

NEW GENERIC TOP-LEVEL DOMAIN NAMES

Introduction

On 20 June 2011, the ICANN (Internet Corporation for Assigned Names and Numbers) organisation, which is responsible for the administration and distribution of domain names, announced that it will become possible to register new generic top-level domain names. Close to 500 enterprises are expected to make use of this opportunity. Owing to stability and security, no more than 1000 domains will be approved in the first round of applications.

The underlying work originated from GNSO (Generic Names Supporting Organization) which is a sub-department of ICANN which has participated in the coordination of ICANN's global internet policy.

Purpose

A generic top-level domain (in popular terms referred to as "gTLD") is the term for e.g. .com, .org, .xxx, .edu, .gov etc. At present, 22 gTLDs and 250 ccTLDs (country code as e.g. .dk) exist.

The purpose of opening up to the creation and registration of new gTLDs is that it must continuously be possible to register new web addresses with attractive names, in that most of the presently existing gTLDs are already in use. Also, the idea is to promote competition and market differentiation and to add further dimension to consumer choices.

With the new domains, it becomes possible to register, among others, trademarks, lines of business and cities where the owner/administrator as "registry" will be able to offer

second-level domains. It will also be possible to use Chinese and Russian characters in the domain names.

It will thus be possible to register domains as mwb.mwb or, for specific purposes, educated.mwb or mwb.educated.

The new domains thus provide an opportunity for moving the business name from before the full stop to after the full stop which leaves room for creative thinking and e.g. that specific business campaigns may be made with short and easily understandable web addresses.

Instead of stating the business name after the full stop/dot, gTLDs may also be registered with a brand stated after the full stop/dot, e.g. .gucci.

Registration

Who may be registered?

Already existing enterprises, organisations and institutions may register as administrator/owner.

Contrary hereto, private persons and one-man businesses may not register, just as enterprises which are not yet registered may also not apply.

Before an application is approved, ICANN will review the applicant's company affairs, including whether the board and the management have a criminal history and whether complaints about the company have been filed regarding "cybersquatting" (see clause 4 for a clarification of the term). ICANN will investigate matters ten years back in time and in case of offences; this will automatically lead to a rejection of an application.

Application and approval procedure

It will be possible to apply for registration from 12 January 2012 and until and including 12 April 2012. ICANN must have registered a complete and correct application no later than 12 April 2012 in order for it to be approved.

When the application has been registered, ICANN will review it, upon which an evaluation will be made and lastly an approval with handover.

In case more applicants apply for the same domain or objections are made against a domain, e.g. if it is found to be offensive to public morals and order, the application will go through more stages.

ICANN estimates that the entire application process will take around nine months – two months for review of the applications, five months for evaluation and two months for the approval process with handover. However, it is stated that in case of especially complex applications, e.g. if there are objections, the process may last for up to 20 months.

ICANN will publish the applications so that the public, private persons as well as companies will get an opportunity to express objections against the registration of the domain in question which is being applied for.

Application fee and annual fee

The application fee for a new gTLD is, as a starting point, USD 185,000. Depending on how many issues that arise in the course of the application process, the registration fee may, however, become considerably higher. In addition to the fee, a number of operational and technical facilities are required of the new owners/administrators.

The annual maintenance fee is USD 25,000. In this connection, it is noted that ICANN is a non-profit organisation, and all expenses correspond to the real expenses which ICANN has defrayed and will defray in the future in connection with registration and development etc.

If objections are made in connection with an application, the fee will be from USD 300 and up (typically a much larger amount) depending on how time-consuming and technical it will be for ICANN to clarify the question and process the objection.

If the registration is rejected, it will, in some cases, be possible to reclaim a part of the application fee, but this depends on where in the process the rejection is made.

Trademark Rights

It is possible that legal problems may arise as regards trade mark rights in connection with the registration of new gTLDs, in that trademarks which are materially limited are not automatically reserved. Trademark rights are nationally based and may exist concurrently in different countries, while domains are not bound by territories and may not exist concurrently. As mentioned in clause 3.2 above, it will be possible during the registration process to make objections against domains as a consequence of legal matters relating to trade marks.

The registration principle is a "first file" principle, but the registration itself does not secure the owner a right to use the domain name.

The "first file" principle causes yet another problem concerning the new domains. That is "cybersquatting", where a person or a company registers domain names for the purpose of resale. By registering and buying lucrative domains, one may parasitize on other people's work if an enterprise has built up a brand, but does not intend to buy a new gTLD regarding the brand in question, after which the "cybersquatter" buys the domain name to parasitize site on references.

It is not yet known whether "cybersquatting" will become a problem in relation to the new gTLDs, but since the application fee for a new gTLD is USD 185,000, ICANN expects this to minimise the risk.

Against payment of a fee, an option to protect the trade mark owners, the so called "Trademark Clearing House" will be provided. This option entails that the trademark owners may block the registration of their trademark as a new gTLD. The trademark in question will be registered in a database which will be checked each time future gTLDs are attempted registered.

From around two weeks after the end of the application period, that is from around 1 May 2012, a list of the applications will be published on ICANN's homepage, and the following seven months will constitute a so called "objection period" during which it will be possible to file objections to protect one's trade mark rights.

Among other things, the objections may be filed based on the following:

- The application concerns a gTLD identical with or easily mistaken for one's national trade mark.
- The application concerns a gTLD which is offensive to public morals and order.

Advantages of and Disadvantages to the new gTLDs

The advantages of the new gTLDs are greatest for brands, in that brand owners will be able to ensure that the users at use of a gTLD as for example .gucci will be sure of the authenticity behind the domain. In that way, customers and the owner of the domain will be secured against misuse of the brand.

It is also assumed that many cities (e.g. New York, Paris, Copenhagen) will make use of the new gTLDs as part of a new marketing strategy. An entrance gate to a city will in that way be easily accessible to the user, including being referred to a city's stores, sights etc., e.g. by use or offering of the second-level domains seværdigheder.københavn (sights.copenhagen) or e.g. more specific amalienborg.københavn (amalienborg.copenhagen).

An obvious question in connection with the offer is whether the owner of the new gTLDs will achieve a greater online advantage than those who have just registered old gTLDs, as for example .com.

Most site references derive from references, that is banner ads or through search pages such as e.g. Google. It is uncertain whether there will be any online advantages from buying a new gTLD. The reason for this is that the users will not necessarily enter or search for the gTLD, but the site reference will instead take place based on the search pages' algorithm. That is, the users on the search page will state their search criteria, e.g. a brand, after which the search page's algorithm will refer to the sites most closely related to their criteria.

Among other things, search engines create their references based on different variables, as for example the relevant content of the site and meta-tags in relation to what has been searched for. It is uncertain whether the new gTLDs will create an online advantage in relation to the search pages as this will require a thorough technical understanding of the search sites algorithm (not publicly accessible).

The problem with the new gTLD is that even though you own e.g. .advokat, but there is no relevant information on the site, the search engine may not necessarily use this site as top reference as it does not necessarily contain the search page's variables.

As regards banner ads, one will have to spend money on marketing to achieve these and, in this respect, the registration of a new gTLD rather than an existing one will not entail a marketing advantage, as marketing will cost the same.

Conclusion

Purchase of a gTLD may primarily be expedient as part of a brand owner's defensive strategy in case the new gTLDs begin to gain footing at the market, so that brand owners have secured their brand as a new gTLD in advance. Subsequently, the brand owner does not have to spent time and money on continuously monitoring and raising objections against other people's applications and registrations of precisely their brand as a new gTLD with the risk that other people's registrations are approved anyway. Furthermore, the new gTLDs should be used by especially multinational companies as a defensive tactics to protect themselves against "cybersquatters".

It may also be useful to buy a new gTLD as part of the enterprise's offensive strategy with branding of their trade mark or company name – especially if the name/brand in question is world famous.

Likewise, a new gTLD will ensure that the owner of the website is the one which a user would normally assume to be behind the website, in that the application procedure is so comprehensive that misuse may be expected to be minimal.

The big challenge of the new gTLDs is that it will require extensive marketing to make these domains a natural part of the users' everyday life. It will hardly suffice to pay the registration fee and then assume that the domain will just be used. It will require expensive and intense marketing, especially because of the high offer price and the maintenance fee, and this will presumably entail that only a few large enterprises and large cities will make use of the opportunity.

However, it is not an impossible process if one starts by having all one's existing domains point to a new gTLD. E.g. Microsoft may let microsoft.com and other domains point to .microsoft, so that the users end at the new gTLD instead of the existing ones and that the users are in this way slowly becoming familiar with the new gTLDs.

Finally, it would be natural for large cities to benefit from having their city registered as a new gTLD. It will be easier to promote their city through a new gTLD, in relation to tourists as well as enterprises, and the users will be sure that the city is behind the name. The city will be able to sell second-level domains to enterprises etc., e.g. amalienborg.copenhagen or strøget.copenhagen, just as it will be possible to sell e.g. banner ads to travel agencies. It may thus turn out to be a bargain for large cities to buy new gTLDs, regardless of the high fees.

If you have any questions or require additional information on the new gTLDs, please contact Partner Christoffer Galbo (cga@mwblaw.dk) or attorney Henrik Syskind Pedersen (hsp@mwblaw.dk).

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