

VIRTUAL REALITIES

Generic top level domains: a brave new world in branding



Sharon R Barner and **Toni Y Hickey** of **Foley & Lardner LLP** advise brand owners on how to proactively and defensively protect and enforce their brands from infringement in the new gTLD system

Notwithstanding strong opposition from trade associations, on 20 June 2011, the Internet Corporation of Assigned Names and Numbers (ICANN), the non-profit corporation tasked with coordinating the global internet's system of unique identifiers, approved an initiative to expand the current generic Top Level Domain (gTLD) system through the introduction of new gTLDs¹.

The new gTLDs will likely launch in 2013 and the current system, comprised of 22 familiar gTLDs like .com, .net, .org, will undergo an unprecedented expansion. ICANN is expected to receive more than 400 applications during the filing period, which is scheduled for 12 January 2012 through to 20 April 2012.

This expansion represents one of the most transcendental changes to the internet economy. Given the increasing significance of internet commerce, the availability of an unlimited number of gTLDs, such as .bank, .food and .movie, will provide brand owners with an opportunity to customise, control and operate their own brand-focused Top Level Domain names (TLDs). Brand owners must adopt novel, proactive and vigilant domain name registration and online brand promotion, protection and enforcement strategies to effectively seize this opportunity.

In 2010, global internet retail sales totaled \$15.5 billion. This represents more than a 30% increase from the previous year². Industry analysts believe that by 2013, more than half of all retail transactions will take place online or, at a minimum, be influenced by information that consumers are able to access online³.

The growing trend in internet purchasing is indicative of the increasing importance of internet commerce. A company's internet presence is intertwined with a domain name address, and accordingly, internet domain name addresses are becoming more expensive and valuable.

According to *Domain Name Journal*, in 2010, domain name sales exceeded \$112.8 million⁴. Bidding wars, like the well-publicised \$1.4 million bidding war over the domain name

number of internet users, brand owners must recognise that commercialisation of their brands on the internet is necessary for brand sustainability. For trademark owners who opt to purchase, create and operate their own gTLD, the roll-out provides an opportunity to engage with a growing internet audience. Brand owners must decide which marks in their portfolios should be registered as a domain name address, whether to register their house mark as a "dot-house mark site," or register multiple product lines as "dot-brand sites". Domain name registration strategies should take into consideration a market reality, specifically, that consumers are likely to remember and use short domain name addresses. Brand owners with long company names should consider using a distinct, shortened version of the company name in its domain address. This lessens the likelihood that a user will

inadvertently visit a typosquatter site – a site registered with a small misspelling designed to catch users who inadvertently misspell the web address of the legitimate website.

The gTLD expansion also creates an opportunity for increased global engagement and competition because it will permit owners to operate under multi-lingual and non-Latin scripts, such as Chinese and Arabic. In 1996, the United Nations Educational, Scientific and Cultural Organization (UNESCO) began a linguistic study of language use on the internet and determined that English was the dominant language used (eg, approximately 80% of the internet material). By December 2007, English proliferation had dropped to 45%⁸. The current gTLD system operates under only 22 domains,

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ad.com⁵, demonstrate that not only the market, but the offering price, for domain names is growing. In 2009, Toys “R” Us reportedly spent \$5.1 million in a close bidding war to acquire toys.com⁶. With the roll-out of potentially hundreds of gTLDs, the competition to acquire highly sought after gTLDs will inevitably lead to more bidding wars and higher costs associated with acquisition. The new gTLDs will increase internet competition and further differentiate online offerings of goods and services, but to capitalise on these opportunities, companies must have a fresh domain name strategy.

In addition to an increase in internet commerce, internet use around the world is increasing. There are reportedly 1.9 billion internet users worldwide⁷. Given the growing

most commonly English roots (eg, .com for "commercial," .gov for "government" and .org for "organisation"). The gTLD roll-out presents an immeasurable opportunity for brand owners to reach non-English speakers. If English is not the dominate language in a brand owner's top market, the company may consider a non-English domain name coupled with its brand name. The international marketplace is expanding, and brand owners can now create a greater global presence through the acquisition of a non-English gTLD or through thoughtful pairing of a brand name with a non-English gTLD.

One of ICANN's stated goals of the gTLD roll-out is to promote consumer trust. Consumers visiting a dot-brand site will know with the greatest assurance possible that a purchase online is authentic because, as the owner of this registry, the brand owners will have the tools to keep counterfeiters at bay. Many of the nefarious activities that plague internet commerce, eg, knock-off-sites, cybersquatting and counterfeiting, can be minimised when a consumer is able to go directly to the dot-brand site of their favorite retailers, thereby creating a stronger and more trustful relationship between the brand owners and consumers.

As a word of caution though, business owners should be aware that the path to acquisition of a gTLD is not paved in gold, as not all domain name acquisitions are advisable. For example, it is reported that .museum is not as widely used, as anticipated, by museums. Some of the Smithsonian Institute's museums, like the Museum of Natural History, do not have a .museum address, opting instead to use an .edu or .org address⁹. Furthermore, despite the existence of 22 gTLDs, .com remains the most widely used gTLD. There are more than 96 million .com sites registered¹⁰. Brand owners should note that it is unlikely, given the sheer volume of gTLDs that will be introduced, that this will change. Therefore, if the brand.com domain is not already registered and in use, brand owners should start there. Consideration should also be given to whether it is desirable, or competitively necessary, to purchase a gTLD.

Books.com owned by Barnes & Nobles, toys.com owned by Toys "R" Us, and 401K.com owned by Fidelity Investments, are examples of valuable generic domain names to own because consumers search using generic terms. Therefore, the acquisition of a gTLD, (eg, dot-book), means that countless consumers, after searching a generic term, will ultimately be directed to the brand owner's domain name

address. However, the following reported CNN hypothetical scenario highlights a plausible scenario in the acquisition of a gTLD: what happens if an industry wants to purchase a generic term (eg, the apple horticultural industry wants to purchase .apple) and a brand owner, like Apple, is equally interested in this domain address¹¹. Is this a dispute that will play out via a bidding war, or will ICANN dispute resolution policies designed to protect trademark owners, govern a dispute of this nature?

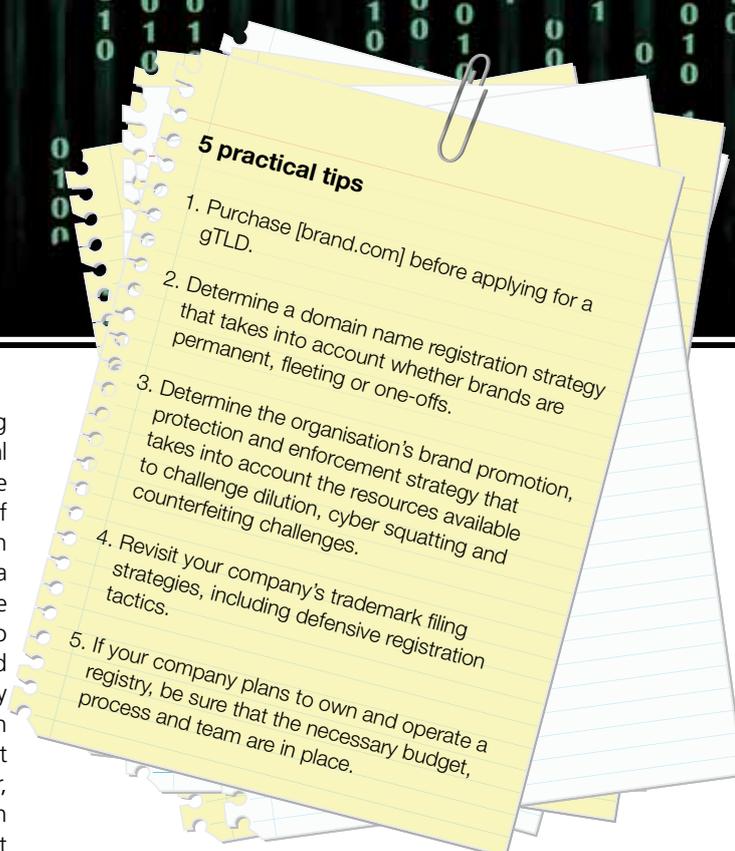
Analysis

Applying for, owning and operating a gTLD will be costly. The new gTLD application process is lengthy and complex. To register a gTLD, a company must file an application with ICANN and pay a \$185,000 application fee. To launch and maintain the gTLD, the owner will be required to pay additional fees, including start up costs, annual maintenance costs of at least \$75,000, and other expenses that are expected to exceed \$500,000 over the first 18 to 24 months. Moreover, a company that successfully acquires a gTLD has both a contractual and financial commitment to operate the registry under a 10-year renewable contract with ICANN. ICANN can later upon termination or expiration of the registry agreement transition operation of the gTLD to a successor registry operator. Therefore, even after a costly acquisition process, if ICANN determines that the gTLD is not run properly, ownership can be transferred to another party.

Being ready to file on 12 January 2012 is forward thinking and businesses that seek to register new gTLDs with ICANN should keep in mind that the gTLD application provides a refund schedule should a party request withdrawal of their application.

Footnotes

1. Among the trade associations expressing strong reservations, the Association of National Advertisers letter to ICANN may be found here: <http://www.ana.net/content/show/id/icann>
2. See <http://www.internetretailer.com/2011/01/27/amazon-sales-and-profits-boom-2010>
3. See <http://www.internetretailer.com/2010/09/01/fundamental-shifts-are-afoot-e-commerce-technology-analyst-s>



5 practical tips

1. Purchase [brand.com] before applying for a gTLD.
2. Determine a domain name registration strategy that takes into account whether brands are permanent, fleeting or one-offs.
3. Determine the organisation's brand promotion, protection and enforcement strategy that takes into account the resources available to challenge dilution, cyber squatting and counterfeiting challenges.
4. Revisit your company's trademark filing strategies, including defensive registration tactics.
5. If your company plans to own and operate a registry, be sure that the necessary budget, process and team are in place.

4. See <http://www.dnjournal.com/newsletters/2011/january.htm>
5. In 2009, Divyank Turakhia, of internet domain registrar and web hosting company Directi, won the domain Ad.com for \$1.4 million
6. See <http://abcnews.go.com/Technology/AheadoftheCurve/story?id=7014819&page=1>
7. See <http://www.internetworldstats.com/stats7.htm>
8. See <http://unesdoc.unesco.org/images/0018/001870/187016e.pdf>
9. See <http://www.pcmag.com/article2/0,2817,2387311,00.asp>
10. See <http://www.domaintools.com/internet-statistics/>
11. See http://money.cnn.com/2011/06/20/technology/dot_brand_domain_name_icann/index.htm

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