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A T T O R N E Y S A T L A W

IP LAW CLIENT ALERT

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***BUSINESSES MUST ACT QUICKLY TO
SAFEGUARD TRADEMARK RIGHTS IN THE NEW
TOP LEVEL DOMAIN NAMES***

The second great land grab in the history of the Internet will take place over the coming months, and many companies will be surprised to learn that their valuable trademarks are available for the taking . . . again. Currently, the most valuable Internet locations consist of addresses in the “.com” top level domain, such as Amazon.com and Yahoo.com. Companies obtained these addresses either through staking their claims early or, if they were too slow to the registrar's office, through negotiations or litigation. Some companies have spent millions of dollars in those efforts. The Internet Corporation for Assigned Names and Numbers (“ICANN”), the organization that oversees the primary internet domain name system, is attempting to ease the demand for “.com” domains by creating seven new domain name suffixes (i.e., global top level domains or “TLDs”). These TLDs are .biz, .info, .pro, .coop, .name, .aero, and .museum. They will not affect the existing TLDs, which include not only .com, but also .org, .net, .edu and .gov, as well as others.

While the creation of these new TLDs was intended to open new vistas and reduce competition for the most valuable cyberspace real estate, it is likely that, in the short run, the creation of these new addresses will lead to a host of disputes. Some companies will seek to expand their cyberspace presence from their current .com locations to similar .biz spots. At the same time, many companies that lost in the first cyberspace land grab will be more aggressive – and smarter – this time around.

For example, the domain name Universal.com is currently owned by a computer company offering “universal software.” Other companies, including Universal Studios and the manufacturer of Universal brand exercise equipment, may well be coveting that Universal.com address, and they may vigorously pursue the chance to reside at Universal.biz and/or Universal.info. On the other hand, the computer company may well be interested in avoiding any dilution of its position at Universal.com and may also seek to occupy Universal.biz and/or

Universal.info. But can the computer company automatically obtain domain registrations in the new TLDs? How can the other “Universals” increase their chances of owning Universal.biz? How will disputes be resolved between the occupants of new domain names and frustrated bidders? Despite that several deadlines are fast approaching, the tentative rules promulgated so far do not provide clear answers to these questions. What is clear, however, is that this uncertainty creates opportunity and risk.

This article is the first in a series by Goldberg, Kohn that will discuss how current domain name owners can preserve their presence on the World Wide Web in the new TLDs and how trademark owners can establish a presence on the World Wide Web by obtaining domain names that use their existing trademarks in the new TLDs.

The Registry Operators

In a decision that will lead to a variety of inconsistent practices and results, ICANN selected a different registry operator for each of the seven new TLDs. Each of these operators will develop its own procedure to: (1) decide who can register, (2) provide deadlines for the submission of applications for registration, (3) determine the preference and priority of initial applicants when multiple applicants seek the same domain name (sometimes referred to as a “sunrise” provision), and (4) resolve disputes over domain name ownership. Each registry operator is at a different stage in developing its procedures, and at least some of those procedures seem more likely to increase the registry operator’s profits than to

provide a fair and efficient method of awarding domain names.

ICANN selected NeuLevel, Inc. (“NeuLevel”) to administer the .biz TLD and Afilias, LLC (“Afilias”) to administer the .info TLD. These two operators are furthest along in finalizing their procedures. Most importantly for purposes of obtaining desired domain names, each registry operator has developed its own multi-step process to make initial domain name assignments.

.biz

From June 25, 2001 through September 17, 2001, NeuLevel will accept applications for .biz domain names, which must be placed through one of a multitude of ICANN-approved registrars. These registrars will then submit the applications to NeuLevel. Effectively, these applications act as raffle tickets because in the event that there are multiple applications for the same .biz domain name, NeuLevel will select one applicant *at random* to receive the registration. An applicant has several strategies for increasing its chances of success, some of which are obvious from a careful reading of the applicable rules, while others require more creativity. For example, an applicant can file more than one application (i.e., buy more than one raffle ticket) because it appears that each application will have an equal chance of being selected (a NeuLevel representative confirmed that this multiple-filing strategy likely would be effective). There are several methods of increasing the number of applications. An applicant can file identical applications with the same registrar or the applicant can coordinate

the filing of multiple applications through different registrars using related entities. Each strategy has its own potential benefits and pitfalls. Of course, each filing will require the payment of an additional fee to the registrar, and the registry operator will take its cut.

An applicant also can increase its chances of obtaining a specific .biz domain name by challenging a registration granted to a competing applicant during the sunrise period. However, in order to make that challenge, the applicant must have filed a statement of its rights (called an "IP Claim") prior to August 6, 2001, well before NeuLevel will advise applicants of the results of the selection process, and well before many applicants will learn the importance of filing an IP Claim.

The rules also allow for some jockeying to take place among the applicants that do not receive the initial registration, again encouraging multiple filings and multiple fees. In case more than one unsuccessful applicant files an IP Claim, then NeuLevel will select one of these applicants at random, and the selected applicant will be allowed to challenge the winner's registration by using NeuLevel's sunrise dispute resolution policy. If this applicant is successful in challenging the winner's registration, NeuLevel will transfer the domain name to the challenger. The rules are vague concerning the recourse available to other unsuccessful applicants during the sunrise period and these rules will likely be fleshed out only in practice.

Finally, there are additional methods of challenging the assignment of a domain name to another applicant, including NeuLevel's post-sunrise dispute resolution policy (which places a relatively

unfavorable burden of proof on the applicant compared to the sunrise dispute resolution policy) or court action. It is important to note that the first rush for domain names resulted in significant legislation, such as the Anti-Cybersquatting Consumer Protection Act, as well as landmark court decisions resolving disputes between so-called cyber pirates and trademark holders as well as disputes between two competing trademark holders. Given the nature of NeuLevel's procedures, it is likely that additional litigation will arise.

.info

Afilias, the registry operator for the .info TLD, has developed a different multi-step process. During its first phase, which is slated to begin on July 25, 2001, preferential treatment will be given to .info domain name applicants that own a trademark that has a "national effect" prior to October 2, 2000.

Applicants for .info domain names also must submit applications through their domain name registrars. Afilias' first phase is scheduled to last until August 27, 2001. To avoid preferential treatment to the customers of any particular registrar, Afilias will select domain name applicants over several randomized rounds. Disputes between sunrise registrants and third parties will be resolved under Afilias' sunrise dispute policy.

Afilias' second phase, which will start approximately fifteen days following the conclusion of the sunrise period, is open to the general public and will remain open for eighteen days. Again, if multiple applications for the same .info domain name have been submitted, a randomized

round-robin method will be utilized to select a particular .info domain name registrant. Disputes during this second phase will be resolved under a separate dispute resolution policy or through the courts. Finally, during Afiliias' third phase, .info domain registrations will be available to the general public and will be processed in real-time, on a first-come, first-served basis.

As if navigating through the actual rules were not sufficiently challenging to potential applicants, the Federal Trade Commission ("FTC") has identified a slew of scams based upon purported guarantees of obtaining a particular domain name or receiving preferential treatment in the assignment of domain names. The services making these representations frequently send unsolicited faxes and e-mails. Before engaging a service provider in this area, an applicant should review the FTC's Consumer Alert regarding these scams (see <http://www.ftc.gov/bcp/online/pubs/alerts/domainalrt.htm>) and carefully review any such representations.

Conclusion

Despite the uncertainties in the process for assigning domain names in the new TLDs, registering and maintaining a domain name now will be significantly easier than

a later effort to obtain a domain name registered by someone else. Indeed, failing to register now could result in an expensive undertaking or a permanent loss of rights down the road.

New cyberspace real estate is for sale, and the companies that wind up living at the best addresses will be those that create and execute a carefully planned strategy. Goldberg, Kohn will continue to prepare periodic updates on selected developments in this area.

If you have any questions or need further information about the new top level domains, or about other intellectual property law issues, please contact:

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