

Legal perspective

Q&A WITH
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Dot-Complicated

New domain names bring opportunities, concerns

In January ICANN began accepting applications for new top-level domain (TLD) names. We asked franchise attorney Keith Klein what this means for franchisors. Klein is a partner at Bryan Cave LLP and is certified by the California Board of Legal Specialization as a specialist in franchise and distribution law.

New TLDs are now on sale. What should franchisors know? Currently, Internet domains consist of 22 generic top-level domains (gTLDs), such as .com, .org, .net, etc.; and more than 250 country code top-level domains (ccTLDs), such as .uk, .mx, .jp, etc. Starting this January, ICANN, the nonprofit that governs Internet domain names, began accepting applications for new gTLDs. ICANN expects to receive hundreds of applications for domains in four categories: 1) generic word TLDs (.shop, .radio, .franchise); 2) corporate or brand TLDs (.franchiseupdate, .bryancave) owned by trademark owners; 3) community TLDs (.historicpreservation) where domains are limited to members of a community; and 4) geographic TLDs (.omaha, .london) owned by cities and geographic regions. The new TLDs will also allow the use of certain non-Latin characters.

Can a franchisor buy the .brand TLD for their system? Yes, which means they will own and control their new gTLD. Franchisors not already in the domain name business will be entering into a new business line: domain registrar. Obtaining a gTLD is not inexpensive. Beyond the \$185,000 evaluation fee and ongoing registry operating costs, applicants must demonstrate the financial depth to

keep the registry fully operational for at least 3 years.

What are the benefits of owning a gTLD? There are many. The owner will be the domain registrar with the power to regulate both who can obtain second-level domain registrations and the cost of the registrations. Thus, franchisors who obtain a gTLD for their trademark can limit second-level domain registrants to authorized franchisees, employees, and others they want to allow into the brand community. Using a .brand gTLD may

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be the next opportunity to connect, socialize, and create a social community with a brand's customers and followers. Ownership of a brand gTLD may also be a way to ensure security with customers and contract counterparties. The franchisor could advise all customers and counterparties that they will receive electronic communications only from the .brand gTLD and should communicate with persons associated with the brand only through the .brand gTLD or through an email address using the .brand gTLD. It also may simplify trademark enforcement as brand owners will be able to quickly identify unauthorized uses of the brand (e.g., anyone not using a domain under the new .brand gTLD).

Q: What about deadlines? The registration application process has the fol-

lowing milestones in 2012: 1) January 12, application window opens; 2) March 29, last day to register for access to the TLD Application System; and 3) April 13, application window closes. Before an applicant can complete and submit their application they must complete a registration, which consists of several steps. ICANN advises applicants not to wait until the deadlines to register and submit applications; and that the application evaluation process can take from 9 to 20 months (or longer) to complete.

How does a brand owner that does not buy their gTLD protect their brand? After the application process is complete, ICANN will publish portions of all applications, and there will be a public comment period and formal objection process that ICANN advises will last for about 7 months. Formal objections may be filed on any of four specific grounds, including legal infringement and confusion with an existing or applied-for gTLD. All franchisors are advised to monitor the application process, whether or not they apply for a new gTLD. A legal rights objection may be made based on registered and unregistered trademarks.

Following the launch of the new gTLDs, franchisors and other rights owners must continue to monitor and enforce their rights in the domain names registered under the new gTLDs. ICANN currently proposes to have a "trademark clearinghouse" to assist in the prelaunch sunrise period for the new gTLDs. Trademark owners will want to avail themselves of the clearinghouse so they may take advantage of the proposed Uniform Rapid Suspension System to challenge domain names identical or confusingly similar to their trademark.

What's next? Brand owners with the financial wherewithal and who see a business reason will have to go through the application process. Initially, all trademark owners will need to watch the proposed new gTLDs, and then expand their domain name registration procedures to include 1) registrations under the new gTLDs and 2) their policing of domain registrations under the new gTLDs they do not obtain. ■