

## New gTLD Applications Revealed: What Comes Next?

18 June 2012

Authors: Douglas J. Wood, Judith L. Harris, Amy S. Mushahwar, Brad R. Newberg, John L. Hines, Jr., Joseph I. Rosenbaum, Darren B. Cohen, Steven J. Birt, Dr. Alexander R. Klett, LL.M., Emma Lenthall, Gregory S. Shatan

On June 13, the Internet Corporation for Assigned Names and Numbers ("ICANN") revealed the list of 1930 applications for new gTLDs to be launched as part of ICANN's proposed expansion of the top-level domain space. No matter how many applications are eventually approved and how many gTLDs launched, this will be a dramatic change to the domain name system. Currently, the domain name system is limited to 22 "generic" gTLDs (.com, .org, .net, .info, .biz, etc.), in addition to country codes (e.g., .us, .uk, .cn), and certain special community-sponsored domains (e.g., the new .xxx for adult entertainment). Under the new system, organizations located anywhere in the world were able to apply to operate a gTLD that corresponds to just about any word or phrase, including an organization's name or brand. As an example, Reed Smith operates under a home page of [www.reedsmith.com](http://www.reedsmith.com), but could have applied for .ReedSmith and thereby had domain names such as [www.lawyers.reedsmith](http://www.lawyers.reedsmith) or [www.trademark.reedsmith](http://www.trademark.reedsmith).

The fact that there were 1930 applications—each carrying a \$185,000 application fee to ICANN—does not mean that there will be 1930 new gTLDs. Many gTLDs, such as .HOTELS, .INC, and .SHOP had multiple applicants, and after an auction is conducted—with some of these gTLDs going for millions of dollars—only one applicant will survive. In fact, 230 proposed gTLDs had multiple applicants and those 230 gTLDs accounted for approximately 750 of the applications. Of the 1930 applications, just over a quarter were for specific brand names (with all or almost all being applied for by the brand owner, the majority of those for defensive purposes, i.e., to prevent a third party from doing so and without any plans to broadly launch a new gTLD beyond a handful of second-level domains). One-hundred sixteen were for non-ASCII strings such as Chinese or Arabic letters, and 66 were for geographic terms such as .nyc. The rest were all generic terms or abbreviations, most of which will have open platforms wherein they will sell second-level domains (the string to the left of the dot, such as "reedsmith" in [reedsmith.com](http://reedsmith.com)) to the general public. Of note, three entities applied for .SUCKS, very likely a business model designed to get businesses to purchase their brands as second-level domains so that they can assure themselves control of a domain with that negative connotation. Similarly, the current

owner of .xxx has applied for .adult and .sex (with two competitors applying for .sex/.sexy), and if the history of .xxx is any indication, the owner(s) of these new gTLDs will likely attempt to extract millions from brands, individuals, and institutions fearful of others using their identities in association with pornographic or obscene content.

## **Batch Processing**

Because ICANN received so many applications, it will be processing them in "batches." The first batch will be of about 500 applications and each additional batch will have approximately 400 applications. The batching process started June 8 and will end June 28, with the announcement of the results coming July 11 (and evaluations of applications to begin the next day). It involves a targeting system whereby applicants have to click a button on their computer as close as they can to a set time. Applicants will be given batch priority based on how close their click came to their target time. Whenever there are multiple applicants for the same or almost identical strings, all such applicants will be put in the same batch as the applicant who comes closest in the targeting process. Therefore, we expect that the first batch will not include more than 100 distinct strings. ICANN has stated it expects each batch to take about five months, although not much in this process has met the deadlines set by ICANN so far. Therefore, the first batch likely will be completed in early 2013.

## **Public Comment Period**

Now that the applied-for strings have been revealed, a public comment period has begun and will be open until *August 12*. Anyone who wants to comment on a proposed string may do so, and comments on applications may be done individually or as part of a group of like-minded entities that have a particular issue with an application. This is different from the formal objection period and will not open an objection proceeding, but all comments on a string will be seen by the evaluators for that string. Keep in mind that the evaluators of gTLD applications will be focused mainly on the technical and financial capabilities of the applicant, as well as whether the applied-for string is too close to an existing string or does not meet gTLD application guidelines. To the extent they have standing, entities that have serious issues with an applied-for string or applicant should consider the formal objection process in addition to any public comments.

## **Formal Objection Period**

The formal objection period has also begun and will be open until approximately mid-January 2013 (rather than giving an exact date, ICANN has said it will stay open approximately seven months after the reveal date). There is a cost to file and engage in the objection proceedings, and there are four grounds on which one can object. The first is "string confusion," whereby an existing gTLD operator or applicant can object on grounds that the applied-for string is confusingly similar to the objector's gTLD or gTLD application. The second is a legal rights objection, which, in most cases, will be a trademark holder claiming that the gTLD application would violate the objector's rights if approved. The third is the limited public interest objection. Such an objector must show that the string goes against generally accepted norms of morality and public order. The last objection is a community objection, which has a standing component to it: an objector must be an established institution associated with a clearly defined community who can show that there is a significant opposition to the gTLD application from the community to which it would be targeted (whether or not the applicant has designated itself as a community application).

All proceedings to resolve disputes created by formal objections will take place after the seven-month objection period has closed, regardless of when the objections were filed—and since ICANN expects initial evaluations of Batch One to be completed within five months of July 12 and the objection procedures for all applications to last approximately seven months from June 13, some objections may actually end up being filed after an application has passed initial review. The objection proceedings will be heard by a separate dispute resolution panel, i.e., not the panel responsible for the general evaluation of gTLD applications.

## Next Steps

If you are a brand owner, the question you are likely asking is: What do I do now?

1. *Review application list and make comments/objections, if necessary.* As a trademark/brand owner, you should be reviewing the application list to see what applications, if any, you want to comment on or outright object to (and if you applied for any gTLDs, you should check whether any other applications may be in conflict with yours). There may be applications for generic words related to your business, which have been applied for by a competitor and you feel should be run, if at all, as a community gTLD. This may be an issue for you to bring to trade organizations/community representatives in your industry.

2. *Monitor gTLD applications.* For almost every trademark owner, there will be gTLD applications you need to monitor. A clothing retailer might want to closely watch potential new gTLDs such as .clothing, .baby, .kids, .shoes, .shop and so on. You should be working with your internal and external legal teams, along with your marketing team, to develop a strategy now regarding those gTLDs relevant to your business or industry, as well as those you may feel the need to monitor because they are so generic or geographic, such as .business or .inc or .london.
3. *Devise a trademark plan.* ICANN's procedures to protect trademark holders in this new system are weak at best, but you need to be aware of them and decide if and how to implement them. For example, ICANN expects its Trademark Clearinghouse to be active as of October 2012. For approximately \$150 per mark, a trademark holder can put its marks on a special list. Because of the cost, those companies with thousands of trademarks may need to do a cost-benefit analysis to determine whether every mark needs to go on this list or not.

For marks on the Clearinghouse list, trademark owners will be given first crack at registering second-level domain names in gTLDs once they launch for a short time known as a Sunrise period. In addition, for the first 60 days of general registration in any gTLD, if a member of the public attempts to register one of your marks that is in the Clearinghouse—and that means an exact copy of your mark—as a second-level domain, it will be notified of your trademark rights. It may still decide to move forward with its second-level domain registration, but such notification may make it think otherwise. It is unclear why ICANN has determined to make this system mandatory only for the first 60 days of any gTLD launch.

Reed Smith, counsel to the Coalition for Responsible Internet Domain Oversight (CRIDO – [www.crido.org](http://www.crido.org)), a group of more than 160 major global brands and trade associations, is helping CRIDO bring sense to weaknesses in ICANN's program and remains hopeful that before ICANN actually launches any new gTLD, better protections will be put in place for brands. For example, CRIDO has proposed that ICANN adopt a "Do Not Sell" list whereby upon application of the brand owner, ICANN simply removes the trademark's availability for registration at the second level.

## Key Dates

In addition to having a presence at ICANN's upcoming public meeting in Prague, Reed Smith is closely monitoring these changes to the domain name system and can work with you to protect



your brands in this new environment. If you have any questions, please contact one of our gTLD Global Task Force leaders.

A list of the most relevant upcoming dates in the gTLD process follows:

- June 24-29: ICANN's Public Meeting in Prague
- June 28: Application batching process ends
- July 11: Batching results revealed
- July 12: Evaluation of the applications in Batch One begins
- August 12: Public Comment period for *all* applications ends
- October 2012: Expected date for opening of Trademark Clearinghouse
- January 12, 2013: Formal Objection period for *all* applications ends

### **About Reed Smith**

Reed Smith is a global relationship law firm with more than 1,600 lawyers in 23 offices throughout the United States, Europe, Asia and the Middle East.

The information contained herein is intended to be a general guide only and not to be comprehensive, nor to provide legal advice. You should not rely on the information contained herein as if it were legal or other professional advice.

The business carried on from offices in the United States and Germany is carried on by Reed Smith LLP of Delaware, USA; from the other offices is carried on by Reed Smith LLP of England; but in Hong Kong, the business is carried on by Reed Smith Richards Butler. A list of all Partners and employed attorneys as well as their court admissions can be inspected at the website <http://www.reedsmith.com/>.

© Reed Smith LLP 2012. All rights reserved.