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Volume 20 | Issue 1

Article 7

September 2012

I Can't Believe It's Not Better: Why New gTLDs are Bad for Brand Owners and Trademark Law

Alexandra Morgan Joseph

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Alexandra M. Joseph, *I Can't Believe It's Not Better: Why New gTLDs are Bad for Brand Owners and Trademark Law*, 20 J. INTELL. PROP. L. 149 (2012).

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I CANN'T BELIEVE IT’S NOT BETTER: WHY NEW GTLDS ARE BAD FOR BRAND OWNERS AND TRADEMARK LAW

*Alexandra Morgan Joseph**

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* J.D. Candidate 2013, University of Georgia School of Law. The author would like to thank Chase Scott for his assistance in topic selection and Professor Christian Turner for his comments on an early draft. The author would also like to thank her parents, Frank and Annette, for their constant support and encouragement, without which this would not have been possible. All errors and omissions are the author’s alone.

I. INTRODUCTION: gTLDs, WHAT ARE THEY GOOD FOR?
ABSOLUTELY NOTHING!

Sam is an ordinary internet user. And right now, Sam wants to use the internet to learn more about Sprite, his favorite Coca-Cola product. Currently, a consumer like Sam has several options. He can guess that The Coca-Cola Company has a specific website just for Sprite and enter “www.sprite.com” into the URL box at the top of his internet browser window. Sam can attempt to visit The Coca-Cola Company’s official website by typing in “www.coke.com,” which will re-direct Sam to Coke’s official, English language site “www.coca-cola.com/en.” Alternatively, Sam can type “Sprite” into a search engine like Google and select which website he wants to visit from the thousands of search results Google lists. Sam will likely find the information he’s looking for in a few seconds by utilizing any one of those search methods. And at the same time, The Coca-Cola Company will have successfully connected with a consumer.

Domain names have become an integral part of corporate branding.¹ Consumers depend on the internet for reliable information. In this internet-dominated era, creating and monitoring a domain name system that eliminates consumer confusion and protects trademark rights is paramount. The current system is working.² Why then is the entity that controls the domain name system seeking to change the status quo?

In June 2011, the Internet Corporation of Assigned Names and Numbers (ICANN) approved the launch of new generic top-level domains (gTLDs).³ In an internet address, top-level domains (TLDs) are the letters that appear to the right of the dot in an internet address. Common TLDs include “.com” and “.edu.”⁴ The launch of new gTLDs will exponentially increase the amount of

¹ Graeme B. Dinwoodie, *(National) Trademark Laws and the (Non-National) Domain Name System*, 21 U. PA. J. INT’L ECON. L. 495, 507 (2000); Kirk A. Damman, *Domain Name Protection in E-Commerce*, in UNDERSTANDING THE LEGAL ASPECTS OF E-COMMERCE LEADING LAWYERS ON DEFENDING INTELLECTUAL PROPERTY, NAVIGATING PRIVACY CONCERNS, AND NEGOTIATING CONTRACTS (Aspatore ed. 2011), available at 2011 WL 4450789.

² Pia Hurmelinna-Laukkanen, Mari Juntunen, Salla Saraniemi & Jenni Alahuhta, Proceedings of the Academy of Marketing Annual Conference, *The Strategic Use of Intellectual Property Rights in Corporate Branding – Visual Identity Perspective* (July 6–7, 2009), <http://www.oulu.fi/cobra/papers/Artikkelit%20konferensseissa/The%20strategic%20use%20of%20intellectual%20property%20rights%20in%20corporate%20branding%20-%20visual%20identity%20perspective.pdf>.

³ Press Release, ICANN, ICANN Approves Historic Change to Internet’s Domain Name System (June 20, 2011) (<http://www.icann.org/en/news/announcements/announcement-20jun11-en.htm>).

⁴ Robert V. Donahoe, *Beyond .Com: What Risk Does the Explosive Growth of Top Level Domains Pose to Your Trademark: Can You Get Any Relief?*, 4 TUL. J. TECH. & INTELL. PROP. 59, 61 (2002).

top-level domains by allowing trademark holders and corporations to buy right-of-the-dot domain name space:

With the launch of new gTLDs, corporations can now buy, at a very steep price, right-of-the-dot domains.⁵ The Coca-Cola Company, for example, can now buy and control “.coke.” But, will the rise of “.brands” help corporations establish and control their brand identity online? And will these new gTLDs help consumers find what they are looking for on the internet or, at the very least, assist in eliminating consumer confusion, which is one of the main goals of traditional trademark law?⁶

Prior to the launch of new gTLDs, the most often litigated trademark disputes involved second-level domains (e.g., the “uga” in www.uga.edu).⁷ The launch of new gTLDs, however, will likely open the floodgates to trademark disputes right-of-the-dot.⁸ Even if disputes are not forthcoming, the creation of more TLDs opens a new venue for trademark usage and in doing so, creates a new arena for trademark infringement.⁹ Trademark holders, regardless of the gTLD strategy they pursue, will need to expend money, time, and other resources monitoring gTLDs.¹⁰ This Note argues that the creation of new gTLDs marks the first time that ICANN has taken a step that was neither necessary nor reflective of a general desire among trademark holders or within the internet-user community. Part II of this Note presents a brief history of trademark law, the development of the internet, and an overview of the privatization of the Domain Name System (DNS), including an introduction to ICANN, the organization that manages the DNS.

⁵ *Frequently Asked Questions, New Generic Top-Level Domains*, ICANN, <http://newgtlds.icann.org/applicants/faqs/faqs-en> (last visited Oct. 22, 2012). During the current application cycle, ICANN will only approve 1,000 new gTLDs, but ICANN plans to hold many application cycles in the future and plans to approve more new gTLDs during each cycle.

⁶ RICHARD L. KIRKPATRICK, *LIKELIHOOD OF CONFUSION IN TRADEMARK LAW* § 2.1 (1999) (“[T]he likelihood of confusion issue is ‘like a tangle of underbrush’ in the already ‘rather swampy area of unfair competition’ . . . ‘Razor-thin judgment calls are indigenous to the law of trademark protection.’ Often lines must be drawn in ‘fuzzy areas.’”).

⁷ David Yan, *Virtual Reality: Can We Ride Trademark Law to Surf Cyberspace?*, 10 *FORDHAM INTELL. PROP. MEDIA & ENT. L.J.* 773, 790 (2000).

⁸ Kathleen E. McCarthy, *International Protection in an Internet World*, in *INTELLECTUAL PROPERTY LAW INSTITUTE 577* (PLI Patents, Copyrights, Trademarks, and Literary Property Handbook Series No. 29137, Sept. 2011) (citing a comment by The American Bankers’ Association on a 2010 Economic Framework Report that “detail[ed] the potential for significant costs, particularly with regard to cybersquatting defense costs . . . [and] discuss[ed] the need for additional research to fully understand the costs associated with the new gTLD program.”).

⁹ *Id.* at 576.

¹⁰ *Id.* at 574.

Part III of this Note details a two-part argument: First, though ICANN uses the existence of a “.com” scarcity¹¹ as justification for the introduction of new gTLDs, there is in fact no “.com” scarcity. Instead, the “.com” scarcity ICANN uses to justify new gTLDs is artificial.¹² Cybersquatters, who buy domain names corresponding with trademarks in hopes of later selling them to the marks’ owners at a profit, created this [perceived] scarcity.¹³

This “.com” scarcity is not only artificial but also easy to remedy. ICANN already has an efficient and very affordable (around \$2,000 per dispute) system in place, the Uniform Domain-Name Dispute-Resolution Policy (UDRP), to kick cybersquatters out of domain names and turn over these formerly occupied domains to the owners of the trademarks that correspond to the contentious domain names.¹⁴ In addition, the Anticybersquatting Consumer Protection Act (ACPA) is another Congressionally-created mechanism designed to combat cybersquatting.¹⁵ Together, the UDRP and the ACPA give trademark owners the tools they need to effectively police their intellectual property on the internet.¹⁶

Second, if there is no “.com” scarcity, then there is no reason for ICANN to launch new gTLDs. In fact, there are two reasons not to allow new gTLDs:

¹¹ A “.com” scarcity would exist if, for example, Pizza Hut wanted to buy “www.pizza.com” but was unable to because another entity already owned and controlled “www.pizza.com.”

¹² Jay P. Kesan & Andres A. Gallo, *The Market for Private Dispute Resolution Services—An Empirical Reassessment of ICANN-UDRP Performance*, 11 MICH. TELECOMM. & TECH. L. REV. 285, 310 (2005).

¹³ A. Michael Froomkin, *Wrong Turn in Cyberspace: Using ICANN to Route Around the APA and the Constitution*, 50 DUKE L.J. 17, 23 (2000).

¹⁴ At the UDRP’s inception, ICANN had three main objectives it sought to achieve. The first goal was to create global uniformity. An example of this would be to eliminate competition among jurisdictions — forum shopping — and rules that are applied to domain name and trademark disputes. The second goal was to reduce the cost of resolving disputes. Finally, the UDRP was intended to be heavily restricted in its applicability. It was supposed to be geared toward the most flagrant types of cybersquatting, while other disputes would be left to the courts.

Pamela Segal, *Attempts to Solve the UDRP’s Trademark Holder Bias: A Problem That Remains Unsolved Despite the Introduction of New Top Level Domain Names*, 3 CARDOZO ONLINE J. CONFLICT RESOL. 1, 23 (2001); see also Jeffrey J. Look, *Law and Order on the Wild, Wild West (WWW)*, 24 U. ARK. LITTLE ROCK L. REV. 817, 824–25 (2002) (“The main advantage of using the UDRP over filing a lawsuit is that it can generally provide an inexpensive and quick resolution for domain name disputes. Because there is no discovery process and no absolute right to file endless replies and subreplies after the initial filing of the complaint and response, the costs of a UDRP proceeding can be much less than seeking a preliminary injunction in court. However, using the UDRP effectively requires thorough advance preparation, investigation, and research.”).

¹⁵ Diane Kilpatrick, *ICANN Dispute Resolution vs. Anti-Cybersquatting Consumer Protection Act Remedies: Which Makes More “Cents” for the Client?*, 2 HOUS. BUS. & TAX L.J. 283, 292 (2002).

¹⁶ *Id.* at 324.

- (1) Trademark holders do not want new gTLDs because new gTLDs create just another arena for trademark infringement, thereby creating another space where trademark holders must expend time and money to monitor their marks.¹⁷
- (2) New gTLDs will not decrease consumer confusion, which is a longstanding and widely recognized goal of trademark law. Instead, it is more likely that Internet consumers will not use new gTLDs or that new gTLDs will actually increase consumer confusion.¹⁸

Part IV of this Note argues that, in addition to being an unwanted annoyance for brand owners, new gTLDs will likely replicate the problems of the current system. This change to the domain name space will engender consumer confusion and lead to competition between brands. The addition of new gTLDs to the domain name space may also have some unique consequences. New gTLDs have the potential to impair trademark law. Because ICANN created a new space for the exercise and promotion of trademarks when it approved new gTLDs, how trademark law will function in this latest internet frontier is unclear.

If new gTLDs will be an expensive annoyance for corporations, then corporations need strategies for protecting their marks right-of-the-dot. Part IV of this Note thus outlines a plan of attack for corporations dealing with top-level domain brand management.

II. BACKGROUND: AN INTRODUCTION TO TRADEMARK LAW AND THE PRIVATIZATION OF THE DOMAIN NAME SYSTEM

A. TRADEMARK LAW

Both common law and federal statutes govern trademark protection. A trademark is “a word, name, symbol, or design that operates as a source identifier of the goods or services on which the trademark appears.”¹⁹ To qualify as a protectable mark under the Lanham Act, a trademark must be inherently distinctive or have acquired distinctiveness through use in

¹⁷ McCarthy, *supra* note 8, at 579 (quoting comments of The Coca-Cola Company).

¹⁸ *Id.* (discussing The Coca-Cola Company's public statements made about ICANN and the launch of new gTLDs); see also Nina Gregory, *Not Just Dot-Com, But Dot-Yournamehere*, NPR (June 21, 2011), <http://www.npr.org/2011/06/21/137308306/not-just-dot-com-but-dot-yournamehere>.

¹⁹ Lanham Act § 45, 15 U.S.C. § 1127 (2006).

commerce.²⁰ The Lanham Act was intended to make “actionable the deceptive and misleading use of marks” and “to protect persons engaged in . . . commerce against unfair competition . . .”²¹ Arbitrary, fanciful, or suggestive trademarks automatically are protected because their intrinsic natures function solely to identify the source of the goods.²²

Marks that describe the quality or characteristics of the associated goods or services are not inherently distinctive.²³ To gain distinctiveness and therefore be entitled to protection, descriptive trademarks must acquire a secondary meaning or connotation through their use in commerce.²⁴

Generic words, phrases, designs, logos, or devices are never protected under trademark law based on the rationale that competing manufacturers should not be deprived of the right to call an article by its name. Thus, even a showing of secondary meaning or acquired distinctiveness will not permit protection of a generic term.²⁵

Trademark owners do not really “own” their trademarks.²⁶ Instead, trademark owners have the right to prevent others from using similar marks—including logos, designs, devices, and words—that are likely to cause customer confusion.²⁷

²⁰ The more distinctive a mark, the more protection it deserves. Courts have created various categories of distinctiveness for marks, including: (1) arbitrary or fanciful, (2) suggestive, (3) descriptive, and (4) generic. For further discussion, see *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976).

²¹ 15 U.S.C. § 1127 (2006).

²² *Abercrombie & Fitch Co.*, 537 F.2d at 9 (stating that arbitrary trademarks are typically common words applied in an unfamiliar way in relation to the goods they identify).

²³ Xuan-Thao N. Nguyen, *Shifting the Paradigm in E-Commerce: Move Over Inherently Distinctive Trademarks—The E-Brand, I-Brand, and Generic Domain Names Ascending to Power?*, 50 AM. U. L. REV. 937, 946 (2001).

²⁴ *Coca-Cola Co. v. Koke Co.*, 254 U.S. 143, 145 (1920), *superseded by statute*, 15 U.S.C. § 1127 (2006), *as recognized in* *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 171 (1995) (“Whatever may have been its original weakness, the [Coca-Cola] mark for years has acquired a secondary significance and has indicated the plaintiff’s product alone.”).

²⁵ Brian C. Smith, *Private Property for Public Use: The Federal Trademark Dilution Act and Anticybersquatting Consumer Protection Act as Violations of the Fifth Amendment Takings Clause*, 11 J. INTELL. PROP. L. 191, 194–95 (2003).

²⁶ *Int’l Order of Job’s Daughters v. Lindeburg & Co.*, 633 F.2d 912, 919 (9th Cir. 1980) (“[T]he ‘property right’ or protection accorded a trademark owner can only be understood in the context of trademark law and its purposes. A trademark owner has a property right only insofar as is necessary to prevent consumer confusion as to who produced the goods and to facilitate differentiation of the trademark owner’s goods.”); *Dorer v. Arel*, 60 F. Supp. 2d 558, 560–61 (E.D. Va. 1999) (reasoning that a trademark owner “owns” a trademark in the same way that a

Trademark owners also have the right to exploit their trademarks as a corporate asset in commercial transactions.

Although they cannot assign or sell their trademarks without the attached goodwill, trademark owners can use their trademarks as general intangible collateral to secure an obligation in secured commercial financing schemes.²⁸

Ultimately, there are two main goals of trademark law.²⁹ Trademark law attempts to protect the owner's property rights in the mark, while at the same time attempting to protect consumers from confusion.³⁰ Many scholars disagree about which is the primary purpose of trademark law, and lawmakers and judicial decisions usually endeavor to balance the two aims.³¹

B. THE ECONOMICS OF TRADEMARK LAW AND THE VALUE OF DOMAIN NAMES

One important economic function of trademarks is the reduction in consumer costs associated with searching for goods and services.³² UCLA economists Armen Alchian and William Allen note:

Brand names and trademarks become associated with expectations of a particular quality. Reputations based on consistent past performance economize on the costs of information about the anticipated performance of a good. Thus consumers will sensibly use the brand name or reputation of the maker as a basis for choice. The greater are the possible losses from poor performance of a good, the greater is the value of that brand name as a predictor of quality of performance. Without brand names or other means of identifying makers, consumers would face larger risks and incur greater costs of information.³³

person "owns" a telephone number).

²⁷ *Id.*

²⁸ *Id.*

²⁹ 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2:1 (4th ed. 2011).

³⁰ 1 *id.*

³¹ 1 *id.*

³² 1 *id.*

³³ 1 *id.* (quoting A. ALCHIAN & W.R. ALLEN, EXCHANGE AND PRODUCTION: COMPETITION, COORDINATION, AND CONTROL 193 (2d ed. 1977)); see also Robert E. Meiners & Robert J. Staaf,

Domain names can serve a similar purpose for brands, connecting consumers to goods and services as efficiently as possible, benefiting both the consumer and the brand owner. This is perhaps one reason why many brand owners view their domain names as valuable pieces of property.³⁴ Because domain names have the potential to serve the same function as trademarks, mark holders view them as potentially valuable pieces of property.³⁵

C. A BRIEF HISTORY OF THE DOMAIN NAME SYSTEM

The internet began as a means for the Department of Defense to allow communication among its researchers and staff.³⁶ Even as the volume of connected computers has increased, “it has remained in essence a network of different machines containing files for access (‘sites’) and the pointers for showing other computers how to get there (‘addresses’).”³⁷ All computers connected to the internet use a series of numbers, or internet protocol (IP) addresses, to identify themselves.³⁸ “When a user types an alphanumeric Uniform Resource Locator (URL) into a web browser, the host computer must ‘resolve’ the domain name—that is, translate it into an IP number” in order to find the correct website.³⁹ A URL “identifies the type and location of an internet resource.”⁴⁰ During the early years of the internet, “a user had to know the URL of the site that it wanted to access. The user would enter the URL into his web browser, the software interface to the web that takes a specified URL and then accesses the appropriate site.”⁴¹

Patents, Copyrights and Trademarks: Property or Monopoly?, 13 HARV. J.L. & PUB. POL’Y 911, 931 (1990) (“A trademark would have zero value in a world of perfect information because consumers could determine variations in quality and performance among products at no cost.”).

³⁴ Jonathan C. Krisko, *U.C.C. Revised Article 9: Can Domain Names Provide Security for New Economy Businesses?*, 79 N.C. L. REV. 1178, 1179 (2001).

³⁵ *Id.*

³⁶ Michael G. Bowers, *Implementing an Online Dispute Resolution Scheme*, 64 VAND. L. REV. 1265, 1270–71. For an excellent treatment of the history of the internet and many of the legal issues created by it, see generally JACK GOLDSMITH & TIM WU, *WHO CONTROLS THE INTERNET?: ILLUSIONS OF A BORDERLESS WORLD* (2006).

³⁷ Bowers, *supra* note 36, at 1268.

³⁸ Yan, *supra* note 7, at 788.

³⁹ Froomkin, *supra* note 13, at 38; see also Neil Randall, *How DNS Servers Work*, PC MAG., Sept. 24, 1996, at 217; Neil Randall, *What Happens When You Click*, PC MAG., Oct. 22, 1996, at 245.

⁴⁰ Maureen A. O’Rourke, *Fencing Cyberspace: Drawing Borders in a Virtual World*, 82 MINN. L. REV. 609, 622 (1998) (citing BRYAN PFAFFENBERGER, *WORLD WIDE WEB BIBLE* 38 (2d ed. 1996)).

⁴¹ *Id.* at 623–24 (“A browser is a program that runs on the computer you’re using [and] lets you browse the Internet in search of web documents’ and noting that server software is also necessary to use the web.”) (quoting BRYAN PFAFFENBERGER, *WORLD WIDE WEB BIBLE* 50 (2d ed. 1996)).

The process of matching domain names with the IP addresses they represent is done through the internet's Domain Name System (DNS) servers.⁴² "A domain name serves the same purpose as a postal address."⁴³ The DNS process matches the text URL with the correct IP address and uses this information to direct the computer to the appropriate server to find the site.⁴⁴ Though the internet is "famously decentralized and un-hierarchical," it relies on "an underlying centralized hierarchy built into the Domain Name System"⁴⁵

Domain names are the unique identifiers people use to find web pages, route emails, and connect to other internet resources.⁴⁶ Domain names are made up of different parts. Using *www.uga.edu* as an example, "www." is the host name, and "uga.edu" is the domain name.⁴⁷ The rightmost portion of the domain name is the top-level domain.⁴⁸ There are currently twenty-two TLDs, the most common ones being ".com," ".edu," ".org," and ".gov."⁴⁹ "The need to create uniqueness, that is, to prevent two people from attempting to use the same exact domain name, creates a need for some sort of body to monitor and allocate naming."⁵⁰ The body that fulfills this role is ICANN.

D. AN INTRODUCTION TO ICANN

In the late twentieth century, the United States found itself in *de facto* and "probably legal control" of the DNS.⁵¹ The seeds for the United States' eventual control of the DNS were planted in the 1980s.⁵² At that time, the internet was just "a small network used primarily by academics [and] was of little interest to most people."⁵³

By the early 1990s, the internet "began to be commercialized," and DNS issues became more contentious, thereby sparking the interest and concern of U.S. policymakers.⁵⁴ The United States government responded to the growing

⁴² Bowers, *supra* note 36, at 1269.

⁴³ Segal, *supra* note 14, at 3.

⁴⁴ Bowers, *supra* note 36, at 1260.

⁴⁵ Froomkin, *supra* note 13, at 20 (citation omitted).

⁴⁶ *Id.*

⁴⁷ *Id.* at 39.

⁴⁸ Bowers, *supra* note 36, at 1270.

⁴⁹ Gregory, *supra* note 18.

⁵⁰ *Id.*

⁵¹ A. Michael Froomkin, *Almost Free: An Analysis of ICANN's Affirmation of Commitments*, 9 J. ON TELECOMM. & HIGH TECH. L. 187, 190 (2011).

⁵² *Id.* at 190–91.

⁵³ *Id.*

⁵⁴ *Id.*

problem of the management of the DNS in 1998. That year, the National Telecommunications and Information Administration of the U.S. Department of Commerce (DoC) issued a policy statement, known as the DNS White Paper, which set out a plan for privatizing the management of the DNS.⁵⁵

On October 26, 1998, ICANN was incorporated as a nonprofit corporation in California.⁵⁶ ICANN asked the DoC to choose it as the DoC's private partner, a position detailed in the DNS White Paper.⁵⁷ The DoC chose ICANN and in doing so, "basically handed ICANN de facto control of the DNS."⁵⁸

ICANN derives its authority from its contractual relationship with the DoC.⁵⁹ There is no statute vesting ICANN with power, leading some academics to question the legitimacy of ICANN's authority.⁶⁰ As a result of its close relationship with the U.S. government, ICANN has no competition.⁶¹ All contracts with ICANN mandate that domain name holders agree to ICANN-run arbitration; therein, ICANN oversees almost all domain name disputes, leading ICANN to develop into a quasi-jurisdiction.⁶²

E. THE ACPA'S ROLE IN SHAPING THE INTERNET

If the internet is the wild, wild west, then cybersquatters are the outlaws.⁶³ In 1999, ICANN, in an attempt to combat cybersquatting, created the Uniform Domain Name Dispute Resolution Policy (UDRP).⁶⁴ At the same time that ICANN created the UDRP, Congress was crafting its own answer to the cybersquatting problem.⁶⁵

⁵⁵ *Id.*

⁵⁶ *Id.* at 191.

⁵⁷ Letter from Jon Postel to Hon. William M. Daley, U.S. Sec'y of Commerce (Oct. 2, 1998), available at <http://www.ntia.doc.gov/ntiahome/domainname/proposals/icann/little.htm>.

⁵⁸ *Id.*

⁵⁹ Froomkin, *supra* note 13, at 28.

⁶⁰ *Id.*; see also GOLDSMITH & WU, *supra* note 36; INTERNET GOVERNANCE: INFRASTRUCTURE AND INSTITUTIONS (Lee A. Bygrave & Jon Bing eds., 2009).

⁶¹ Kesan & Gallo, *supra* note 12, at 290-94.

⁶² *Id.* (explaining that ICANN does not run the arbitrations itself. Instead, ICANN makes the rules for the arbitrations, and then other groups, including WIPO, perform the actual arbitrations.); see also Kevin J. Heller, *The Young Cybersquatter's Handbook: A Comparative Analysis of the ICANN Dispute*, 2 CARDOZO ONLINE J. CONFLICT RESOL. 2, 4 (2001).

⁶³ Jacqueline D. Lipton, *Bad Faith in Cyberspace: Grounding Domain Name Theory in Trademark, Property, and Restitution*, 23 HARV. J.L. & TECH. 447 (2010).

⁶⁴ See Notice, Management of Internet Names and Addresses, 63 Fed. Reg. 31,741, 31,749-51 (June 10, 1998).

⁶⁵ Kilpatrick, *supra* note 15, at 292.

Congress's answer was the Anticybersquatting Consumer Protection Act (ACPA), which President Clinton signed into law in 1999, the very same year ICANN created the UDRP.⁶⁶ Ultimately, the ACPA proved to be an especially effective mechanism for fighting cybersquatting.⁶⁷ This is in large part because the ACPA provides for in rem action.⁶⁸ This cause of action enables trademark owners to bring suit against particular domain names, even if the trademark owner cannot identify the domain name's owner[s].⁶⁹ In the era of internet-anonymity, the in rem feature of the ACPA makes it a particularly effective tool in the war against cybersquatters.⁷⁰

The UDRP and the ACPA are cost saving and effective mechanisms designed to curtail cybersquatting.⁷¹ While neither is perfect, the UDRP and ACPA have brought law and order to the wild, wild west of the internet, making cybersquatting outlaws, if not a thing of the past, then at least a manageable menace.⁷²

F. THE NEW [PROBLEMATIC] GTLD APPLICATION PROCESS

Any public or private organization from any part of the world can apply to create and operate a new gTLD.⁷³ ICANN is not accepting applications from individuals or sole proprietors due to the level of complexity and required resources involved.⁷⁴ While the \$185,000 application fee and the 200-page application⁷⁵ will likely deter many organizations from applying for a new

⁶⁶ *Id.*

⁶⁷ *Id.* at 324.

⁶⁸ *Id.* at 293.

⁶⁹ *Id.*

⁷⁰ *Id.*

⁷¹ *Id.* at 324.

⁷² *Id.*

⁷³ For a more detailed guide on the steps potential applicants should take before applying for gTLDs, see *gTLD Application Guidebook: Version 2011-09-19*, ICANN (Oct. 22, 2011), <http://www.icann.org/en/topics/new-gtlds/rfp-clean-19sep11-en.pdf>. See also *Frequently Asked Questions*, *supra* note 5 (“Any established public or private organization that meets eligibility requirements anywhere in the world can apply to create and operate a new gTLD Registry. Applicants will need to demonstrate the operational, technical and financial capability to run a registry and comply with additional specific requirements.”).

⁷⁴ Brian Winterfeldt, *ICANN Published Updated Applicant Guidebook for the New gTLD Program*, Mondaq 2011 WLNR 19590377.

⁷⁵ MAY CHENG & BENJAMIN ROMANO, *New gTLDs Coming Out Soon!*, available at <http://www.mondaq.com/Canada/x/147442/Trademark/News+gTLDs+Coming+Out+Soon>. During the first round of applications, applicants must answer fifty questions, ranging from the purpose of the application and the desired domain name to details on cost and funding. Furthermore, applicants will need to prove they are financially, technically, and operationally ready to run a

gTLD, “there is otherwise very little keeping an entity from applying for whatever gTLD they would like to create.”⁷⁶ And so far, over 150 organizations have expressed their interest in applying for new gTLDs.⁷⁷

Applying for a new gTLD is not like applying for a domain name. Currently, all organizations and individuals around the world need to do in order to register a second-level domain (the “uga” in “www.uga.edu”) is find an accredited registrar, comply with the registrant terms and conditions, and pay registration and renewal fees.⁷⁸ According to ICANN, the application process for new gTLDs is “much more complex.”⁷⁹

What sets this new gTLD system apart from the earlier TLDs is that the applicant will now own and manage its own gTLDs. For example, Bank of America could conceivably own and operate “.bank” and allow other organizations like Suntrust to “rent” this gTLD so that Suntrust could operate “www.suntrust.bank.” But in that situation, Bank of America would own and operate Suntrust’s domain.⁸⁰ The applicant for the new gTLDs will be the registry operator, which means that applicants will need to have the capability to manage a registry business.⁸¹ This involves a number of significant responsibilities, “as the operator of a new gTLD is running a piece of visible Internet infrastructure.”⁸²

G. THE PUBLIC OUTCRY AGAINST NEW GTLDS

In late 2011, Representative Bob Goodlatte, chairman of the House Judiciary Subcommittee on Intellectual Property, Competition, and the Internet, and Representative Howard Berman, ranking member of the House Committee on Foreign Affairs, called for ICANN to delay the launch of the new gTLDs program—scheduled to launch January 12, 2012—until Congress could conduct a more thorough analysis of the potential costs and benefits of the

registry. Each application will go through several steps, including a background check, an administrative check, an initial evaluation, an extended evaluation, a string contention, a dispute resolution, and a pre-delegation.

⁷⁶ Caroline G. Chicoine & Benjamin R. Tozer, *FirstNational.bank? – Coming to a Website Near You* (Sept. 15, 2011), http://fredlaw.com/articles/banking/bank_1109_cc_bt.html.

⁷⁷ CHENG & ROMANO, *supra* note 75 (noting that Canon and Hitachi are two corporations who have publically announced plans to apply for new gTLDs that correspond to their brands. Pepsi, Ikea, Morgan Stanley, and Wells Fargo have announced that they will not be pursuing new gTLDs).

⁷⁸ *Frequently Asked Questions*, *supra* note 5.

⁷⁹ *Id.*

⁸⁰ CHENG & ROMANO, *supra* note 75.

⁸¹ *Id.*

⁸² *Frequently Asked Questions*, *supra* note 5.

program.⁸³ The Federal Trade Commission also voiced its concern over the introduction of an untold number of new gTLDs.⁸⁴ Despite their protestations, it seems that Congress and the FTC do not have the authority to stop ICANN from going forward with the new gTLD plan.⁸⁵

The Federal Trade Commission sent a letter to ICANN expressing concern that the organization's plan to dramatically expand the domain name system would leave consumers more vulnerable to online fraud and would undermine law enforcement's ability to track down online scammers. In the letter, the Commission warned that rapid expansion of the number of new gTLDs could create a "dramatically increased opportunity for consumer fraud" and make it easier for scam artists to manipulate the system to avoid being detected by law enforcement authorities.⁸⁶ According to the Commission, "A rapid, exponential expansion of gTLDs has the potential to magnify both the abuse of the domain name system and the corresponding challenges we encounter in tracking down Internet fraudsters."⁸⁷ The Commission urged ICANN—before approving any new gTLD applications—to take additional steps to protect consumers, including starting with a pilot program to work out potential problems.⁸⁸

The FTC has raised consumer protection issues with ICANN for more than a decade.⁸⁹ The Commission stated that the FTC and other law enforcement agencies need to navigate the domain name system in order to investigate cases of unfair or deceptive practices online and that the existing system is already open to manipulation by scam artists seeking to avoid detection.⁹⁰

The Commission's letter states that the increase in website names that could be registered in the new gTLDs would place "infinite opportunities" at the fingertips of scam artists, who currently take advantage of consumers through tactics such as using misspelled names to create copycat websites.⁹¹ "In short,

⁸³ Amy E. Bivins, *House Lawmakers to NTLA: Stall ICANN's New gTLD Rollout, or Explain Why You Won't*, 83 PAT. TRADEMARK & COPYRIGHT J. (BNA) 293 (2012).

⁸⁴ *Id.*

⁸⁵ *Id.*

⁸⁶ Letter from Jon Leibowitz, Chairman of the Fed. Trade Comm'n, to Stephen D. Crocker, Chairman of the Bd. of Dirs. of ICANN, Re: Consumer Protection Concerns Regarding New gTLDs (Dec. 16, 2011), available at <http://www.ftc.gov/os/closings/publicltrs/111216letter-to-icann.pdf>.

⁸⁷ *Id.*

⁸⁸ *Id.*

⁸⁹ *Id.*

⁹⁰ *Id.*

⁹¹ *Id.*

the potential for consumer harm is great, and ICANN has the responsibility both to assess and mitigate these risks,” the letter states.

Before approving any new gTLD applications, the FTC urged ICANN to:

- (1) implement the new program as a pilot program and substantially reduce the number of generic top-level domains that are introduced as a result of the first application round;
- (2) strengthen ICANN’s contractual compliance program, in particular by hiring additional compliance staff;
- (3) develop a new ongoing program to monitor consumer issues that arise during the first round of implementing the new gTLD program;
- (4) assess each new proposed generic top-level domain’s risk of consumer harm as part of the evaluation and approval process; and
- (5) improve the accuracy of Whois data, including by imposing a registrant verification requirement.⁹²

Kurt Pritz, ICANN’s senior vice president of stakeholder relations, shot down the possibility that ICANN would be willing to delay the launch if lawmakers requested it. However, ICANN, as of December 2011, had no plans to implement the FTC’s recommendations.⁹³

As ICANN moves forward with implementation of its new gTLD program, some professionals in the intellectual property and trademark community are drawing comparisons between this rollout and the introduction of the controversial .XXX domain earlier in 2011.⁹⁴ Trademark holders and industry insiders challenged, and ultimately stalled, the launch of the .XXX domain.⁹⁵ However, ICANN has stronger mechanisms in place to protect trademark holders and consumers, which were not established for the rollout of the .XXX domain.⁹⁶

According to Scott Bain, chief litigation counsel for the Software & Information Industry Association, there is no comparing the creation of new

⁹² *Id.*

⁹³ Amy E. Bivins, *Latest ICANN gTLDs Hearing Could Shift Conversation Toward Potential ACPA Updates*, PAT., TRADEMARK, & COPYRIGHT L. DAILY, Dec. 19, 2011.

⁹⁴ *Challenges Await Brand Owners, ICANN, As ICANN Moves Forward With gTLD Program*, WASH. INTERNET DAILY, 2011 WLNR 26739637 (Dec. 23, 2011).

⁹⁵ *Id.*

⁹⁶ *Id.*

gTLDs and the introduction of a .XXX domain because .XXX is only a single domain.⁹⁷ Industry insiders like Bain fear that with the creation of a plethora of right-of-the-dot domains, there is likely to be more controversy.⁹⁸

Even before the controversial .XXX domain, many criticized ICANN for not being able to properly police the pre-existing domain name registries.⁹⁹ As it is now likely that the number of “TLDs may increase to 1,000 to 1,500,” these fears are exacerbated.¹⁰⁰ According to Bail, “ICANN has focused a lot on protection mechanisms, ‘but how those procedures work out is anybody’s guess because they haven’t been implemented yet.’ ”¹⁰¹

H. ANALYSIS UNWELCOME AND UNWISE: DEBUNKING ICANN'S ARGUMENTS IN FAVOR OF NEW GTLDS

As ICANN prepares to allow businesses and organizations to apply for new gTLDs, questions are being asked regarding whether there is a need or desire for new gTLDs. Will these right-of-the-dot domains serve a purpose? Will “.brands” help corporations? Or is the launch of new gTLDs “simply a money-generating scheme on the part of ICANN?”¹⁰²

ICANN argues that new gTLDs will provide “beneficial competition to existing [TLDs], supporting . . . new business models, possibly relieving scarcity in domain names, and possibly reducing search costs.”¹⁰³ Yet ICANN has not substantiated these claims or provided any data in support of new gTLDs. As a result, trademark holders and industry insiders are left to wonder if “the main winner in this scheme will be ICANN who will reap millions in fees for domain names that are not needed or wanted.”¹⁰⁴

ICANN’s most compelling argument in favor of new gTLDs is that there is a “.com” scarcity. ICANN argues that new gTLDs will alleviate this scarcity.¹⁰⁵

⁹⁷ *Id.*

⁹⁸ *Id.*

⁹⁹ *Id.*

¹⁰⁰ *Id.*

¹⁰¹ *Id.*

¹⁰² Derek du Preez, *Do Businesses Actually Need New gTLDs?*, 2011 WLNR 19846751 (Sept. 22, 2011).

¹⁰³ McCarthy, *supra* note 8, at 574.

¹⁰⁴ Du Preez, *supra* note 102, at 2 (internal quotations omitted).

¹⁰⁵ *Id.*; see also *Economic Considerations in the Expansion of Generic Top-Level Domain Names—Phase II Report: Case Studies*, <http://www.icann.org/en/topics/new-gtlds/phase-two-economic-considerations-03dec10-en.pdf> (“[A]dditional gTLDs could benefit consumers by relieving name scarcity. This potential problem of name scarcity is not relevant for uniquely trademarked brands but is relevant for generic names (such as ‘books’), for local, non-trademarked brands (such as ‘Moe’s Pizza’), for shared, trademarked brands (such as ‘United’), and for common acronyms (such as

Ultimately, according to ICANN, this will help brand owners because many entities are paying above-market prices for coveted “.com” URLs.¹⁰⁶ Although ICANN’s strongest argument in favor of the launch of new gTLDs is “.com” scarcity, despite what ICANN says, there is no “.com” scarcity. Instead, cybersquatting has created a perceived TLD scarcity.¹⁰⁷

I. THERE IS NO NEED FOR NEW GTLDS

In the early ‘90s, the growing importance of domain names led “[start-ups], squatters, and speculators . . . [to buy] up all the Internet’s prime real estate.”¹⁰⁸ In 1999, *Wired Magazine* found that, out of 25,500 standard dictionary words, only 1,760 remained unregistered as domain names.¹⁰⁹

At one point, cybersquatters occupies many attractive and in-demand domain names, and new gTLDs likely will decrease the amount of cybersquatting, which is an expensive nuisance for prominent brand owners.¹¹⁰ However, several fast and efficient systems designed to kick out these cybersquatters, including UDRP and the ACPA are already in place.¹¹¹

Brand owners should not view new gTLDs as a solution for a cybersquatter-created “.com” scarcity, nor should ICANN promote new gTLDs as an answer to that problem. New gTLDs are very expensive, and increasing new gTLDs creates a new arena for trademark infringement, which inevitably requires new rules and regulations for protecting trademarks in this space.¹¹² Trademark holders would be better served by simply utilizing the UDRP and the ACPA

‘ABA’).”).

¹⁰⁶ Du Preez, *supra* note 102, at 2.

¹⁰⁷ I refer to this phenomenon “.com” scarcity because the “.com” TLD is the most popular TLD. Even though there are twenty-two TLDs, the three legacy domains, “.com,” “.org,” and “.net,” have enjoyed a de facto monopoly since before ICANN existed.

¹⁰⁸ Declan McCullagh, *Domain Name List is Dwindling*, WIRED NEWS, p. 3 (Apr. 14, 1999), available at <http://www.wired.com/news/technology/0,1282,19117,00.html>.

¹⁰⁹ *Id.*

¹¹⁰ Froomkin, *supra* note 13, at 180–81. (Importantly, while new gTLDs will undoubtedly decrease the number of cybersquatters, the problem of cybersquatting is being replaced with a much more complex problem. The complexities and issues associated with new gTLDs are outlined in Part IV of this Note.)

¹¹¹ Kilpatrick, *supra* note 15, at 324.

¹¹² Bill McFarlane, *What is a Top Level Domain and Why Should Trade Mark Owners Know?*, MONDAQ (Sept. 29, 2011), <http://www.mondaq.com/Australia/x/147040/Internet/What+is+a+Top+Level+Domain+and+why+Should+Trade+Mark+Owners+Know> (noting that the long-term costs associated with being a registry operator, including, but not limited to, approximately \$10,000 annually for an IP specialist, \$30,000–\$50,000 for a mandatory “Registry Services Resolution Fee,” and about \$3,000 annually in expected administrative fees).

systems, rather than by spending the money and expending the effort required to obtain and manage a gTLD.¹¹³

Brand owners would be better served to use the preexisting UDRP and ACPA systems, rather than endorse or rush to adopt the new gTLD system, because both of those systems have been around since 1999.¹¹⁴ Since its creation, ICANN has had over a decade to fix the UDRP's flaws. ICANN's goals when creating the UDRP system overlap with the goals of trademark holders, creating a noticeable trademark owner bias.¹¹⁵ Additionally, the ACPA, by allowing for in rem actions, grants trademark owners the ability to bring suit against infringing domain names, even if the domain name owners cannot be located.¹¹⁶ Together, the UDRP and the ACPA systems allow for effective policing of trademarks online.¹¹⁷ Finally, brand owners should also prefer the current system as opposed to new gTLDs because of the UDRP system's trademark owner bias.¹¹⁸

The best way to understand this is through an example: if Pizza Hut wanted to acquire "www.pizzahut.com" but discovered a cybersquatter already owned and operated that domain name, then Pizza Hut's best course of action would be to utilize the UDRP system. ICANN implemented its UDRP in order to stop this exact type of flagrant infringement ("flagrant" because "www.pizzahut.com" clearly uses a registered trademark).¹¹⁹ Therefore, in the case of "www.pizzahut.com," the UDRP arbitrator would inevitably rule in Pizza Hut's favor and turn control of the URL "www.pizzahut.com" over to Pizza Hut. The entire process would only take a few months and would cost Pizza Hut less than \$2,000.¹²⁰ Meanwhile, according to ICANN's website, the new gTLD process will likely take over twenty months.¹²¹

In fact, Pizza Hut moving to acquire ".pizza" instead of simply pursuing a UDRP makes no sense. It would lead to consumer confusion because without kicking the squatters out of "www.pizzahut.com," that website would still be operated by a non-Pizza-Hut-affiliated entity, which could prove detrimental to the company and could create consumer confusion.¹²²

¹¹³ Kilpatrick, *supra* note 15, at 324.

¹¹⁴ Segal, *supra* note 14, at 4.

¹¹⁵ *Id.*

¹¹⁶ *Id.* at 293.

¹¹⁷ *Id.* at 394.

¹¹⁸ *Id.* at 5.

¹¹⁹ *Id.* at 23 (noting that the UDRP was supposed to be geared toward the most flagrant types of cybersquatting, while other disputes would be left to the courts).

¹²⁰ Kesan & Gallo, *supra* note 12, at 317.

¹²¹ *Frequently Asked Questions*, *supra* note 5, § 2.7.

¹²² Segal, *supra* note 14, at 23.

Importantly, there is little evidence that cybersquatter-created “.com” scarcity has led brand owners to panic or inhibited them from establishing a brand identity online. The demand for “.com” addresses has not risen to such a level that businesses and organizations have stepped up and asked for new gTLDs.¹²³ The flexibility of the second-level domain name system means that brand owners can find a unique web identity by simply creating a longer URL.¹²⁴ If, for example, “www.delta.com” were taken by Delta Airlines and Delta Faucets wants its own URL, then the company could simply buy a longer web address, like “www.deltafaucet.com.”¹²⁵ In fact, that is exactly what Delta Faucets did.¹²⁶ However, there is reason to believe that companies do not want long gTLDs, which can be unwieldy and difficult to remember.¹²⁷

Even if brand owners settle for long, unwieldy gTLDs (for example, “.dominospizza”), new gTLDs will not solve the “.com” scarcity that ICANN uses as a justification for new gTLDs.¹²⁸ With the addition of new gTLDs, there can now be several (often competing) owners of related web addresses (for example, “www.delta.com,” “www.deltafaucets.com,” and “.delta.”).

In addition to creating new problems and a new arena in which trademarks will be used and will therefore need to be monitored by trademark owners, new gTLDs also replicate the problems present in the old system.¹²⁹ As with second-level domains, brands will be competing for “valuable”¹³⁰ domains. Domains are valuable if they correspond to the mark holder’s trademark and if they are easy to remember.¹³¹ It is unlikely that new gTLDs will eliminate the existing problems of cybersquatting and trademark disputes. In fact, with the addition of new gTLDs, even if there is less cybersquatting generally, there will be more virtual “real estate” for brand owners to monitor, which will inevitably make trademark owners’ burden heavier on the internet.

¹²³ McCarthy, *supra* note 8, at 577–78 (discussing comments of The Coca-Cola Company and the Olympic Committee and noting that many corporations and organizations have recently spoken out against new gTLDs).

¹²⁴ Froomkin, *supra* note 13, at 180–81.

¹²⁵ *Id.*

¹²⁶ *Id.*

¹²⁷ *Id.* at 579; see also O’Rourke, *supra* note 40, at 623.

¹²⁸ *Frequently Asked Questions*, *supra* note 5.

¹²⁹ See generally *Sporty’s Farm LLC v. Sportsman’s Mkt., Inc.*, 202 F.3d 489, 495 (2d Cir. 2000) (examining the “problems of the old system,” noting that federal trademark dilution law failed to cope with dilution of trademarks and other trademark related problems in the internet).

¹³⁰ See O’Rourke, *supra* note 40, at 623 (explaining that domain names associated with a company’s trademark or trade name have become increasingly valuable as companies attempt to use the names to facilitate consumers’ access to product information).

¹³¹ *Id.* (explaining explaining that brand owners would not want long gTLDs because they would be difficult to remember).

Not only are new gTLDs not a solution to the “.com” scarcity problem, the “.com” scarcity that ICANN uses as one of its main arguments in favor of new gTLDs is a myth. A system is already in place to reunite trademark holders with the domain names that correspond to their brands if cybersquatters are currently occupying those domain names. And if legitimate brand owners occupy an in-demand, second-level domain (see the “www.delta.com” example above), the flexibility of the current system allows trademark holders to simply acquire a different or longer URL.¹³² Thus, there is clearly no “need” for new gTLDs, but is there a demand or desire for right-of-the-dot domain ownership?

J. THERE IS NO DESIRE FOR NEW GTLDS

The introduction of new gTLDs represents one of the most substantial changes to the domain name space in the history of the internet.¹³³ The status quo seems to be working, and there is little demand for new gTLDs, particularly since existing TLDs like “.biz” and “.us” are rarely used.¹³⁴ Why, then, is ICANN opening the gTLD floodgates?

The best answer does not come from ICANN. ICANN over-relies on words like “innovation” and “competition” to justify the launch of new gTLDs.¹³⁵ Instead, Alexa Raad, a domain name consultant and the former CEO of the Public Interest Registry for “.org” domain names, offers the best justification for new gTLDs:

To understand the possibilities of new TLDs, think of an apartment building. A website (i.e., a domain name) is like an apartment. You rent it, conduct a good portion of your life there, entertain folks and get an address so people can find you and send things. You can paint the walls, but you can't upgrade the plumbing or replace the cabinets.

The owner of the apartment building is the TLD. She decides who can live there, charges rent, makes the rules and determines whether you'll have granite tops or laminates in the kitchen, burpee or shag carpet in the den.

¹³² Note that trademark holders do not have a “right” to corresponding domain names. Traditional trademark law does not purport to give brand holders a space to use and advertise their marks. Rather, it protects consumers from confusion producers from free riding.

¹³³ Gregory, *supra* note 18.

¹³⁴ Michael V. LiRocchi, Stephen J. Kepler & Robert C. O'Brien, *Trademarks and Internet Domain Names in the Digital Millennium*, 4 UCLA J. INT'L L. & FOREIGN AFF. 377, 383 (1999).

¹³⁵ *Frequently Asked Questions*, *supra* note 5.

Think of what eBay might do. With .eBay, the company becomes a registry that, like an apartment building owner, decides who gets an .eBay address and manages all the website names it signs up. Maybe that's anyone who wants to sell occasionally on the site. So instead of a convoluted website address such as http://myworld.ebay.com/abestshop4u/?_trksid=p4340.l2569, which only a mental contortionist could remember and would be useless to use in print material, you get OldBooks.eBay. Not only can you put it on printed material, but it can appear where those who might see it can still remember it, say, the side of a bus.¹³⁶

Raad's analogy is flawed. First, while in the real world, there are undeniable benefits to homeownership (benefits that might translate to the TLD marketplace), the majority of brand owners do not want to assume the responsibility that comes with being a TLD registrar.¹³⁷ The corporate community's outcry against new gTLDs is evidence of this fact.¹³⁸ Opening the gTLD floodgates will give brand owners more control over their internet presence, but it will do so at a great cost. Moreover, Raad's analogy does not take into account that new gTLD registrars are not "buying a home." Under the old system, TLD registrars (like VeriSign, who managed the ".com" TLD) actually did very little. They were not landlords; they were security guards posted outside the gates of an apartment complex. With the rollout of new gTLDs, brand owners are not just being handed the keys to their own house; they are being asked to manage an entire gated community. This is more responsibility than corporations and organizations want. Most brand owners are ill-equipped to handle this responsibility, and this is a new and difficult role within the domain name space that is undefined and, as a result, will require the creation of new rules and regulations.

Overwhelmingly, trademark holders do not want new gTLDs because new gTLDs establish yet another arena for trademark infringement, thereby creating another space where trademark holders must expend time and money to monitor their marks.¹³⁹ Trademark owners are particularly concerned about right-of-the-dot trademark infringement after the introduction of new

¹³⁶ Alexa Raad, *Why ICANN's New Domain-Name System Could Benefit Brands*, AD AGE (Aug. 16, 2011), available at http://adage.com/article/cmo-strategy/icann-s-domain-system-benefit-brands/229278/#author_bio_box.

¹³⁷ McCarthy, *supra* note 8, at 577.

¹³⁸ *Id.*

¹³⁹ *Id.* at 577-78.

gTLDs.¹⁴⁰ ICANN has responded to these concerns by creating a “trademark clearinghouse.”¹⁴¹ Under this new system, trademark owners can, for a price, register their trademarks with the trademark clearinghouse.¹⁴² The trademark holder must file the application for the mark and proof of use in the trademark clearinghouse before the new gTLD application window opens.¹⁴³ ICANN will reject the application if an applicant’s new gTLD is identical to a trademark registered with the trademark clearinghouse.¹⁴⁴

Despite ICANN’s attempts to answer brand owners’ concerns, there is still a general feeling that gTLDs will be “an expensive annoyance for trademark owners and that top level domain name[s] like .IBM or .Apple only add clutter that marketers and brand executives hate.”¹⁴⁵

Raad states that one of the benefits of new gTLDs is that brand owners will be able to create easy-to-remember web addresses after obtaining the TLD that corresponds to their brand.¹⁴⁶ While this is true, it is the desire for easy-to-remember domain names that will increase competition between two legitimate brand owners for the shortest gTLD possible that also corresponds to their trademark. This explains why in the gTLD context, Delta Airlines and Delta Faucets likely will both pursue “.delta.”

In acquiring new gTLDs, companies and organizations can issue domain names, and these web addresses can contain more information as one of the domain levels is now “freed up” and can hold the brand’s name (i.e., “.com” becomes “.coke”).¹⁴⁷ “.Brands” allow brand owners to be the masters of their

¹⁴⁰ *Id.* at 578 (quoting the BBC: “As we have previously stated, we remain unconvinced about the extent of demand for new gTLDs and feel the case for their introduction remains unclear and lacking in evidence. In particular, we believe ICANN must provide additional data and explanation as to how the gTLD proposals will create economic value for all on the internet by expanding the domain name aggregate resource. It does not seem clear at all that the proposals will necessarily create new value and indeed they may contribute to the inefficiency of the system.”).

¹⁴¹ CHENG & ROMANO, *supra* note 75; see also *Frequently Asked Questions*, *supra* note 5 (noting that ICANN will not notify trademark holders if someone applies for a TLD that is a brand name or a trademark that does not belong to them, although ICANN will “publish the list of all applications received after the application submission period closes, and will continue to publicize the objection process and deadlines. . . .”).

¹⁴² CHENG & ROMANO, *supra* note 75.

¹⁴³ *Id.*

¹⁴⁴ *Id.*

¹⁴⁵ Derek du Preez, *Opening up Generic Top Level Domains Will Only Benefit Trademark Lawyers*, COMPUTING (Sept. 9, 2011), available at <http://www.computing.co.uk/ctg/news/2107898/generic-level-domains-benefit-trademark-lawyers>.

¹⁴⁶ Raad, *supra* note 136.

¹⁴⁷ MARK MONITOR, *EVALUATING NEW TOP-LEVEL DOMAINS: OPPORTUNITY OR THREAT?* 3 (2011), available at <https://www.markmonitor.com/download/wp/wp-gTLD.pdf>.

domains.¹⁴⁸ However, the ability to distribute domain names to customers is outweighed by the burdens that accompany the rollout of new gTLDs, including application costs, monitoring costs, and litigation fees associated with clashes between competing trademark holders.

According to Professor A. Michael Froomkin, “holders of trademarks, especially famous (and perhaps also well-known) marks, usually oppose the creation of new TLDs because they fear the dilutive effects on marks that they have associated (or wish they had associated) with existing second-level domains in .com.”¹⁴⁹ Additionally, Froomkin points out that some corporations and organizations that use common words in their “.com” web addresses—words that may be too generic to trademark—may also resent new gTLDs.¹⁵⁰ These entities may wish to prevent competitors from using the same second-level domain in a new TLD. “Thus, for example, cars.com might worry about the creation of a cars.biz.”¹⁵¹

Perhaps the former and founding chair of ICANN’s board, Esther Dyson, said it best: “I think it’s kind of a useless market . . . and if I had \$185,000, I’d spend it on something else.”¹⁵² Dyson rejects the idea that an expensive new naming system is necessary. “Nobody’s creating new value here,” Dyson says, “they’re just selling words The trademark system is good enough.”¹⁵³

Dyson also makes another argument against new gTLDs: not only do trademark holders not want them, but also consumers do not want new gTLDs nor will internet users use new gTLDs.¹⁵⁴ “‘The real issue isn’t even dot-com versus dot-camera in the long run,’ [Dyson] says, ‘[i]t’s let’s use Google.’”¹⁵⁵ In other words, search engines have delegitimized ICANN’s argument that gTLDs will help consumers or change how people interact with the internet.

Instead, users like Sam, the ordinary internet user mentioned in the beginning of this Note, could do one of two things. Sam could use Google, type in “old books,” and choose from one of the thousand vendors listed by Google. Sam could also go to eBay’s website and type “old books” into the search bar on eBay’s homepage. Doing the latter will direct Sam to old books and products related to (“old books”) within eBay. The problem with ICANN’s “solution” is that there are many words for “old books.” How will

¹⁴⁸ *Id.*

¹⁴⁹ Froomkin, *supra* note 13, at 180.

¹⁵⁰ *Id.*

¹⁵¹ *Id.*

¹⁵² Gregory, *supra* note 18.

¹⁵³ *Id.*

¹⁵⁴ *Id.*

¹⁵⁵ *Id.*

Sam know whether to use “oldbook.ebay” versus “vintagebooks.ebay”? And while eBay, under the new gTLD system, is free to create as many web addresses utilizing “.ebay” as it wants (so there can be both “oldbook.ebay” and “vintagebooks.ebay”), under this new system, eBay will be tasked with thinking of every possible search word for every possible product. It is unlikely that eBay wants this responsibility or that internet users like Sam want this multitude of choice.

The purported “.com” scarcity has not created an obvious need for new gTLDs. Trademark owners are wary of “.brands” because of the potential for trademark infringement and the inevitable money, time, and resources they will need to exhaust in order to monitor this newly contentious domain name space. Meanwhile, consumers likely will not even use new gTLDs. ICANN has chosen to ignore the naysayers and to launch new gTLDs. Dot-brands will be appearing as early as 2013, regardless of the fears of trademark holders or the apathy of internet users.

The opening of this right-of-the-dot domain space is not only bad for trademark owners, but also it will lead to the dilution of trademarks and trademark confusion. This, in turn, will affect the real world marketplace and trademark law.

III. AFTER THE STORM: HOW NEW GTLDS WILL NEGATIVELY AFFECT TRADEMARK LAW AND BRAND OWNERS

A. NEW GTLDS WILL LEAD TO TRADEMARK DILUTION AND CONSUMER CONFUSION AND COULD MAKE NON-FAMOUS MARKS FAMOUS OVERNIGHT

Preventing consumer confusion is an essential element of trademark law.¹⁵⁶ Traditionally, “the scope of U.S. trademark rights was limited both by reference to the products on which the mark was used and by reference to the geographic area in which the mark was used.”¹⁵⁷ These limitations reflect “a desire to restrain the activities of legitimate traders only to the extent necessary to further the two primary purposes of trademark law.”¹⁵⁸ Thus, for example, Apple owns the mark APPLE for personal computers; meanwhile, a manufacturer of shoes could use the mark APPLE for shoes “without affecting the goodwill established by the Apple company or deceiving consumers in their purchasing decisions.”¹⁵⁹

¹⁵⁶ Dinwoodie, *supra* note 1, at 502.

¹⁵⁷ *Id.*

¹⁵⁸ *Id.*

¹⁵⁹ *Id.* at 502–03.

GTLDs do not and cannot work that way. Only one trademark owner can own and operate the corresponding gTLD (for example, between Domino's Pizza and Domino Sugar, only one can operate ".domino"). Ultimately, gTLDs are unique, and traditional trademark law clashes with new gTLDs and therefore cannot be applied to new gTLDs. Trademark owners cannot rely on trademark law to protect them and their property (aka, their marks) in the gTLD context. As a result, new arbitration systems will need to be developed in order to protect brand owners as they navigate this new domain name space.

The clash between traditional, non-virtual trademark law and new gTLDs has the potential not only to be burdensome for trademark owners, but also destructive to trademark law. Trademark dilution will likely occur when trademark owners apply for gTLDs that reduce their mark to one word. In the non-virtual world, United Healthcare and United Airlines could both use the mark "united"¹⁶⁰ because each corporation is providing different services, and importantly, there is limited potential for consumer confusion. While confusion over the mark "united" is unlikely in the real world, there is potential for confusion in the gTLD context because only one company can own and operate ".united."

It is possible for United Airlines to purchase ".unitedairlines" and for United Healthcare to purchase and use ".unitedhealthcare." Yet, there is a high likelihood that at least one entity that sharing a mark with another entity will pursue a gTLD that breaks down that mark into one word. When that happens, two problems arise. First, consumers will likely be confused. When an ordinary internet user goes to "prices.united," is he on United Healthcare's or United Airlines's site? Secondly, the entity that "wins" the gTLD corresponding to a shortened, one-word version of its brand will be contributing to trademark dilution. In the virtual trademark world, United Healthcare makes no claims over the word "united," and its mark, United Healthcare, is taken as a whole. Under the new gTLD system, United Healthcare could assert a claim over the word "united" after acquiring ".united," which could impact the non-virtual marketplace and could create tension between other brand owners who use the word "united" in their marks.

Another hypothetical situation, aside from companies and organizations boiling down their longer brands into one-word TLDs, is two trademark owners "fighting" over a new gTLD.¹⁶¹ Unlike the United Healthcare/United

¹⁶⁰ See Lisa Wang, *Why You Should Care that .Com can be Anything* (May 1, 2012), available at <http://www.greenbergglusker.com/news/articles/Why-you-should-care-that-com-can-be-anything>.

¹⁶¹ Many companies could fight over new gTLDs. Conflict is likely to occur when two companies have corresponding marks but operate in different markets. Under traditional trademark laws, because these brand owners operate in different markets, they both are allowed

Airlines example, a “fight” occurs when two entities use the exact same brand (example: Domino Sugar and Domino’s Pizza). In a “fight” situation, only one entity can successfully acquire the gTLD that corresponds to its mark. When this occurs, it will create a “dominant” trademark holder where there was not one before. What would happen, for example, if the less well-known Delta Faucets gains control over “.delta” rather than the more prominent brand Delta Airlines? This situation could produce very real consequences in the non-virtual marketplace, as some marks gain unearned prominence and fame. This, in turn, would inflate the value of some brands, especially for brands that “win” in “fight” situations.¹⁶²

gTLDs’ effect on the price and prominence of brands contradicts one of the central tenants of trademark law. One of the pillars of trademark law is protecting brand owners’ property. Trademarks are valuable property because corporations and organizations have invested time, money, and resources to make a mark prominent and recognizable. It is unclear how traditional trademark law will adjust to protecting newly valuable brands and brands whose worth and place in the domain name space does not relate to these brands’ place in the non-digital marketplace.

While this could be seen as a unique problem because of the particular value of new gTLDs,¹⁶³ rather than creating new problems, new gTLDs could just be seen as replicating many of the problems of the existing system. In both the second-level domain system and the new gTLD system, brand owners compete for “valuable” real estate, and what makes domain names valuable—that they correspond to the owner’s brand and are easy to remember—does not change between these two systems. The only real difference is that now, companies like United Healthcare not only have to compete for “www.united.com” but also have to compete for “.united.” Also, if United Healthcare is able to acquire “www.united.com,” “www.unitedhealthcare.com,” and “.united,” then United Healthcare will have more virtual real estate to monitor and more domains to protect.

to use the same mark, but this distinction is impossible to recognize or recreate in the gTLD context. Companies that could potentially clash include Delta Airline and Delta Faucets, Domino’s Pizza and Domino Sugar, and United Healthcare and United Airlines.

¹⁶² What would happen, for example, if Domino Sugar gained control over “.domino”? Would Domino’s Pizza’s mark lose its value? And would the value of Domino Sugar’s brand increase? Would that make the Domino Sugar corporation more profitable?

¹⁶³ *Frequently Asked Questions*, *supra* note 5 (presenting ICANN’s own arguments for the value in new gTLDs based on the increased prominence and credibility gTLDs lend corresponding brands).

Though he acknowledges that new gTLDs will likely increase consumer confusion, Professor Froomkin believes that the majority of brand owners of non-famous marks will welcome new gTLDs and that “.brands” will not lead to trademark dilution.¹⁶⁴ According to Froomkin, “Generally speaking, the interest of holders of ordinary, non-famous trademarks should be helped more than harmed by a substantial increase in the number of TLDs.”¹⁶⁵

Professor Froomkin’s assertion that some brand owners will welcome new gTLDs and that these brand owners will be benefited by new gTLDs is incorrect. Professor Froomkin does not offer support for his assertion that non-famous mark-holders want and will benefit from new gTLDs. Instead, he simply asserts that this type of brand owner will be “helped more than harmed” by new gTLDs without further explanation of how they will be helped.¹⁶⁶

Holders of non-famous marks will be hurt just as much by the launch of new gTLDs as will any famous trademark holder. New gTLDs will lead both to consumer confusion and to trademark dilution. This is not just the case for owners of prominent brands. After all, emerging brands and small companies have the most to lose from consumer confusion. Further, if prominent brands are going to reduce their marks to one word for new gTLDs (see the “.united” example above), this might hurt new companies with nascent brands that do not have claims over those words but want to use those words.

B. SO, WHAT’S A BRAND OWNER TO DO?

Despite the compelling arguments industry insiders and mark-holders are making against new gTLDs, ICANN will be flooding the market with at least 100 new “.brands” in 2012.¹⁶⁷

The application for these right-of-the-dot marks opened at the end of 2011. “Jeff Ernst, principal analyst at Forrester Research and an expert in marketing strategy, says the biggest brands are already looking to invest in new dot-names.”¹⁶⁸ According to Ernst, big-brand companies desire as much control as possible over their web presence. He gives an example of what a company like Canon could do:

Canon can now issue secondary domains to every one of its camera owners, and what they might very well do is embed a chip

¹⁶⁴ Froomkin, *supra* note 13, at 26.

¹⁶⁵ *Id.*

¹⁶⁶ *Id.* at 180.

¹⁶⁷ *Id.*

¹⁶⁸ Gregory, *supra* note 18.

in their cameras that link that camera owner to their ID so that as they're taking photos they could just be automatically uploading photos to a photo-sharing site. I mean, that's just one possibility.¹⁶⁹

Ernst is right. New gTLDs may benefit Canon. By owning the TLD “.canon,” Canon can issue web addresses to every camera owner and not run out of unique web addresses, something that might occur when using the traditional “.com” TLD because some of the web address space would have to be taken up by “Canon.” Yet even though new gTLDs may benefit Canon and a limited amount of brands that want to pursue similar strategies of issuing a large swath of brand-affiliated domains, many brands will not be benefited by the addition of new gTLDs. Brand owners may neither want the responsibility that comes with TLD ownership nor be equipped to handle the issues involved with being a registrar. Additionally, the amount of virtual “real estate” that brand owners have to manage and regulate will double under the new system. So even if entities like Canon welcome new gTLDs, the arrival of these “.brands” will result in higher monitoring costs for most brands.

Yet despite the fact that gTLDs will likely dilute brands, confuse consumers, and are undeniably a waste of brand owners' money and other resources, brand owners should move now to acquire new gTLDs. This first window of gTLD applications will not be the last, and in 2012, when ICANN will first start approving new gTLDs, only 1,000 will be approved. However, corporations should not wait! The lost opportunity costs are so high for brands if they fail to apply for a gTLD now that the exorbitant price should not act as a barrier for brand owners that highly value their brands. The lost opportunity costs are a result of the possibility that competitors or cybersquatters could obtain brand owners' corresponding gTLDs. And in today's market, where brands and trademarks are becoming interchangeable and corporations depend on the internet to promote brands and lend corporations legitimacy, this lost opportunity cost is especially high. Trademark holders have the option to “clear” their mark in the trademark clearinghouse. However, the new trademark clearinghouse does not function like the current UDRP system. Under the current UDRP system, when there is a dispute between a legitimate trademark owner and a cybersquatters, the domain name, once taken out of the hands of the cybersquatters, is turned over to the legitimate trademark owner.¹⁷⁰

¹⁶⁹ *Id.*

¹⁷⁰ *Uniform Domain Name Dispute Resolution Policy*, ICANN (Aug. 26, 1999), <http://www.icann.org/en/help/dndr/udrp/policy>.

Moreover, the rules governing trademark disputes in the gTLD space are not yet defined, so there is no telling whether or not these rules will benefit trademark holders or favor the “whoever applies first” method of conflict resolution.

IV. CONCLUSION: NEW GTLDS ARE COMING (WHETHER WE WANT THEM TO OR NOT)!

In June 2011, ICANN approved the creation of new gTLDs. ICANN’s new ruling is the most significant change to the internet since it was created. Sizeable changes likely will accompany the introduction of new gTLDs. More likely than not, the launch of new gTLDs will open the floodgates to trademark litigation.

The majority of brand owners do not welcome new gTLDs. The application process alone for new gTLDs requires brand owners to expend a significant output of energy and resources. Additionally, once a corporation or organization applies for and acquires a new gTLD, that entity becomes a registrar. As a registrar, the brand owner must shoulder a host of new responsibilities and pay significant maintenance fees. Most significantly, with the introduction of gTLDs comes a new space where trademark infringement can occur. Trademark holders now have a new virtual arena in which to promote their brands but also where they will have to protect and police their brands.

There is no desire or need for new gTLDs, and new gTLDs likely will harm trademark law by leading to widespread mark dilution and consumer confusion. Despite the overabundance of arguments against them, ICANN has already approved the introduction of these new gTLDs. Whether brand owners want them or not, “.brands” will become operational in 2012. Trademark holders having the option to “clear” their marks in the trademark clearinghouse does not function like the current UDRP system. Under the current UDRP system, when there is a dispute between a legitimate trademark owners and a cybersquatters, the domain name, once taken out of the hands of the cybersquatters, is turned over to the legitimate trademark owner.

Corporations and organizations should purchase new gTLDs because of the “lost opportunity costs” associated with not acquiring the gTLD that corresponds to each entity’s corresponding brand. In the gTLD context, brand owners have to worry about competitors and cybersquatters. Unfortunately, many of the policies and regulations that will be needed to safeguard brand owners are not yet in place.

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With new gTLDs comes a new arena for the promotion and protection of trademarks. And while the introduction of new gTLDs will likely hurt brand owners and trademark law, the silver lining of this new gTLD space is that the laws and rules governing it are still unwritten. Brand owners have an opportunity to shape ICANN's gTLD policies and to encourage ICANN to adopt policies that protect trademarks.

