

New gTLDs: What should I tell my Board?

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Overview

In June 2008, the Internet Corporation for Assigned Names & Numbers (ICANN) approved implementation of a fast-track process for the introduction of potentially hundreds of new generic top-level domains (gTLDs). Currently, there are only 21 active gTLD extensions (examples are .com, .net, .org, .info, .biz) and 250 country-code top level domain (ccTLD) extensions (examples are .ca, .fr, .de, .us, .uk) available for registration.

ICANN believes its mission includes the introduction of these New gTLDs to help facilitate innovation, openness, and change. Significant debate regarding “demand” for New gTLDs continues, but ICANN is spending most of its time currently defining “how” New gTLDs should be launched as opposed to explaining “why” they should be launched.

More than 2,000 pages of [New gTLD Policy Documents, Explanatory Memos, Studies & Analysis](#) have been released by ICANN. Each version of these documents is subject to extensive Public Comment.

In February 2009, as a result of an historic number of comments received by many stakeholder groups, ICANN identified four “overarching issues” that required further work and consultation with the Internet community before New gTLD implementation could occur:

- Trademark protection
- Security and stability
- Malicious conduct
- Demand and economic analysis

The Implementation Recommendation Team (IRT) was formed by ICANN resolution at the Mexico City meeting (March 2009) to develop more robust Rights Protection Mechanisms (RPMs) to address the trademark protection concerns raised by companies in the New gTLD initiative. IRT Final Recommendation Report was released on May 29, 2009 and is now undergoing public comment and consultation.

In June, ICANN commissioned a Root Scaling Survey which will assess how the rollout of New gTLDs, in conjunction with other technical initiatives underway, will affect the security and stability of the Internet. The results of the survey are not expected until August 2009.

The Anti-Phishing Work Group (APWG) released a Draft Issues Reports in June 2009 framing the issues related to malicious conduct concerns. The next version of this report (anticipated in August 2009) is expected to contain proposed mechanisms to protect Internet users from potential malicious conduct.

ICANN has commissioned and released several economic reports detailing the demand and analysis supporting the need for New gTLDs. These studies have been widely criticized. Members of the Internet community have made numerous requests for additional studies.

ICANN has stated that they expect Policy discussions to last through November 2009 and anticipate accepting the first round of applications in Q1 of 2010. Most industry experts agree meeting the deadlines is unlikely since many implementation issues remain unresolved and Policy discussions on the four “overarching issues” are expected to last well into 2010.

What new risks could New gTLDs pose to my company?

1. Increase in **fraud, counterfeiting/piracy** and other **criminal behavior** online due to a dramatic increase in availability of domain names that can act as vehicles for these threats (in English & other languages)

2. Increase in **brand abuse** online (in domain registrations, in web content, in meta data, etc) which can lead to brand dilution (in English & other languages)
3. Infringement of **intellectual property** rights
4. **Consumer confusion** while attempting to find legitimate brands on the Web
5. Companies that decide not to acquire New gTLDs may find themselves at a **competitive disadvantage** (risk from generic names and others with competing trademark rights)

What new opportunities could New gTLDs afford my company?

1. The Internet naming space is expanding dramatically and companies who participate have an opportunity to be on the leading edge
2. Opportunity for new and innovative ways to build, expand, and globalize brands which can lead to capture of additional market share (particularly in non-English speaking markets)
3. Opportunity for companies to provide new branded services and experiences to customers as part of their customer relationship program
4. Opportunity for a “land grab” securing brands online now for future initiatives (in English and other languages)
5. Competitive advantage if your competitors do not participate in the New gTLDs
6. Opportunity to secure generic names (such as .car), names in other languages, and names in areas where there are competing trademark rights
7. Provided you apply for an open New gTLD, you could recoup your costs and make a profit through registration fees

What would my company have to do to apply for a New gTLD?

- Once all the Policy issues are resolved, ICANN will create an online system to accept applications. Applications will need to detail the TLD (a.k.a. the string), the purpose, the population the TLD intends to serve, the eligibility rules for registrants, how the applicant meets the financial and technical qualifications to run a domain name registry, and policy rules the applicant will put in place to protect the legal rights of others in the TLD.
- Applicants will need to agree to ICANN's Terms and Conditions for putting forth an application and must agree to accept the Registry Operator Terms and Conditions if awarded a TLD.
- The application fee is currently set at US\$185,000 per TLD. Other significant costs may also be incurred during the application process if an application is opposed or requires extended evaluation by ICANN.

How much would it cost my company to apply for and operate a New gTLD?

Implementing and operating a New gTLD will likely require a minimum investment of US\$500k – \$1M over the first 18 - 24 months. Costs will decrease over time, but will likely not fall below US\$75,000 annually. (NOTE: The cost estimates are associated with a single New gTLD and are based on current information.) .

Marketing costs are not included in the aforementioned cost estimates and might be significant based on additional consumer education.

If my company were awarded a New gTLD, what would we be required to do to operate it?

TLD registries must operate a full registry infrastructure with 24/7/365 availability. This includes operation and maintenance of both a free and public WHOIS and Zone file for the TLD.

TLD registries are responsible for compliance reporting and data escrowing to maintain ICANN accreditation.

If a registry wanted to offer registrations to more than itself, it would also likely have to develop a process and infrastructure to accredit, connect to, and monitor compliance of third-party registrars.

If my company is not interested in applying for a New gTLD, what is the budgetary impact?

Domain registration expenses will likely increase substantially, because companies will need to secure rights in additional TLDs (English and non-English).

Legal expenses will significantly increase related to trademark registration and protection, as well as language translation services and foreign agent assistance.

How have other companies reacted to New gTLDs?

CSC hosted several roundtables recently in Edinburgh (UK), Redmond, WA (US), and Düsseldorf (Germany). Attendees included company representatives from many of the world's most recognizable brands.

- Most dislike the New gTLD initiative. A few see that New gTLDs could provide entertainment, media, and technology companies with new business and branding opportunities.
- Most are awaiting the outcome from the IRT Report to see what Rights Protection Mechanisms will be in place before they decide to

proceed with an application for their “core brand”. Many fear they will be “forced” into defensive registrations.

- Most are worried about “generic” New gTLD applications.
- No companies expressed interest in running the registry for a New gTLD “in-house”.
- Most companies are concerned that they are not resourced or equipped (Legal, eCommerce, Marketing, IT, etc.) to manage New gTLDs today.
- Most companies are concerned about ICANN’s competency and maturity for a successful rollout of New gTLDs
- Most companies fear a small percentage of Trademark holders are aware of or engaged with the New gTLD initiative and as a result unfavorable policies will be enacted.
- Most attendees feel frustrated by the volume of information produced and response timelines dictated by ICANN Policies.

How should my company prepare for New gTLDs?

There are still many unanswered policy and implementation questions regarding New gTLDs thus, it is very difficult to undertake extensive planning at this time. However, there are some preliminary measures you company can take now:

- Get up to speed and participate in the process
 - Gather additional information and analysis available from CSC
 - Subscribe to email updates from CSC, ICANN, and other trade associations
 - Submit Public Comments through CSC, trade associations, or independently

- Attend the Seoul Meeting or upcoming Regional Consultation being hosted by ICANN
- Brief your business stakeholders with details of the New gTLD initiative
 - Get your business leaders thinking about opportunities and risks – otherwise you might find yourselves scrambling in this “land grab” situation
 - Consult with a trusted partner with “in-house” expertise on New gTLDs that can assist with education of business leaders on policy issues and potential opportunities and risks. Be cautious of “paid for” consultants and so-called industry experts who purport to have a defined business model and cost-structure “ready-to-go”.
- Determine the scope of your Policy review (brand promotion vs. brand protection or both)

How CSC can help?

CSC can help you stay current with the New gTLD initiative through our Domain Name News Alerts, Policy Document Summaries and Whitepapers, and through participation in our online Web seminars.

We can help you voice your opinions on the New gTLD debate by participating in our New gTLD surveys and regional roundtables and by working with CSC to develop public comment statements endorsed by multiple brand owners.

While New gTLDs are not for everyone, CSC recognizes that some companies may want to pursue a New gTLD for business or defensive reasons. For these companies, we offer a complete, outsourced, turn-key solution. Specifically, CSC can help you:

- Educate your business leaders to help them understand policy issues and potential opportunities and risks for your business

- Complete and submit your New gTLD application(s) and navigate through the TLD delegation process
- Provide an enterprise-class, Web-based interface and supporting infrastructure to register and manage your new TLD (includes maintaining zones and WHOIS)
- Develop TLD policies and meet ICANN compliance requirements and reporting for the operation of your TLD

Contact CSC

For additional information on New gTLDs call 800.927.9800 (North America) or +44 (0)20 7565 4090 (Europe), or visit www.cscglobal.com.

About CSC

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