



New gTLDs Create Opportunity, Threat for Brand Owners in China

ICANN received more than 1,930 applications for new generic top level domains, many of which will be launched beginning in late 2013 – at a pace of 20 new gTLDs per week. **Jannik Skou** explains why brand owners must now decide whether they want to protect and promote their brands by registering new domain names under the hundreds of domain name extensions that will soon be available.

Brand owners will soon need to decide if they want to protect and promote their brands by registering new domain names under the hundreds of new open domain name extensions such as .shop, .eco, .car, .software, .hotel, .ski, .med, .art or in extensions in non-Latin scripts such as .公司 (dot-business in Chinese) or .新闻 (dot-news in Chinese).

One can like it or not, but the structure of the domain name space, as we know it today, is about to change.

With a special focus on the Chinese market, this article will analyze the potential risks and benefits for brand owners in regards to the launch of hundreds of new generic top level domains. I will address how brand owners can object to potentially infringing or damaging new domain extensions before they are approved and how they can protect their intellectual property rights and leverage the new online marketing possibilities, once the myriad of new TLDs are launched.

But first, let us have a look at why ICANN (www.ICANN.org), the non-profit organization managing and governing the operation and delegation of top level domain names, is implementing such a dramatic change in the domain name space.

Why Are All These New Domain Name Extension Being Launched?

Since May 2008, the Internet Corporation for Assigned Names and Numbers (ICANN) has been working towards expanding

the domain name space by thousands of new generic top level domains. Today there are a mere 22 “generic” top level domains (gTLDs) such as .com, .net, .org, and the latest one .xxx (for adult entertainment), and about 280 country code top level domains such as .cn for China, .jp for Japan and .hk for Hong Kong.

In parallel with the global growth of the number of internet users as well as the services and information available on the internet, the growth in the number of domain name registrations of generic top level domain names, in particular .com, .net, and .org, has led to a situation where it is difficult to find available domain names under the existing top level domain names. The registration of more than 103 million .com domain names has fostered the success of a large aftermarket. It is estimated that the average cost of a .com domain name is actually US\$2,500, which is more than 100 times the price of a new registration. Today it is extremely difficult to launch a new product name and find the corresponding .com domain name available; most often, one has to buy .com domain names from other registrants.

It is ICANN’s hope that the introduction of up to 1,000 new generic top level domains per year will increase customer choice, enhance competition in the domain name market, and foster innovation, while supporting the growth and accessibility to the Internet in emerging markets. Thus, from late this year, brand owners will be confronted with a new domain name landscape of

more than 1,000 gTLDs in both Latin and other scripts, including Chinese.

Why Is This of Relevance Already Now If the New gTLDs Will Not Be Launched Before September 2013?

The application process for new generic top level domains was closed on May 30, 2012. ICANN received an astonishing 1,930 applications. Over the next 7-18 months, ICANN evaluated all of the applications, and those gTLD applications that received no objections will be launched from the second half of 2013 and onwards (at a pace of 20 new gTLDs per week!).

What Kind of New Domain Name Extensions Will Be Launched?

Many applicants have applied for the same strings, such as .app, which has 13 applicants, .home and .inc (each with 11 applicants), .shop, .web, .love, .now, .news and .med.

In total, 751 applicants have applied for 230 strings that are in conflict with other applications. These so-called “contention sets” (for instance, all four applicants for .med are in one contention set) will have to be settled amongst the competing applicants or ultimately be resolved through an auction.

Thus it can be expected that the non-profit organization ICANN will be able to donate substantial funds to charity. It is expected that applicants in some cases will be willing to pay millions of dollars to win a generic top level domain name, which grants them exclusive rights to sell second level domain names in that TLD for at least 10 years.

The applied for new generic top level domain names can be divided into the following categories:

Brand gTLDs	917
Open gTLDs	872
Geo gTLDs	79
Community gTLDs	62
Grand Total	1,930

Brand gTLDs (917 applications) are TLDs applied for by large corporations (the application fee was US\$185,000, and operating costs are estimated to amount to at least US\$150,000 per year), such as the Citic Group applying for .citic and .中信 (dot-CITIC in Chinese), Aigo applying for .aigo, Volkswagen applying for .volkswagen and .大众汽车 (dot-Volkswagen in Chinese), etc.

Some brands have also applied for generic terms, such as Richemont applying for .watches and .手表 (dot-watches in Chinese), Wal-Mart and Safeway both applying for .grocery, Goodyear and Bridgestone both applying for .tires, etc.

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Initially these Brand gTLDs will all be for the exclusive use of the applicant (and its affiliated parties), so that Richemont, if granted .watches as the sole eligible registrant, can register domain names such as luxury.watches, Shanghai.watches, or buy.watches, and Citic can register secure.citic.

To those applicants, the brand TLDs will give them an exclusive name space, where they are the only qualified registrants. So we

Today

22 gTLDs: .com, .net, .org, .biz, .info, .mobi, .travel, .jobs, .xxx

280 ccTLDs: .cn, .uk, .hk, .de, .jp etc.

1,930 New gTLD applications – for 1,409 unique strings

Launch of new gTLDs: Second half of 2013

Examples: .公司, .移动, .商店, .car, .bank, .beer, .bmw, .zuerich, .taipei, .africa

may – most likely within a few years – see a shift from brand.com to “anything.brand” or, in some cases, “brand.industry.” As there can be no cybersquatting under a brand TLD (there is only one qualified registrant, namely the brand itself), these brand TLDs have the potential to be regarded by consumers as a safe harbour online with no risks of fraud.

Notably, Google has applied for as many as 101 new gTLDs including not only .google and .谷歌 (dot-Google in Chinese), but also such generic TLDs as .search, .music, .movie, .inc, and love, whereas Amazon has applied for 76 gTLDs including .book, .食品 (dot-food in traditional Chinese), .kids, and .now, as well as for .search.

Open TLDs (872 applications) are TLDs where anybody – individuals or businesses, regardless of nationality – are allowed to register domain names. These open TLDs are applied for by two different groups of applicants:

Existing registry operators, such as Verisign, which operates .com and .net and has applied for transliterations of .com and .net in various scripts such as ..点看 (dot-com in Chinese) and .大拿 (dot-net in Chinese) but also in Cyrillic, Thai, Arabic, etc.

CNNIC, the Chinese Authority operating the country code TLD .cn has applied for .公司 (pronounced gongsi, meaning business in Chinese) and for .网络 (pronounced wangluo, meaning network in Chinese).

Domain name investors. A large number of well-funded so-called domain name investors have applied for a large number of gTLDs with the ambition to profit from selling domain names to individuals and business across the globe. One entity has applied for more than 300 gTLDs, and others have applied for 50-100 gTLDs, and yet others have only applied for one or a few gTLDs.

Examples of such gTLDs are .game, .shop and .商店 (dot-shop in Chinese) and .web.

Geo TLDs (79 applications) are regional top level domains such as .Africa, .London or .广州 (dot-Guangzhou in Chinese) and .深圳 (dot-Shenzhen in Chinese). The applicants are either regional authorities, who wish to promote local content under their own geo TLD, or private entities, endorsed by local authorities, who wish to operate a geo TLD. Typically these TLDs will require some sort of evidence of local presence from the registrant in order to make sure that only relevant websites addressing the regional area will be found under the specific geo TLD. However, some of these geo TLDs will be based purely on first-come-first-served principles.

Community TLDs (62 applications) are TLDs servicing a

specific, delineated community. Examples of community TLDs are .bank – only for certified banks – .hotel – only for registrants related to the hotel industry – or .政务 (dot-government and government affairs in Chinese) only for public authorities. Some of these gTLDs will thoroughly validate each applicant before allowing registrants to register domain names in their TLD, whereas others will simply ask the registrant to accept the general terms online, and in principle will only make random checks of whether each registrant belongs to the defined community.

Which New gTLDs Will Be Launched in China

gTLD	English Meaning
公司	Business (Chinese .com equivalent)
慈善	Charity
企业	Company
点看	dotCOM
點看	dotCOM
大拿	dotNET
娱乐	Entertainment
游戏	Game(s)
八卦	Gossip
集团	Group
健康	Healthy
我爱你	I love you
信息	Info
商城	Mall
移动	Mobile
网址	Netaddress
网络	network (Chinese .NET equivalent)
新闻	News
在线	Online
机构	Org
机构体制	Org (Organization/institution)
招聘	Recruitment
餐厅	Restaurant
商店	Shop
购物	Shopping
商标	Trademark
时尚	Vogue, fashion
网店	Webshop
中文网	Website
网站	Website
网址	Website
世界	World, globe, universe (or similar)

And in Chinese Scripts?

Out of the 1,930 gTLD applications, 73 are in Chinese scripts. In addition to these 73 applications in Chinese script (including Chinese brand names for Google, Wal-Mart, Nokia, L'Oréal, Philips, GE, and Bridgestone), 32 brands from greater China (including Taiwan and Hong Kong), such as Acer, Baidu, Sina, Unicom, and Sohu, have applied for their brand and product names in Latin script.

In total, 121 applications are thus either in Chinese scripts or applied for by Chinese brands.

Of those 121 applications, there are five geo TLD applications for Shenzhen, Guangzhou, Guangdong, Foshan, and Taipei (Latin script) and three community-based applications (for governments, public interest and for .kids in Latin script).

Sixty-three are for brands either in Chinese or Latin script and 49 are open TLDs, where anybody will be able to register domain names. Of these 49 TLDs, 32 will be launched in Chinese script.

These are:

As you can see, there are many similar new gTLDs in the pipeline, such as CNNIC applying for for .公司 (dot-gongsi, meaning business in Chinese) and Verisign applying for .点看 (dot-com in Chinese) will be in competition for new domain name registrations in their respective Chinese versions of .com. (CNNIC in my view has the better and most logical version). To brand owners wishing to either protect or promote their brand names in the new gTLDs, this situation is bound to lead to confusion and to more costs, in case they decide to register their brand names as domain names across all relevant new extensions.

So where today a brand owner operating in China would have a decent protection of their brands online by registering their names under .com, .cn, .com.cn and maybe also under the new country code .中国 (.China), by the end of 2013, the same brand owner might have to register their brand names under dozens of new gTLDs both in Latin and Chinese scripts.

What Are the Opportunities for Brand Owners to Take Advantage of the Introduction of New gTLDs?

As much as the vast majority of those brand owners that have participated in the public debate about the new gTLD program have been highlighting the lack of need and the risk of an increase in cybersquatting, online fraud and therefore potentially additional costs for brand owners, brand owners may also benefit from the introduction of the new gTLDs. The new open TLDs in Chinese script may enable brand owners to register attractive domain names targeting the Chinese market. Names that are otherwise registered to someone else under the current 22 gTLDs and 280 ccTLDs will become available under the new gTLDs. This even includes trademarks, where multiple trademark owners (having TMs in different classes or regions, for example) may have wished for the same .com domain name. So, obviously there are interesting promotional opportunities for brand owners looking for an attractive campaign domain name or for brand owners who wish to express their local presence and promote regionally and culturally tailored content under the new Geo or community or industry specific open TLDs.

Pre Registration Opportunities – Promotion and Protection

Sunrise registrations. Each new gTLD registry will have to launch their TLD offering a pre-registration phase (“sunrise”) granting trademark and other verified IP right holders an opportunity to register their names prior to the general launch,

typically for a premium fee. In order to qualify for a sunrise registration, the trademark owner has to register their trademark in the Trademark Clearing House, which is a new service for TLD operators and trademark owners. By filing a trademark (the fee is US\$150 per year) in the Trademark Clearing House once, the trademark owner qualifies for sunrise registration in all new open and geographical TLDs and will not have to deliver evidence of IP rights to each individual new gTLD registry.

Most open new gTLD registries also plan to auction off premium names, which will provide an opportunity for brand owners to buy attractive generic domain names prior to the general launch.

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If one does not want to register its brands across all the new gTLDs, filing your trademark in the Trademark Clearing House gives you an advantage.

To those brand owners who will know how to leverage on these new opportunities, the new gTLDs may be a chance to gain promotional advantages in a crowded online market place. Thus, industry specific TLDs, such as .bank, may through their restricted eligibility requirements and enhanced security measurements potentially develop into a TLD that consumers trust more for online banking than they would trust a .com domain.

It will, however, require good skills, deep pockets and some luck to predict which names and which new gTLDs will become the most attractive and most searched for by consumers, as it is still, at best, very uncertain how the big search engines like Google, Baidu, Yahoo and Bing will index websites using the new gTLDs. Whether the fact that all of them themselves are applicants for one or more gTLDs will impact their scoring of new gTLDs in their search algorithms remains to be seen.

As ICANN will not publish the financial parts of the new gTLD applications, it is impossible to create an exact budget for the registration of domain names under the new gTLDs. It is, however, my guess that the sunrise registrations will be charged with a fee of approximately US\$250, and that most TLDs will be offered at a price of around US\$20-40 per year once they are launched.

Trademark claims service. If one does not want to register its brands across all the new gTLDs (which only very few brands will eventually do), filing your trademark in the Trademark Clearing House gives you another advantage, which is the new Trademark Claims Service. During the first 60 days of the general launch of each new gTLD, registrants who apply for the registration of a domain name, which is the exact match to a mark registered in the Trademark Clearing House, will receive a notification that they are potentially about to infringe on the rights of the trademark owner or owners of that exact name.

This notification will not prevent the registrant from registering the applied for name, but will at least inform the registrant, who would otherwise maybe not have the resources and knowledge to perform a trademark search, that his domain name registration

may potentially violate the rights of those trademark owners having filed their mark in the clearing house. If the registrant decides to complete the domain name registration, the trademark claims service will then generate an email notification to the trademark owner informing them about the registration of the exact match of their trademark. The trademark owner can then decide to take legal action against the registrant, should in fact the domain name registration be violating their rights.

Right Protection Mechanisms; URS and UDRP and PDDRP. ICANN is planning to introduce a mandatory Uniform Rapid Suspension System (URS) as a faster and less expensive

alternative to the Uniform Dispute Resolution Policy (UDRP) currently in place for gTLDs and a number of ccTLDs. (China is offering an arbitration service for .cn domain disputes through the websites of the China International Economic and Trade Arbitration Commission and the Hong Kong International Arbitration Centre. The idea is that so-called clear cut cases of cybersquatting in the new gTLDs could be resolved via a fast online process within a few weeks. Trademark owners who have filed their trademark in the central trademark clearing house should refer to their clearing house file number

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and would not need to submit trademark certificate evidence to the arbitration center. The definition of abuse and infringement are the same as for the UDRP (identical or visually similar name, no legal rights, bad faith, violating the rights of the complainant). The remedy would be a freeze of the domain name until expiry date rather than a transfer of the domain name to the complainant.

The URS will be priced as low as US\$375 for one case. A decision in the URS can be appealed to either UDRP or to court.

Another new right protection mechanism is the Post Delegation Dispute Resolution Policy (PDDRP), which is a new (court alternative) instrument for trademark owners to file an objection against the registry operator directly, rather than going after each infringing registrant itself. The complainant would have to provide evidence that the registry operator in a systematic way has encouraged to, or itself directly supported violation of third party rights. After a series of warnings, eventually the penalty would be that ICANN terminates the gTLD agreement with the registry operator and instead transfers the operation of the new gTLD to another operator.

If you instead consider to apply for your own .brand or .industry or .product TLD, you will have to be very patient. Although ICANN had originally planned to launch a new application period every 12 months, the next application period is not likely to open within the next 3-5 years. The Governmental Advisory Committee (GAC) has required a thorough analysis of the effects of this round of new gTLDs in order to assess to what degree the new gTLDs have, in fact, increased consumer choice, fostered innovation and supported geographical diversity before a new application round will be accepted. And this exercise is likely to take years...

What Should Brand Owners Then Do at This Point in Time?

My advice is to invest time in analyzing those new gTLD applications that may potentially pose a risk or threat to your business and to identify those TLDs that could offer you promotional opportunities.

In case you identify a potentially harmful TLD, I recommend you to explore if your industry organization and or your government representative will assist you in entering a dialogue with the applicant or potentially in supporting you in filing an objection.

How to Prepare for the New gTLDs, Once They Go Live?

The take-away message is to start analyzing how the new gTLDs will affect your business. With thousands of new domain extensions, current online brand and domain name strategies will be challenged. Old strategies based on defensive registrations across all gTLDs will simply not be possible next year. It is therefore very likely a better option to promote your brand names and trademarks in a limited number of TLDs and instead invest in a monitoring tool (prices are typically US\$500-2,000 per brand per year) covering all the existing new top level domains.

So, one may like it or not – the thousands of new .公司, .移动, and .商店 domains, as well as the new .car, .bank, and .beer



Jannik Skou has more than 13 years of experience in the domain name and brand protection industry. He has worked with a number of Fortune 500 and Europe Top 500 companies in the areas of domain name strategy, domain name management, brand protection, investigation, domain name audits and business process optimization. Skou is a partner at the Swiss consulting company Thomsen Trampedach, which works with large, international corporations to implement best practice or client-specific strategies and solutions and has supported a dozen brands and public authorities in applying for new gTLDs. He is an expert at the European Union-sponsored project China IPR Helpdesk, is on INTA's Internet Committee and is a member of the Intellectual Property Constituency at ICANN.

TLDs, will create new opportunities but also new challenges to brand owners operating in China. **AIP**

Glossary:

Term	Abbreviation/ aka	Example/ Link
Internet Corporation for Assigned Names and Numbers	ICANN	www.icann.org
Generic Top Level Domain 1st Level	gTLD	.com .net
Country Code Top Level Domain 1 st Level	ccTLD	.dk .ru .cn
New Generic Top Level Domain	New gTLD	.car, .brand, .city, .region, .公司 (Business) List of applications: http://newgtlds.icann.org/en/program-status/application-results/strings-1200utc-13jun12-en
Governmental Advisory Committee	GAC	http://gac.icann.org