

## Should Brand Owners Apply for Their Own gTLD .BRAND?

By *Torsten Bettinger/Jannik Skou*

Next year virtually anybody who can raise about 500,000\$ can apply for a new generic top level domain name, such as .sport, .car, or .hotel.

Brand owners can apply for and operate their own TLD such as .ibm, .nokia, and .canon or even for a generic term such as .pharma, or .insurance.

The expansion of the gTLD name space planned for 2011 will potentially change the structure of the domain name space, as we know it today. Hundreds of new generic top level domains will be launched and brand owners have to prepare for this change, whether they like it or not.

This new gTLD program has led to an intense debate amongst the various stakeholders at ICANN. Concerns are raised that the domain name system would collapse, if hundreds or even thousands of new gTLDs are added, and trademark owners generally find no need for additional gTLDs and are anticipating an immense increase in cybersquatting cases at the second level, if numerous new gTLDs are launched.

After two years of discussions, including public comments and numerous reports on potential impacts of an unlimited expansion of the gTLD name space resulting in no less than four different version of the so called Draft Applicant Guidebook, the ICANN Board now believes to have (almost) settled all open issues and is therefore determined to launch the new gTLD program<sup>2</sup> most likely already in May 2011<sup>3</sup> allowing a maximum of 1,000 applications in each yearly round.

This article will address the issue, whether a large brand owner should apply for and operate its own “.brand” top level domain name. What are the potential costs, benefits, and risks associated with applying for or not applying for a .brand or a “.genericterm” top level domain and how will the expansion of the gTLD name space impact current branding and brand protection strategies?

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<sup>1</sup> This estimate is based on ICANN application fees of 185,000\$ and costs related to consulting and operational systems.

<sup>2</sup> Chairman Peter Dengate Thrush indicated that "The board made considerable progress on the remaining issues and has asked staff to prepare additional working papers and a modified applicant guidebook for public review prior to the upcoming ICANN meeting in Cartagena in December 2010. The meeting results represent a key milestone after years of work by the ICANN community as we prepare for community discussion and debate in Cartagena." <http://www.icann.org/en/announcements/announcement-26sep10-en.htm> visited on October 7, 2010.

<sup>3</sup> <http://icann.org/en/topics/new-gtlds/new-gtld-work-plan-28oct10-en.pdf>

## **What is this all about?**

Since May 2008 the Internet Corporation for Assigned Names and Numbers (ICANN) has been working towards expanding the domain name space for hundreds or even thousands of new generic top level domains (like .com, .net, .org).

Potential uses of the new gTLDs range from exclusively proprietary use by individual companies (e.g., .ibm, .sap, .allianz, .kpmg), the use of a gTLD by companies pertaining to a specific sector of industry (e.g., .pharma, .hotel, .bank), members of social networks or gaming communities (e.g., .facebook, .xing, .PS3, .wii), special interest groups (e.g., .sport, .eco, .golf, .food, .wine), businesses or individuals of a specific geographic region (e.g., .berlin, .bayern, .nyc) or language communities (e.g., .cym (Wales), .gal (Galicia), .bzh (Brittany)] to the use of a gTLD for unrestricted assignment of second-level domains to enterprises across all industrial sectors, organizations or private individuals (e.g., .web, .shop, .buy).<sup>4</sup>

## **What are the Options for Brand Owners?**

Whereas the focus for many brand owners has been to argue against the expansion of the name space, or at least to work for the implementation of more efficient right protection mechanisms such as a rapid low cost UDRP like suspension system for obvious cyber squatting cases<sup>5</sup>, there seems to be so little room left for alterations in the guidelines and policies for the new gTLD program that the focus should now be turned to how to prepare for the new gTLD program, when it is actually launched.

Essentially brand owners face two options; they can either decide to apply for a new generic top level domain in the first round next year, or they can wait for a later round (which short term is the same as deciding not to apply).

## **What Should Brand Owners Consider if They Want to Apply?**

It will vary a lot from industry to industry and from business strategy to business strategy, whether such a .brand TLD is recommendable. But it is not for everyone. Costs alone – it is estimated that the application and launch will initially cost in the neighborhood of 400,000 to 1,000,000\$ and the yearly costs around 200,000\$, adding the marketing costs

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<sup>4</sup> A list of published interested in applicants can be found at <http://dot-nxt.com/applicants>

<sup>5</sup> The Implementation Recommendation Team (IRT) also recommended to ICANN to require a Globally Protected Marks List that would block for any registrations at the second level of domain names identical to, containing or being similar to such “global marks.” The ICANN Board has found that such a mechanism should be an optional feature for each registry policy. The newly liberalized .co (country code for Columbia) has implemented a similar feature. See their list of “Specially Protected Marks” here: <http://www.deloitte.com/be/brand-list>

And read more about the debate here: <http://www.worldtrademarkreview.com/daily/Detail.aspx?g=f32436f6-0554-4977-891a-27399360fac1>

and internal resources will exclude more or less all SMEs and thus .brands will be an adventure almost exclusively for large brand owners.

#### *Estimate all costs*

If a large corporation would change their online branding and communication strategy from “.com” to “.brand” we are talking about costs in the tens of millions of dollars, as all marketing materials down to each single business card, all advertising, all websites, all extra- and intranet servers would need to be changed.

#### *What can a .brand TLD achieve that a .com domain name can not?*

Many people have argued that if one already controls the “.brand.com” domain name, there is no need for a .brand TLD. Instead of registering and promoting second level domains under .brand, one could simply register *service.brand.com* or *brand.com/service*.

This, in our view, is only partly true.

#### *.brand as a safe zone for consumers and brand owners*

If promoted and used in a smart way, a .brand TLD could be a good investment for large brands. It will not be possible to “typo squat” or “cyber squat” under first level domain names, as the registration policy can be restricted to only allowing the brand owner or their affiliates to register domain names under .brand. Such a “.brand-safe zone” could be extremely beneficial for brands in such industries as finance, pharmaceuticals, and luxury goods. If promoted effectively internet users would know always to search for “.brand” (e.g.. *shanghai.brand*, *frankfurt.brand* or *kids.brand*), if they want to be sure to find a genuine and official website. This would potentially decrease the risk of consumer confusion, and furthermore minimize the risk of online fraud.

As an example, if say Gucci applies for and ICANN approves a “.gucci” top level domain, Gucci can object to other visually similar strings applied for in later rounds. In case an internet user surfing for info about Gucci products accidentally were to mistype Gucci and write *shanghai.gucchi* or *shanghai.guctchi*, he or she would not find their way to an infringing pay per click site or a webshop selling counterfeit goods, as these domains would not be allowed to exist next to .gucci.

#### *New branding opportunities*

A different and more aggressive approach and use of a .brand TLD would be to allow customers or fans to register domain names and email addresses under .brand and in this way promote the brand to their friends and piers. Even customer IDs, user names, logins, serial numbers etc. can be constructed under a new .brand TLD and increase the customer service and safety surrounding brand products. A number of innovative business models and services are expected to appear in association with new gTLDs.

#### *What are the risks if you decide to apply in the first round?*

In addition to a cost benefit analysis, all large brand owners should perform a risk analysis from an IP perspective. What is the risk that somebody else may apply for a .brand TLD or any other word or “string”, which is identical or similar to your brand?

For many brand owners the sharing of their brand names with other companies is a real problem. For instance; who gets *.polo*? Is it Ralph Lauren? Volkswagen? Nestlé? If two or more applications for the same gTLD string have successfully completed the evaluation and objection stages, or if two or more gTLD strings applied for in the same application round cause confusion (string contention), it needs to be decided which of the contending applicants is to be allocated the gTLD applied for. In this case, the Applicant Guidebook provides that ICANN will first notify the applicants of the contention occurred and request them to settle it by common consent.

If contending applicants fail to reach an agreement, the gTLD string applied for will be allocated either by means of a comparative evaluation or by an auction process. These bids may turn out to be very expensive.

#### *Outsource operational and technical tasks*

Operating a top level domain name is a completely different business than being the registrant of a second level domain name such as “*brand.com*.” In essence the brand owners applying for a *.brand* gTLD will become a registry operator in charge of the entire technical and operational platforms such as registrar interfaces, WHOIS databases, DNS Servers etc.) needed to run a gTLD. Brand owners, who are considering applying for a new gTLD are therefore recommended to outsource these tasks to industry experts, who can assist them during the planning and application phases throughout the launch and maintenance phases.

### **What Should Brand Owners Consider if They Want to Wait and See?**

In case a brand owner decides to wait for a later application round<sup>6</sup> they obviously will not benefit from potential first mover advantages. Whether the first movers will be more successful than early followers, who by waiting for the second or the third round could benefit from leveraging on the experiences made by other *.brand* registry operators and on the consumer reaction to new gTLDs, or whether the new *.brand* TLDs and new gTLDs as such will never catch on and the investment in a *.brand* or a generic term would be lost, is impossible to judge at this point and will depend on each individual business case.

It is, however, a potential risk for those brands deciding to wait and see that the “.brand” gTLDs applied for in the first rounds are promoted so intensely that consumers might refine their searches to look for company websites at the top level rather than at the second level.

Most likely, though, as not all big brands will apply for and promote *.brand* TLDs in the first round, we will experience a transitory state, in which some internet users will still primarily search for *brand.com* and for their local *brand.ccTLD* and others will feel safer searching for *.brand* TLDs, knowing this is a safe harbor.

#### *First come first served.*

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<sup>6</sup> ICANN is expecting to be able to handle 1,000 applications each year and is budgeting for 500 applications in the first round.

As opposed to trademarks, where the same name can coexist in different classes, there can only be one string for a top level domain.

For most brand owners the risk that another application for an identical or confusingly similar string is successful in the first round is very small. There is, however, no doubt a risk that a potentially attractive generic term such as *.insurance* is taken in the first round.

Once ICANN publishes the applications for new gTLDs on their website, it is vital to monitor for infringing applications – regardless whether your organization applies for your own *.brand* TLD or not.

An objection may be filed on any one of the following four grounds:

- Likelihood of confusion of the gTLD applied for with an existing or applied-for gTLD (string confusion objection);
- Infringement of third-party rights recognized under international agreements or standards (legal rights objection);
- Violation of generally accepted legal norms of morality and public order by the applied-for gTLD (morality and public order objection); or
- Likelihood of negative impacts on a recognized community that is associated with the applied-for gTLD (community objection).

Brand owners who decide to wait for a later round have to assess the risk that a visually confusingly similar text string is granted in the first application round. Say for instance, the Chinese Bank “Citic Bank” applies for and is granted a new “.CITIC” gTLD in the first application round next year. Can Citigroup then be certain that the panel elected by ICANN to evaluate string similarity will not reject a *.citi* application in a later round? They could claim that the two TLDs, “.citi”, and “.citic,” will cause end user confusion, and therefore potentially reject the application from Citigroup.

*How would Allianz react if Axa controls “.insurance.”?*

Yet another risk is that your competitor in the first application round applies for a generic term such as “.pharma” or “.insurance.” Large corporations have to prepare for how they will react to such scenarios. Can they at all object to such applications or would they lose grounds in the online marketing battle for search engine rankings or even worse; would their competitor manage to establish a natural association between their brand and the product or services offered in your industry?

One could argue that new gTLDs are not changing anything, as we already face this problem today, where some corporations own the industry terms as a *.com* registration.<sup>7</sup> With generic new gTLDs, depending on a number of uncertain factors such as search

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<sup>7</sup> For instance; *book.com* is registered to Barnes and Nobles, and *finance.com* to Citibank. Note, however, that somebody else has registered *book.co.uk* and *finance.co.uk*.

engine algorithms' scoring of new gTLDs, the registry operator would dominate and control a generic term at the top level and not just a single .com domain name. Compared to the cost of acquiring an attractive .com domain name, a new gTLD can easily be a much cheaper and potentially more efficient investment in online marketing.

### **Should I stay or should I go now?**

Regardless whether each single brand owner decides to apply for a new gTLD or not - be it for defensive or offensive purposes - inevitably the liberalization of the gTLD name space will challenge existing online branding and brand protection strategies, both at the first and at the second level.

It is therefore strongly recommended that brand owners already now engage relevant departments, stakeholders, and managers in a cost benefit and risk analysis of engaging in the new gTLD program, be it as a first mover, an early follower, or as a watch dog preventing third parties from violating your rights.

*Torsten Bettinger and Jannik Skou are providing advice in all aspects of the application process for new Top-Level-Domains.*

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Jannik Skou has ten years of experience within the domain name and brand protection industry. He's worked with a number of Fortune500 and Europe Top 500 companies in the areas of domain name strategy, domain name management, brand protection, investigation, domain name audits and business process optimisation.

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