left of the dot). Such planning will require familiarity with the procedures touched on above, a solid branding strategy and a flexibility to respond the new domain name environment as it begins to develop with the new expansion.

We stand by ready to assist you in any way to help protect your marks in this new environment.