

Advertising Technology & Media Alert

If you have questions or would like additional information on the material covered in this Alert, please contact the author:

John L. Hines, Jr.
 Partner, Chicago
 +1 312 207 3876
 jhines@reedsmith.com

...or the Reed Smith lawyer
 with whom you regularly work.

Move Over Dot Coms—Get Ready to Dot Your Brand!

The Internet as we know it is changing dramatically. Instead of using domain names ending in “.com”—the most popular of the “top level domains” or “TLDs”—organizations located anywhere in the world may soon be able to purchase a TLD that corresponds to just about any word or phrase, including an organization’s name or brand.

What Will All of This Mean to Your Business?

Consider these examples:

- A financial services trade association might try to buy the domain “.bank” with the idea of servicing a financial community and selling second-level domains (the name to the left of the “dot”) to eligible financial institutions. A financial services company may then decide to purchase and do business from “firstnational.bank.”
- On the other hand, First National might simply buy the TLD domain corresponding to its brand: “.firstnational.” John Smith, a trust officer, might then be located at jsmith@trusts.firstnational; Susan Jones, mortgage banker, might be located at sjones@mortgage.firstnational, and so on.
- A consumer goods company might consider a TLD corresponding to its brand as an opportunity to create customer confidence in the shopping experience—a kind of web authentication that distinguishes the company’s site from the many other sites and general “noise” and “static” on the web. Thus, a powerful retail clothing brand might buy the corresponding domain—and organize second-level domains according to categories, such as “menswear,” “shoes,” “coats,” etc.
- On the other hand, a company might use its valuable brand in the form of a TLD to reward its valued suppliers with the opportunity to use the TLD brand extension with the second-level domain. A global fast food chain (call it “goodchicken”) might allow its approved contractors to use “supplier.goodchicken.”

Given the hierarchical structure of the domain name system generally, there are a variety of ways in which the new TLDs might facilitate unique business/organizational objectives, while potentially enhancing the customer experience and increasing brand loyalty and awareness.

Currently, the domain name system is limited to 21 “generic” TLDs (.com, .org, .net, .info, .biz, etc.) and about 240 “country code” domains (e.g., .us, .uk, .fr, etc.). According to Paul Twomey, President and CEO of the International Corporation for Assigned Names and Numbers (“ICANN”)—the international not-for-profit organization responsible for coordinating the Internet addressing system—the expansion of the generic top level domain space is “driven by the demand for more innovation, choice and change to the Internet’s addressing system...[and] has the potential to be one of the biggest influences on the future of the Internet.”

Others disagree about the potential impact—at least as the initiative applies to existing businesses—and see little reason to spend the money for another top level domain other than, perhaps, very reluctantly as a defensive measure to keep others out of their space. Some in this camp resent the introduction of the new TLDs as creating complexities and costs that far outweigh any benefits.

On Oct. 23 2008, ICANN published its *Draft Applicant Guidebook* for comment by the Internet community. More than 300 comments were submitted, including many from major corporations, government agencies, and associations from around the world. Many of the comments variously urged ICANN to “slow down,” questioned the need for introducing new gTLDs and expressed concern over the impact of the new gTLD on trademark rights. Parties sympathetic to the rights of trademark holders were particularly concerned about the potential for malicious conduct (e.g., phishing and cybersquatting) over an expanded number of domain channels, and about the burden of monitoring second level domain usage over these new channels. They also noted that companies would be forced to dramatically increase their already costly defensive domain registration and

enforcement programs. ICANN responded Feb. 18, 2009, with the *Draft Application Guidebook, Version 2*. ICANN does appear to be taking a more cautious approach and the launch of the new gTLDs is not expected until at earliest, December 2009. ICANN is receiving comments to the latest version of the *Guidebook* until April 13, 2009—and has indicated a willingness to continue considering the bigger issues involving trademark rights.

Who Can Apply and How Much Will it Cost?

The *Guidebook* is obviously a work in process and subject to change; however, according to the current version, “[any] established corporation, organization, or institution in good standing may apply for a new gTLD.” Individuals and sole proprietorships will not be permitted to apply. Permitted applicants must designate their applications as “open” or “community-based.” Generally, an open TLD is one that can be used for any purpose and may or may not have eligibility or user restrictions, or an exclusive relationship with a particular entity or user population. A community-based TLD is “operated for the benefit of a defined community consisting of a restricted population.” A corporation applying for a TLD for use in the marketplace would designate its application as “open.” A large trade or labor organization would probably designate its application as “community-based.”

Interested organizations beware: the projected costs will be steep. Based on the *Guidebook*, those interested should be prepared for a healthy investment, as the proposed application fee alone is US\$185,000. Applicants who choose to withdraw an application may be entitled to refunds of this application fee in varying amounts, depending upon when they choose to withdraw the application.

There may be additional significant filing and/or adjudication fees, depending on whether the examiners raise contentions and whether there are disputes over the applied-for TLD. Additionally, upon successful registration, organizations should count on a sizeable annual registry fee to ICANN, potentially as high as \$25,000 (plus \$0.25 per transaction for registries with more than 50,000 second level domain registrations). As a result, the combination of various fees should act as a powerful market deterrent against cybersquatters and domain speculators—at least as related to the top level domains themselves.

The final version of the *Guidebook* will define the period in which applications may be submitted in the first round. It is expected that there will be subsequent application rounds, and it is possible that certain of the various fees might change (and possibly be lower) for those subsequent rounds.

If your organization is interested in exploring the possibility of buying a new TLD—or the possibility of preventing another organization (regardless of where it is based) from purchasing a TLD containing a name that corresponds to your brand—it will be important to monitor the rollout of the new TLDs. It will also be vital to monitor for the possible introduction of generic domains associated with a particular type of product, service or community (.bank, .sports, .retail, etc.) and then, if registration is granted, to monitor the progress and processes of the operators of those domain registries in the introduction and sale of second-level domains. (E.g., in the example above, there might be a number of “First Nationals” that would compete for “firstnational.bank.”)

What Will Be Considered in the Evaluation Process?

It is anticipated that applications will be evaluated across two broad categories. First, the examiners will evaluate the combinations of characters (“string”) constituting the name for (a) potential confusion with other existing, reserved or applied-for TLDs; (b) compliance with technical considerations relating to such factors as use, order and number of characters in the domain string; and (c) overlap with any geographic terms (and taking into account the related interest of the applicable sovereign). Second, the examiners will evaluate the technical, operational, and financial capability of the applicant to operate the TLD. Just as in the case of .com, .net, and all of the other generic and country code TLDs, the new TLDs will require a registry that maintains the domain, all the second level domains associated with the TLD (e.g., cars.XYZ, autoparts.XYZ, servicestations.XYZ), and its and their technical association with the entire domain name system. The examiners will evaluate the applicant to ensure it is capable of fulfilling minimum requirements of operating a registry.

What Are the Options for Those Who Oppose an Application?

The final application rules will provide third parties with the opportunity to oppose an application, and will delineate the dispute resolution process. As such, it is anticipated that third parties will be able to object to an application on four grounds: string confusion (e.g., multiple applicants have applied for strings that are confusingly similar); infringement of existing legal rights (e.g., applied-for string is confusingly similar to opposer’s existing trademark); violation of legal norms related to morality and public order; and opposition from a community to which the string may be explicitly or implicitly targeted.

Where it is determined that string confusion exists, and the parties are not able to resolve the issue, the proposed rules contemplate an auction for resolving the dispute. However, if one of the contenders is a community-based application (the applicant is operated for the benefit of a defined community consisting of a restricted population), that applicant may request comparative evaluation, and priority will be given to the community-based applications. The rules also contemplate using the auction mechanism where no one community-based applicant emerges as the winner in a comparative evaluation proceeding (involving more than one community-based application).

Given the high cost of applications, organizations may want to consider lower-cost brand protection options, such as monitoring application activity by others and making use of the objection and dispute resolution process where applicable. The anticipated cost of a dispute resolution proceeding involving string confusion or legal rights (e.g., infringement claims) may range anywhere from \$3,000 to \$13,000 in filing and adjudication fees. It should be noted, however, that the fees associated with resolution of other types of objections—those involving legal norms, morality and community opposition—will be much higher, potentially ranging from \$32,000 to \$122,000. Parties to a dispute will be required to post the full cost of the proceeding in advance. The prevailing party will have its advance payment refunded, while the non-prevailing party will not receive a refund and will be responsible for the cost of the proceeding.

If interested, organizations may submit comments on the *Draft Applicant Guidebook, Version 2* for consideration by ICANN. Comments are due by April 13. The *Guidebook* and other materials are available at ICANN's site at www.icann.org.

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John Hines, Jr., a partner in the Reed Smith Chicago office, has 10 years of experience in the field of Internet law, and handles matters involving online brand protection, including domain name disputes. Amol Purohit, an associate in the firm's Philadelphia office, assisted John Hines in the preparation of this article.

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