

.Brand Strategies

Your organisation and the new domain name system.

“ ICANN has announced a new policy of allowing organisations to register any brand as a top level internet domain – the so called .brand. While many organisations are busy arguing that the new system is against the interests of brand owners and not for profits, they are losing time. ICANN will be accepting applications in January to April 2012 after which applications will close for several years. Organisations need a strategy right away, especially if they need to reach out to business partners.

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http://www.brand

1. What is a .brand and why should I have a strategy now?

ICANN is the international body responsible for overseeing the running of the internet. One of its functions is to appoint domain registries like Verisign which manages the .com domain and Nominet which manages .co.uk. There are presently several hundred of these top level domains.

ICANN's plan is to open up generic top level domains ("gTLDs") to allow anyone to apply under any name they choose, such as a famous name brand. Shortly, .london, .apple or .builder will all be possible. Just like a .com, a ".brand" domain will be able to house many websites or email servers within so-called second level domains. Think of joe@joebloggs.builder or www.joebloggs.builder running independently of other domains under the .builder umbrella.

.Brands are anticipated to be transformational in terms of brand management in the on line space. A .brand owner has complete control of use of web sites and email addresses within the .brand domain.

.Brand owners will need to operate their own gTLD registry (or outsource the requirements). It isn't easy to be a gTLD registry and applicants for .brands will need to assess the requirements. The registries' function is to assign plain-to-read domain names like *ffw.com* to applicants and link them to the applicant's IP addresses like our firm's, *85.159.131.144*. This information is then passed on to internet service providers who use it to address information for internet traffic to arrive at the appropriate email or web server.

Anyone wanting to set up a .brand is going to have to take on the duties of a registry. This will require it to go through a \$185,000 application process with ICANN to show it has the technical ability to securely run a registry. It will need to set up a domain directory server; to run its own application process; to keep that infrastructure maintained; and to pay recurring annual fees of \$25,000. Committed costs may well be \$500,000 to launch a .brand.

This may be an attractive proposition for many organisations with the financial muscle and technical prowess to support their brand or establish a new one. ICANN are also establishing a \$2m seed fund to help worthy smaller applicants to stake a claim in the .brand space.

It is key to note that anyone can apply to ICANN in the first round of applications to take place 12 January to 12 April 2012. This means that even if you do not establish a positive strategy to apply for a .brand, you must at least assess now your defensive strategy if competitors or nuisance-makers hijack your brand or make inroads into your brand territory. Some applicants are likely to be from alliances of organisations, companies with authorised dealers or franchisors. In these cases it is even more vital to take an early view as other players may need to be consulted, informed or brought into the plan.

2. Possible .brand strategies

The most immediate way of illustrating the power of the .brand is to take some examples of possible uses.

.brand

The simplest idea is that major brands will establish an umbrella domain for all their activities, allowing individual products (peoplecarrier.car) or campaigns (specialoffer.supermarket) to be easily marketed and found. The .brand owner has no issue with cybersquatters or first-come-first-served rules when it decides to launch a sub-brand as it would with other top level domains; and even better, the journey for consumers to find what they want on line will be simpler, quicker and easier to link to off line campaigns.

.authorised

Some brands rely on networks of dealers, developers on a common platform or distributors. For example, car manufacturers, smart phone makers or gas canister producers. Establishing whether a small business distributor or provider has a genuine association with the brand can be problematic. Consumers may have confidence in the brand but be dissuaded from downloading apps or buying parts. Often the small business partner has little brand identity.

Establishing a .brand for authorised partners can help partners authenticate their association with the brand, promote consumer confidence and increase sales. Authorised partners running a .brand website must have authority from the .brand owner, and brand owners will be able to market the authenticity of a .brand site:

"If it's not a .brand then it's not our brand"

This kind of advertising may promote brand integrity and brand security, enhancing the .brand name.

.community

It may be attractive to form a brand where none really exists, or there is only a loose brand, such as .stockholm or .musicteacher. By grouping together it may be possible to gain greater advertising power and brand recognition than could be achieved individually.

The ICANN rules recognise community applications as a special type of .brand and have a process allowing for a defined community to set rules for the management of the .community domain by the registry, including consultation with the community on changes.

Given the financial and technical barriers to entry, this form of .brand is only likely to occur where there is some form of funding available, probably from governmental organisations or ICANN's own set-aside fund for these kind of applications, except perhaps in cases where the next category of .brand conveniently fits within the community domain concept.

.quality

Plenty of organisations from the Federation of Master Builders to the Association of British Travel Agents provide a hallmark of quality for their members. Presently verifying membership can require an awareness of how to access the organisation's website. If instead the association adopted a .brand to house member's websites, consumers would have instant confidence they were dealing with a member.

.collaboration

Another grouping may be sites sharing a common theme or interest such as .opensource or .bigsociety. Loose collaborations like this are likely to rely on public or institutional funding but may be capable of providing powerful signposts to information for co-collaborators and researchers.

.franchise

An obvious application would be for franchisors to establish a domain for its brand and network within which franchisees could run their own websites. Not only would the franchisor have control over the quality of the websites (through its powers to accept or terminate domain applications) but consumers would be confident they were dealing with the right organisation and rogue use of the franchise brand name could be reduced. A major advantage to a franchisor of this approach (compared with situations where a franchisee is using its own domain name) is the technical ease with which the franchisor can simply "switch off" a terminated franchisee's online operation.

3. Criticisms of the .brand and possible problems

ICANN's reasons for allowing new .brand gTLD registrations include choice for registrants, allowing more flexibility for foreign language (and foreign alphabet) domains and opening up the internet to new business models. "Innovation and choice" is what ICANN say they will offer.

However, ICANN's plans for the new .brand domains have attracted criticism during their development over the last few years. These primarily centre around the potential impact on brand owners and smaller organisations.

Brand owners must already do a lot to manage their brand in cyberspace. They need to keep a watch for cybersquatters, including registration of identical names to their brand in the many gTLDs that already exist. A major brand may take up domain registrations in some domains such as .com, .co.uk or .de. but there are many others. Cybersquatters also take up names that are similar to major brands, and even without cybersquatters doing so, legitimate brands may well have conflicting domain names.

To give you an idea of the complexity this causes, times.com presently directs toward the New York Times website, nytimes.com (as does the more obvious newyorktimes.com). The London Times resides at times.co.uk and there are of course many other Times newspapers in other country code top level domains – not to mention Time magazine. All are, of course, legitimate brands.

Some brand owners complain that far from being attractive, the new .brands will proliferate confusion, encourage further cybersquatting and increase costs.

Smaller organisations and not-for-profits look at this through a different lens. They see a future in which major brands take a greater slice of the web. Advertising and marketing on the web is already a process in which search engine optimisation, behavioural profiling and commercial agreement focus our attention on particular products and services. The .brand offers the possibility of enhancing .brand prominence and potentially overshadowing the small trader, charity or NGO.

While these criticisms are perhaps focused on how .brands might be managed, rather than whether .brands deliver an economic benefit (ICANN believes it has answered the latter question), ICANN has not helped its case by the pace of implementation. Critics have indicated that they feel unheard and that the process is being rushed.

In the light of this criticism, the initial period for registration and setting up the new .brands is likely to be one which attracts intense scrutiny. Those determined to press ahead should be aware of the PR implications for their .brand strategy.

4. Protecting your brand

Now is a good time for brand owners to revisit their trade mark and brand protection strategy. There will be opportunities for trade mark owners to obtain priority in the application process for a .brand. For instance, there will be provision for rights owners (including owners of registered and unregistered marks) to object following publication of the gTLDs for which applications have been made. Objections can be on the basis that the proposed new gTLD takes unfair advantage of or unjustifiably impairs the distinctive character or the reputation of the objector's mark, or that it otherwise creates an impermissible likelihood of confusion. If the objection is successful the

application for the new gTLD will be refused. Rights owners should be aware of the deadlines and prepared to take action.

Any new gTLD registry will need to have minimum requirements in place for protecting rights owners during the initial launch phase. These mechanisms must include a sunrise period, where the owners of registered trade marks for word marks who can prove they have used their mark will have priority over third parties to register second level domains which are identical to their trade mark within a gTLD.

Additionally, trade mark owners will be able to submit information about their registered trade marks (whether used or not) for inclusion in the trade mark clearing house. The trade mark clearing house will be operated by an independent party chosen by ICANN. The clearing house will hold trade mark owners' details and act as a central repository for valid trade mark rights. New gTLD registries will be required to notify the owners of trade marks included in the trade mark clearing house if any third party attempts to register a domain name identical to the trade mark during the sunrise period as well as for the first 60-days of general registration. Those applying for registration of the domain names will also be notified of the existence of identical trade marks in the clearing house and will be required to certify that the domain name will not infringe those trade mark rights before the registration can be completed.

Registration of trade marks in the clearing house is a proactive measure that brand owners can take to ensure that they are informed of competing claims and to protect their trade marks in the initial launch stages. It will not, however, identify the registration of domain names comprising misspellings of your brand or incorporating your brand together with other words e.g. [yourbrand]online.newgTLD. Nor will it identify infringing registrations after the initial launch period.

Registered trade mark protection will undoubtedly offer an advantage in the .brand and gTLD landscape. The priority and protection given to trade mark rights holders may operate as an incentive in the .brand and gTLD space and those considering launching new brands, should clear the brands for use and registration now.

5. Managing disputes

Once the new gTLD is up and running, the registry operator will also be subject to minimum requirements for dispute resolution procedures. These requirements will include the incorporation of the Uniform Domain Name Dispute Resolution Policy (“UDRP”), which applies to all current gTLDs. However, the new requirements will go further and, among other things, will introduce two new types of dispute resolution procedure:

Uniform Rapid Suspension (URS)

The URS is intended as a quicker, cheaper alternative to the UDRP for the most blatant cases of cybersquatting. The URS allows owners of registered trade marks that are being used to complain where there is clear and convincing evidence that: (i) the registrant has no legitimate right or interest to the domain name; and (ii) the domain was registered and is being used in a bad faith. If the Complaint succeeds, the domain name will be suspended for the balance of the registration period, and will resolve to an informational web page about the URS. The cost will be \$300 per complaint.

Post-Delegation Dispute Resolution Policy (PDDRP)

For the first time, this allows rights owners to mount a complaint against a registry operator (i.e. not just against a registrant) on the grounds that it has been harmed by the registry operator's manner of operation or use of the new gTLD. The PDDRP is open to owners of registered or unregistered rights. If a complaint succeeds, the Panel may recommend a variety of enforcement tools including, in extraordinary circumstances where the registry operator acted with malice, to terminate the registry agreement.

6. Partnering in the .brand environment

Brand owners that become .brand registries have the opportunity to apply their own rules to second level domain name registrants within the .brand. They may do so through the registration rules and ancillary documents giving a flexible commercial structure.

ICANN imposes minimum requirements on registries including having dispute resolution procedures and the provision of information by registrants. Applicants are also not to be discriminated from one and other without objective justification. One option would be for brand owners to keep the registration rules simple and confine commercial terms to their partnering arrangements, such as franchising agreements, affiliate programmes or association rules.

For .brand standards to be meaningful, brand requirements should be backed up by sanctions for non-compliance by partners. New terms for existing partners may require modifications to current arrangements with consultation or negotiation, depending on the nature of the arrangements. Roll out of new models may require a ground up approach to establishing a commercial model and suitable terms.

Issues to consider may include branding, get-up of the web site, differentiation from other partners' business, market focus or geography, and language. Continued use of the partner's site within the .brand domain should require adherence to a franchise agreement, dealership terms or trade association rules as appropriate. On termination, the brand owner needs to consider take-down of the site and whether it can restrict competition outside the .brand domain.

These kind of issues will be central to the .brand owner's commercial strategy and an essential component of generating value. Therefore, formulation of the commercial approach will be core to establishing a .brand business case.

.Brand owners should also be aware that there are ICANN imposed restrictions on country names being used within the .brand such as france.brand which may need to be overcome at the time of application.

7. Competition law

Becoming a .brand registry will give the brand owner unprecedented control over how its brand is used online. As the internet continues to grow as a sales channel, this could enable .brand owners to entrench or increase a position of market power, and to exclude or restrict the activities of competitors or resellers. This kind of conduct could infringe European Union or national competition laws.

Also the high degree of control that a .brand owner would have over the use of its brand online sits a little uneasily, in the EU at least, with the European Commission's policy of promoting internet sales at all levels of the distribution chain. A franchisor that obtained its own .brand might well seek to use its control over that domain to restrict the online activities of its franchisees in order, for example, to channel all online sales through its own central website. Whether practices like this would be consistent with the Commission's policy on internet sales is something that would need careful consideration in each case.

8. Liability to third parties

gTLD managers must devote a significant part of their attention to dispute resolution between registrants and brand owners – so called cyber squatting claims. ICANN will require dispute resolution procedures to be laid out by gTLD owners including the new .brands. Those with .brands can anticipate needing to manage the competing interests of two or more parties interested in sub-brands within the .brand domain and be willing to pursue a dispute mechanism to resolve the issue.

.Brand owners will not necessarily be responsible for the content of a domain website within the .brand domain. In fact, they will not necessarily be hosting, acting as a communications carrier or exerting managerial control. The .brand owners' sole required role is to assign names to IP addresses and promulgate these to ISPs and others who manage the network infrastructure of the internet. However, the attraction of the .brand is to exercise a degree of control over sites within the .brand domain.

Once the .brand owner seeks to exert control over sub-domain owners through the .brand registrant rules or other contractual terms (see section 2 above), the .brand owner may take a degree of risk for IPR infringement, defamation, breach of regulatory requirements or other typical on-line risk.

Part of a .brand commercial model must be to analyse the potential risks involved and seek mitigating strategies, including indemnities, control over content, acceptable use rules and take-down rules. In the on-line world, exerting more control tends to increase potential liability; yet a lack of control may be damaging to the brand, so a careful balance is required.

9. Contacts and Next Steps

All brand owners must make a decision on their approach to the .brand. It would be wise to consider the outline business case without dismissing .brands out of hand for their cost or complexity. ICANN is anticipating 500 to 1000 applicants in 2012. This means other organisations are planning their .brand approach and some have already declared their interest.

It is an entirely legitimate stance to decide not to apply for a .brand, or to wait until 2015 for the next round of applications. However, doing nothing is not an option as any application from a competing brand may affect you and your markets. At the very least you should consider your defensive strategy if this should happen.

We would be delighted to hear from you if you would like to know more. Please contact Leighton Cassidy or Simon Briskman for general and press enquiries. Our team contributing to this white paper are:

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