

New gTLDs: a threat or an opportunity?

By Marie-Emmanuelle Haas, Casalonga Avocats, France

1. The process and the discussion

When ICANN announced the launching of the new gTLD program in Paris in June 2008, the French newspaper Les Echos published a provocative article, stating that ICANN would enable the creation of new extensions like “.amour” (love) or “.haine” (hate). More than two years later, the debate is still open and the final version of the applicant guide book is still under discussion.

ICANN explains on its website www.icann.org that *“the expansion of the generic top-level domain (gTLD) space will allow for a greater degree of innovation and choice. This is a complex and involved process that requires the coordination and consensus of many groups and factions”* (...) *“In a world with over 1.6 billion Internet users – and growing – diversity, choice and competition are essential to the continued success and reach of the global network.”*

The discussion process is very open since all views and opinions can be expressed on ICANN’s website. Very important brand owners have clearly expressed their opposition to this program, claiming that they have come to a point where they can finally stabilize their domain name registration and defence policies, based on the supremacy of .com domain names, and that creating new extensions will only generate new and unnecessary costs and risks.

Whereas ICANN has to ensure Internet security and stability, can it reasonably be considered that ICANN will be able to launch every year around 200 new TLDs, or more, in the interest of the Internet community?

During the last ICANN meeting that took place in December 2010 in Cartagena, the issue of the economic analysis of the process was raised and governments raised objections. Concerning trademark protection, the IRT (Implementation Recommendation Team) made recommendations in its final report of May 29, 2009.

The discussions between brand owners and Internet proponents have been difficult, even if the IRT (Implementation Recommendation Team) was created by ICANN to make recommendations, finalized in the IRT final report of May 29, 2009 (“Réunion ICANN de Carthagène: des analyses contrastées” Loïc Damilaville, DNS News No152, December 2010, <http://www.dns-news.fr>, this article provides links to very interesting sources).

The next meeting is between ICANN’s Board and the government representatives of the GAC (Governmental Advisory Committee) in Brussels at the end of February 2011. It will be

followed by the next ICANN meeting that will take place in March 2011 in San Francisco. As the final decision is in the hands of ICANN's board, the process could still be launched in 2011.

2. A changing Internet: the revolution is not over

The creation and the development of the Internet is a revolution and this revolution is not yet over.

Today, Internet is used for everyday tasks, such as investing, banking, entertainment, using a dictionary, searching travel schedules and information, reading the news and the weather forecast, buying books, travel tickets of any kind, brand new or second hand consumer goods, corresponding with emails and on social networks, searching for a job, finding one's direction when walking on the street (...). The world is interconnected and people interact with one another, regardless of physical proximity.

It is still considered as imperative to have a domain name with a .com extension. This supremacy has led trademark owners to pay very high sums to purchase corresponding domain names with a .com extension owned by third parties, even in cases that do not involve cyber squatting. For example, Facebook announced in January 2011 that it had paid 8, 5 millions US \$ to purchase <fb.com> from the American Farm Bureau Federation. This sum has to be compared with the number of Facebook users: 596 372 160 at the beginning of 2011. For a country like France, it represents 20 millions users.

This is a huge phenomenon which illustrates the impact of the Internet for global brands and the sums that can be invested. With the Internet, expanding abroad no longer means opening shops abroad with all related costs. This is a totally different approach, with "new" expenses, expertises, organisations (...). The task is ambitious because the Internet is constantly growing and changing.

3. A changing Internet: statistics

Within four years, the total number of domain name registrations has doubled. Domain names with a .com extension represent nearly 85 million out of a total of 200 million domain names. This accounts for 45% of all registrations, compared with 50 % in October 2006 and 58% at the end of 2005 ("Un parc mondial de plus de 200 millions de noms de domaine", Sophie Audousset, www.domainesinfo.fr, December 6, 2010). During the same time, the number of ccTLD registrations has increased, with 79, 2 million domain names. Concerning ccTLDs, if there are more than 240 ccTLD extensions, the top ten ccTLDs represent 60 % of all registrations. English speaking Internet users have become less than 40 % of all Internet users. "Africa had less than 5 million Internet users a decade ago. Now, it has more than 100 million" (The domain name industry brief, volume 7 – issue 4, November 2010, The Verisign Domain Name Report : http://verisigninc.com/assets/Verisign_DNIB_Nov2010_WEB.pdf). These statistics show how fast the Internet is changing.

In this context, the long-term supremacy of .com TLDs is uncertain.

4. The creation of new gTLDs: an opportunity for diversity?

Internationalization and globalization does not mean the end of diversity. To the contrary, the Internet is going to be developed for new users and new uses.

Most of the announced projects for the creation of a new gTLD concern geographical entities, like cities, regions, with the so-called city and regional-gTLDs. The other big trend concerns generic names, with specific business models. Projects are announced on the website www.registries.tel.

Trademark owners are reluctant because launching a new gTLD is considered as far too expensive. The evaluation fee to be paid to ICANN is 185,000 US\$ and the cost of the full application is 365,000 US\$. If an applicant is not successful at the end of the evaluation process, however, it is eligible for a partial refund. The sums are simply out of proportion with the financial possibilities and business models of the majority of users. But this is not the case for all trademark owners. For some, launching their own .brand TLD could be regarded as a very interesting and ambitious marketing operation and project. The cost has to be compared with the overall cost of national or international advertising operations.

Global brands that will have their .brand gTLD will be able to create their own world with their own rules on the Internet. Defining these rules is the most important part of any project. It requires the definition of a clear economic goal and an abundance of imagination and creativity to achieve it. Even if only a small portion of trademark owners will launch a brand.TLD, the process concerns every trademark owner. Everyone will have to monitor the creation of new gTLDs at two stages:

- before it is launched, because a new extension might infringe prior rights: the applicant guide book proposes to file an objection, called “String Confusion Objection” and a Panel of Experts will decide on the merits of the Objection, on the basis of the New gTLD Dispute Resolution Procedure;
- once a new extension is created, any trademark owner has to:
 - o decide whether he should register domain names under this new extension, considering for example that it might be a good opportunity to develop a specific market;
 - o monitor the new domain name registrations to defend its rights.

Monitoring is not a new task. The number of registrations and the variety of the extensions will change, however.

The mechanisms of protection comprise the creation of the trademark Clearing House and of the URS. The trademark Clearing House will be an extensive database of trademarks that will be used for launching new gTLDs. With the URS, the owner of a word mark will be able to request the suspension of a domain name that is identical or confusingly similar to its mark, if the Registrant has no legitimate right or interest in the domain name and if he registered and used it in bad faith.

These mechanisms are complicated and do not fully achieve the goal of protection of trademark owners. For example, the Respondent to a URS who does not respond to the

Complaint “*shall have the right to seek relief from Default via de novo review by filing a Response at any time up to two years after the date of the Notice of Default*” (Applicant guide book, module 6). This provision will generate insecurity for trademark owners.

Although there are still many unanswered questions and risks, the creation of new gTLDs will result in progress and opportunity if this does contribute to a higher diversity and to a better communication and interaction on the Internet. Diversity is a hard and very demanding task. One should hope that it will mean imagination, creation, development and progress and not only complication and insecurity. There will be all sorts of success and also failure stories. The Internet users will have the last word, since they will be the ones who will finally decide which new gTLDs will make sense. It is the point where a good marketing will make the difference.

For more information please contact:

Marie-Emmanuelle Haas
Attorney at Law at the Paris Bar
Casalonga Avocats
5-7 avenue Percier
75008 PARIS, France
Email: me.haas@casalonga.com

Phone: 00 33 1 45 61 22 31

Fax : 00 33 1 45 61 12 34

www.casalonga.com

Marie-Emmanuelle Haas has developed a practice in trademarks and domain names, linking advice and strategy for the creation and protection of IP rights with their defence, in France and abroad. She headed the Trademarks and Domain Name Department at Alain Bensoussan Avocats until April 2007, when she joined Casalonga.

She is a Panelist before the WIPO Arbitration and Mediation Center, the Asian Domain Name Dispute Resolution Centre (ADNDRC) and the Czech Arbitration court for the resolution of domain names disputes. Since 1996, she has published numerous articles on domain names and trademarks, with some publications in Germany and she is a guest lecturer at the University of Paris I - Panthéon - Sorbonne. She has been a Research Fellow at the Max Plank Institute in Munich.