



To dotBrand or Not To dotBrand?

Should brand owners apply for their own generic “dotBrand” top level domain in 2011 or should they wait and see? **Jannik Skou** and **Torsten Bettinger** report.

This November, virtually anybody who can raise about US\$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 .canon, .deloitte, or .hitachi or even for a generic term such as .pharma, or .insurance. The half-a-million-dollars cost estimate is based on ICANN application fees of US\$185,000 and costs related to consulting and operational systems.

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Where we presently have 21 gTLDs such as .com, .net and .org today, we are looking at landscape of 500 new gTLDs each year, both in Latin and non-Latin characters.

The expansion of the gTLD name space planned for the fourth quarter of 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; 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 three 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 six different ver-

sion of the so-called Draft Applicant Guidebook, the ICANN Board now believes to have (almost) settled all open issues and is therefore determined to approve the new gTLD program on June 20, 2011, at the ICANN meeting in Singapore, allowing for applications as early as November 2011. ICANN will allow a maximum of 1,000 applications in each yearly round, and is budgeting for 500 new gTLDs in the first round alone. So where we presently

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have 21 gTLDs such as .com, .net and .org today, we are looking at landscape of 500 new gTLDs each year, both in Latin

and non-Latin characters such as Chinese and Cyrillic. This article will address the issue of 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?

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 pro-

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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” 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.**

prietary use by individual companies (e.g., .hsbc, .pfizer, .nike,

.gucci), the use of a gTLD by companies pertaining to a specific sector of industry (e.g., .health, .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., .london, .melbourne, .nyc) or language communities (e.g., .scot (Scotland), .gal (Galicia, Spain), .bzh (Brittany, France)] 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). A list of published interested in applicants can be found at <http://dot-nxt.com/applicants>.

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, there seems to be so little room

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left for alterations in the guidelines and policies for the new gTLD program that the focus should now be turned to how to prepare



Should you race to be the first to register your .brand?

for the new gTLD program when it is actually launched.

(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. A list of “Specially Protected Marks” is online at <http://www.deloitte.com/be/brand-list>

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 US\$400,000 to US\$1 million plus yearly costs of

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around US\$200,000 and marketing costs and internal resources – will exclude more or less all small- and medium-sized enterprises, 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 and all extra- and intranet servers would need to be changed.

What Can a .brand TLD Achieve that a .com Domain Name Cannot?

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

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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? Or is it Volkswagen, which markets a car called Polo in some markets, or Nestlé, which sells Polo mints in the UK?

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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, for example, 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 search for shanghai.gucchi or shanghai.

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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 peers. 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? Or is it Volkswagen, which markets a car called Polo in some markets, or Nestlé, which sells Polo mints in the UK?

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

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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.

interfaces, WHOIS databases, DNS Servers, etc., necessary 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, 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 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.

This risk is to be taken seriously since one cannot really rely on ICANN launching additional application rounds every 12 months as promised. In order to accommodate for criticism against ICANN, as articulated by both brand owners and governments, that the new gTLDs will bring no benefits to the internet users as such, ICANN has agreed to carry out an intense evaluation of the impact of the launches of the first round new gTLDs, before an eventual second round would take place. As the evaluation phase of a round one application is estimated to last for at least 20 months, and since a serious economic study cannot be carried out before all (or at least most) new gTLDs have been launched with sunrise, landrush, and goLive phases, not to speak of the comments on this study and the ICANN debate about the conclusions to draw from round one, it is fair to estimate that application round two for new gTLDs will not take place within the first three of four years after the opening of round one, if at all.

Thus an “early follower” strategy might be a very risky approach, in case first round applicants are successful in marketing their dotBrands in an efficient manner. You simply might never get .mercedes even though Audi has their .audi.

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.

Only time will tell, but our guess is that we will see at least 250 dotBrand gTLDs.

First Come, First-Served

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.

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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 its 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. 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 ground 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. For example, book.com is registered to Barnes & Noble, and finance.com to Citibank. Note, however, that somebody else has registered book.co.uk and finance.co.uk. With generic new gTLDs, depending on a number of uncertain factors such as search 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



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– 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 immediately 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. ^{AIP}



Could registering a .brand now save you money in the long term?