

## Dot Brand Domains: Costly and Questionable

Jennifer M. Lantz<sup>1</sup>

On June 20, the Internet Corporation for Assigned Names and Numbers (ICANN), the nonprofit organization that administers Internet addresses, made the historic decision to expand its generic top-level domains, or gTLDs, by allowing companies to apply to act as the registry for any gTLD they want. No longer will the Internet be limited to .com, .net, .biz or any of the other TLDs currently in existence. For example, Coca-Cola could apply to be the registry for “.Coke.” ICANN will begin implementing its policy (the “New gTLD Agreement”) by accepting applications for new gTLDs between January 12, 2012 and April 12, 2012.

The cost of applying to be a registry is high, and the benefits are uncertain, although ICANN has recently given new clarity to some of the outstanding issues that plagued earlier drafts of the Applicant Guidelines. It’s also unclear that consumers actually “need” more TLD choices; the prevalence of search-driven Internet navigation means that most consumers do not navigate based on domain names, but rely on search engine results to find what they are looking for. For these reasons, brand owners interested in acting as a registry should be aware that any benefits provided by acting as the registry for a new gTLD may not outweigh the heavy cost, the required investment of resources, the potential difficulties in controlling sub-domains within the new gTLD, and the legal battles over trademarks that will undoubtedly ensue.

ICANN asserts that the potential upside for businesses is that gTLDs could offer new options for companies’ Internet presences. Companies may be able turn their names or brand names into a top-level domain, so that the space to the right of the “dot” becomes “.Apple” or “.iPod.” Supporters say this would allow brand owners to create and control a “cyber-brand experience.”

It might also help consumers distinguish between genuine brand offerings and “diversionary” offerings in Web searches. Aside from brand gTLDs, it will also be possible to create top-level domains relating to broad categories of goods, services or topics, such as “.bank,” or “.sports.” The potential downside for businesses will be the real or perceived pressure to acquire their house marks or top brands as gTLDs for defensive reasons — to keep others from “squatting” on new gTLDs that incorporate their company name or their trademarks.

To apply to create these new TLDs, applicants will have to pay ICANN a largely nonrefundable initial application fee of \$185,000, prepare a resource-intensive application and be willing to shoulder the ongoing annual fees of an additional \$25,000 or more per year.

Because the initial fees are largely nonrefundable, ICANN will keep the filing fees even if a domain application is rejected. If an application is accepted, however, companies have only passed through the first layer of the process. Applicants would also then have to be prepared to operate a domain name registry, either by themselves or through a third-party contractor, with associated costs that could run into the hundreds of thousands of dollars depending on the number of requests and activity level.

---

<sup>1</sup> Jennifer Lantz is a partner in the Silicon Valley, CA office of the law firm of Haynes and Boone, LLP. Her practice emphasizes trademark, intellectual property litigation, and copyright practice. She may be reached at [jennifer.lantz@haynesboone.com](mailto:jennifer.lantz@haynesboone.com) or 408.660.4151.

## NEW REGULATIONS ARE NOT YET CLEAR

Changes implemented in the final revisions to the Applicant Guidebook make clear for the first time that it will be possible, at ICANN's discretion, to operate a closed registry, where only the registry operator or its affiliates will be allowed to register sub-domains within the new gTLD. While it's now clear that this is possible, however, that does not mean it is certain in general, much less for a specific gTLD operator. The vague wording of the New gTLD Agreement and contradictions in the implementation guidelines, as well as ICANN's total discretion in allowing an applicant to operate a closed registry, mean that brand owners do not have concrete assurances that the high cost to apply for and operate a registry will result in their ability to leverage these expensive gTLDs to exclusively benefit their businesses and protect their intellectual property from misuse by keeping others out of their gTLD.

The New gTLD Agreement appears carefully vague—and at times contradictory—as to the relationship between the new registry operators and the domain name registrars who might be entitled to register actual domain name strings that end in the new gTLDs. For instance, under the Registry Operator Code of Conduct, a registry operator can obtain an exception to the normal requirements regarding non-discriminatory treatment of all registrars if it shows that it intends to own and maintain all of the domain names within its gTLD in its own right or through Affiliates. This exception appears to mean that a registry could exclude registrars that it does not control from the gTLD. A registry operator loses these exceptions from the Code of Conduct, however, if it sells or permits the registration of even *one* domain name to a non-affiliated third party. Although this exception appears to give brand owners a way to operate a “closed” gTLD registry, it also leaves such a possibility in ICANN's sole discretion—which could be an expensive gamble if ICANN refuses to allow the registry to be closed.

## COSTS FOR DEFENDING RIGHTS WILL INCREASE

Will companies be forced to apply for one or more gTLDs to protect their brands from squatters? Currently, the New gTLD Agreement creates a Trademark Clearinghouse where registered trademarks can be logged. This will provide advance notice to potential registrants that their application for a gTLD may be challenged by the trademark owner. Similarly, trademark owners who have registered their marks with the Clearinghouse will be notified of any attempts to register a logged trademark as a gTLD.

However, the protection for registrants and trademark owners provided by the Trademark Clearinghouse remains limited, as the New gTLD Agreement only requires that these “Trademark Claims services” be provided until sixty days after the launch of a registry. Additionally, trademark owners will still be required to initiate a dispute to protect their rights. Although dispute resolution procedures will be available to rights holders who believe their trademarks are threatened, this is still a significant additional cost for rights-holders to shoulder as well as a burden in terms of monitoring for problems.

This fundamental change to the structure of the Internet comes at a time when many companies still do not have spare resources to dedicate to monitoring the online environment and their brands, yet their brands may feel the greatest harm.

The potential burden of paying \$185,000 to *attempt* to acquire an asset that—even if granted—will require on-going investment that may not create increased consumer attention is a sobering thought for business leaders who increasingly rely on the Internet name space as an integral part of company branding. Brand owners should look carefully at whether they want, and can afford, to operate a new gTLD registry, but

should also have a healthy sense of skepticism as to whether they will be allowed by ICANN to operate the registry in the way most beneficial to their business, and whether such a significant investment is necessary for their Internet presence.

*The opinions expressed are those of the author and do not necessarily reflect the views of the firm, its clients, or Portfolio Media, publisher of Law360. This article is for general information purposes and is not intended to be and should not be taken as legal advice.*

*A version of this article was previously published in Law630, New York.*