

## How Brands May Navigate the Challenges Raised by ICANN's Domain Name Expansion

Sometime in 2013 we may experience the largest expansion of the Internet namespace in history. On June 13, 2012, ICANN (the Internet Corporation for Assigned Numbers and Names) announced the receipt of 1,930 applications from 60 countries for 1,409 new generic top-level domains or gTLDs. (A gTLD is part of the domain name or string to the right of the dot, such as .com, .biz or .org.)

Owning a piece of the internet is expensive. The registration fee per application was \$185,000. Plus applicants spent an estimated \$75,000 to \$150,000 in fees to the application. And those granted new gTLDs will assume the substantial costs of running a registry for their chosen domain.

### CHALLENGES FOR BRANDS

This expansion raises a number of challenges for brands, including

- a. whether any of the new TLDs may infringe their marks;
- b. whether brands for enhancement or defensive reasons should register 2nd level domains in any prospective TLD;
- c. whether brands should comment or file a formal objection attempting to block any proposed TLDs, including some generics that will be closed to all except the applicant;
- d. what is the procedure brands should follow to comment or object to an application;
- e. how will ICANN resolve disputes between mark holders; and
- f. what safeguards will ICANN put in place to reduce infringement.

Some answers follow. But first some background regarding who applied, why they did, and how they intend to use their gTLDs.

### WHO APPLIED?

Donuts, Inc., a newly-formed company, filed the most, submitting 307 applications for generic names, including .academy, agency, .bargains and .beauty. Google was next submitting 101 applications; Amazon was third submitting 76 applications.

### WHY DID THEY APPLY?

The intent varied. Many mark holders not surprisingly applied to protect their brands, including Apple (.apple), Coach (.coach.) and Google (.google). More than 60 cities and geographic regions applied to secure geographic domain names including .berlin, and .istanbul. 116 applicants sought internationalized domain names for various strings including in Arabic, Chinese and Japanese. Others like AAA applied for defensive reasons to prevent others from securing their marks.

### HOW WILL APPLICANTS USE THEIR DOMAINS?

Some domains will be open; others restricted and still others locked to all except the applicants. Entrepreneurs like Donuts will open its domains hoping to recoup its substantial investment of some \$56 million in application fees alone through sales of second-level domains.

Brands like Gallo and Fox will restrict their domains to increase brand equity. Thus Gallo Wine will operate .barefoot as a restricted registry to promote brand identity. Similarly, Fox

may use .fox to highlight its characters and news anchors such as billoreilly.fox.

Google and Amazon will lock even generic domains and throw away the key. For example, Google will operate .cloud as "sole registrar and registrant." Amazon intends to bar all but it from access to the 76 domains for which it applied, including 57 generics such as .drive and .search. So much for ICANN's desire to increase consumer choice on the Internet.

## PUBLIC COMMENTS

Brands have until August 12 to submit a public comment regarding any application. The comment may be based on any of the four formal objection grounds ICANN established in the Applicant Guide. The two objection grounds brands are likely to raise are what ICANN refers to as "string confusion" and a "legal rights."

A string confusion objection alleges that a proposed string is confusingly similar to an existing TLD or another applied-for gTLD. A legal rights objection alleges the "potential use of the applied-for gTLD by the applicant takes unfair advantage of the distinctive character or the reputation of the objector's registered or unregistered trademark or service mark."

ICANN's evaluators will give whatever weight they wish to the comments; none will block an application.

To date, although the comment period is more than a month old, brand have filed no comments possibly because they realize that comments have limited value. Instead, only a few individuals have filed substantive comments based on string confusion or a legal rights objection. One person noted that American Broadcasting Company's application for .abc. conflicts with the Australian Broadcasting Corporation's domain abc.net.au. Another commented that .kiwi is a common term for New Zealanders already served by the country code TLD, .nz. And another advised that under

Australian law only that country's Royal Navy may use .navy and .oldnavy.

## FORMAL OBJECTIONS

ICANN's announcement of its receipt of applications on June 13 also triggered an approximate seven-month window for certain parties to submit formal objections to an application.

One objecting must direct the objection to one of the four dispute resolution service providers (DRSPs) with whom ICANN has contracted. Filing a formal objection then initiates a dispute resolution. Further, unlike public comments that anyone can make, those objecting need standing.

As mentioned above, brands are likely to make two objections: string confusion and legal rights.

## STRING CONFUSION

Only an existing TLD operator or gTLD applicant may raise a string confusion objection which it must direct to International Centre for Dispute Resolution, a division of the American Arbitration Association. There is String confusion abounds. There are at least two applicants for 231 gTLDs accounting for 751 applications or nearly 40 % of the applicant pool.

How will the International Centre resolve a string confusion objections?

- a. If a TLD operator successfully asserts string confusion with an applicant, the application will be rejected.
- b. If a gTLD applicant successfully asserts string confusion with another applicant, the only possible outcome is for both applicants to be placed in what ICANN refers to as a contention set with the dispute to be resolved at auction.
- c. But if a string confusion objection by one gTLD applicant to another gTLD application is unsuccessful, both move forward in the process without being considered in direct

contention with one another; in other words this dispute does not go to auction.

## LEGAL RIGHTS OBJECTION

Only the holder of a registered or unregistered mark may raise a legal rights objection. The mark holder must direct the objection to the World Intellectual Property Organization (WIPO). If a legal rights objection is successful, the gTLD application will be terminated. For more on WIPO's practices click [here](#).

The DRSP panel may only determine the merits of the objection and cannot award damages. The party objecting has the burden of proof and in almost all cases the panel will decide the matter based on the pleadings.

To date, no formal objections have reported on the websites of the DRSPs.

## SUGGESTIONS FOR BRAND HOLDERS

With this background in mind, what should mark holders be doing to protect their interests? Here are some suggestions.

1. The first and most obvious is brands should scan the list of applicant strings to determine whether any raise infringement issues. Thankfully, there appear to be few such issues. Here are some:
  - a. Guardian Media v. Guardian Life over .guardian;
  - b. Australian Broadcasting Co v. ABC over .abc;
  - c. Coach (the handbag maker) v. Donuts over .coach;
  - d. Citigroup seeking .citi v. the three applicants seeking .city;
  - e. Merck KGaA v. Merck & Co. Inc. over .merck;
  - f. Chanel Intern. seeking .chanel v. Google seeking .channel; and
  - g. Desi Networks v. Afilias Domains over .desi.

- h. Brands must file a legal rights objection to block a perceived infringement; a comment will not do. But how will WIPO adjudicate an objection where both parties have been legitimately using the domain name albeit in different parts of the world?

Could for instance the Australian Broadcasting Co. (which has not sought a gTLD) block ABC's attempt to obtain a gTLD for .abc? My guess is that ABC would prevail. It is not taking unfair advantage or unjustifiably impairing the distinctive character of the Australians' mark; instead American Broadcasting is simply making a new use of its own ABC mark.

And what about the possible battle between Coach and Donut's application for .coach? Coach is the trademark holder and therefore would seem to have a leg up. But Donuts will argue it is not taking unfair advantage of the Coach mark. The word "coach" has a number of common law uses including sports and business coach; and Donuts will claim it intends to use this domain to highlight those non-infringing uses. I rate this one as a toss-up that will likely go to auction.

2. Next brands should again scan the list of gTLDs and determine where they should register second-level domains either for brand enhancement or defensive reasons. But keep in mind that almost all brand TLDs will be closed to competitors and even some attractive generic TLDs will be restricted. For example, if L'Oréal is granted the .beauty TLD, L'Oréal will delay and possibly deny third-party registrations in that domain.
3. Brands may find that some of the registries where they wish to register second-level domains will be locked up. For instance, if Google wins .cloud, it will retain ownership of all domains in that registry. In that case brands should consider making public comments regarding the restrictive or

exclusionary policies of some of the generic TLDs. Public comments, despite their lack of clout, are the only way for brands to complain about these policies. Brands cannot make a formal legal rights objection because a generic domain does not raise an infringement issue.

4. Further, brands may take steps to protect their marks by registering them with the trademark clearinghouse that ICANN intends to establish. Registration will give brands two benefits: the clearinghouse will notify the brands if others seek to use a brand's mark in a second-level domain. The clearinghouse will also give the brands the opportunity to file "sunrise applications" or new second-level registrations in the new registries before they accept registrations from the public. \The fee for this clearinghouse protection is expected to be about \$150 per year. For more on the clearinghouse click here.

## WHAT'S NEXT?

Will this new namespace draw the growing Internet community? Certainly the applicants who collectively spent more than \$350 million in application fees think it was worth it. But as search engines grow in sophistication, domain names become less important. Only time will tell if the new domains gain traction.

For more information on the topic discussed, contact **Andrew Berger** at [berger@thsh.com](mailto:berger@thsh.com) or your Tannenbaum Helpern contact. Andrew is counsel to the firm and writes an intellectual property blog call *IP In Brief* at [www.ipinbrief.com](http://www.ipinbrief.com).

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