



# VALIDEUS

*gTLD Consultancy, Application  
& Registry Management*

## ***An Overview of the new gTLD Programme***

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## Overview

On 20 June 2011 ICANN (the Internet Corporation for Assigned Names and Numbers) formally approved the introduction of the new gTLD (Generic Top Level Domain) programme and announced the initial application round will open on 12 January 2012 for 90 days. The announcement is the culmination of three years worth of planning and discussion within the ICANN community since the plan was officially announced in 2008, and represents “one of the biggest changes ever to the internet’s method of naming sites”<sup>1</sup>. In basic terms, the new gTLD programme will open up the domain name system, allowing any organisation of good standing to apply for their own domain name extension (gTLD); so instead of .com a company may apply to run a .shop or a .hotels extension. ICANN has estimated it may receive 500-1000 applications in the first round alone, but with subsequent rounds planned for within four or five years, it is highly likely that we may see thousands of brand new gTLDs within the next decade.

Potential applicants have announced they intend to apply for the following TLDs

City	Linguistic /Cultural	Not for Profit	Sport	Keyword	Lifestyle	Brands
.bcn (Barcelona)	.africa	.eco (Bid 1)	.bike	.car	.artist	.canon
.berlin	.arab (عربي)	.eco (Bid 2)	.board	.hotel	.ego	.hitachi
.london	.gal (Galicia)	.green	.horse	.movies	.gay	.panasonic*
.paris	.irish	.health	.skate	.music	.kids	.bbc*
.nyc	.kurd	.ngo	.ski	.radio	.money	.sky*
.tokyo	.zulu	.unicef	.sport	.shop	.vin	.deloitte*

\* Comments submitted to ICANN imply they will be applying but no announcement has been made

A common question is why is this being done? ICANN’s remit, mandated by a contract with the US government, covers the coordination, organisation, security and stability of the global Domain Name System (DNS). Its rationale for introducing the new gTLD programme goes to the heart of its mission: to enhance competition and promote choice and innovation. As Kurt Pritz, Senior VP of ICANN has said, “The new gTLD program will open up the top level of the internet’s namespace to foster diversity, encourage competition and to enhance the utility of the DNS”.

The introduction of hundreds, if not thousands, of new TLDs could have some significant effects on the internet: it may change the way search engines rank hits - a search for ‘taxis’ might give priority to any website which is under a .taxi extension; it might change company marketing strategies, with smaller companies deciding to ‘list’ themselves under a relevant extension e.g. zcars.taxi. In time larger companies may migrate their entire web estate to their own branded TLD, such as .hitachi<sup>2</sup>, seeking advantages of security, speed and communication. Equally, the new gTLD process will provide new avenues and techniques for cyber-criminals to exploit. The list of possibilities is long and there are many unknowns, but you need to be prepared for the overall effect this change will bring.

### Reasons why Corporations are considering applying

- A flat fee for an Evaluation Workshop, up to 50% discountable
- Environment to create a distinctive site for mobile devices
- Means to develop a social network site
- To create a site for dialogue with younger customers
- Ability to supply ‘affinity’ domains to carefully chosen partners and independent consultants
- To support secure communication of sensitive customer and financial data
- Provision of geo-location services to tailor content more appropriately

<sup>1</sup> <http://www.guardian.co.uk/technology/2011/jun/20/icann-domains-expansion-announced>

<sup>2</sup> <http://www.prweb.com/releases/2011/03/prweb5122724.htm>

## What you can apply for

Ownership of a prior right, such as a trademark, is not a prerequisite for applying for a character string as a gTLD; any company of good standing is free to apply for almost anything they wish - a brand, a company name, a nickname, even a generic term. However, there are some restrictions on what kinds of strings are permissible. An applied-for ASCII TLD must be between three and 63 characters in length (so one and two character ASCII extensions are not permitted, ruling out brands like HP, BA, etc.) and it cannot contain numerical values or hyphens. IDNs (Internationalised Domain Names) in scripts other than Latin, such as Arabic or simplified or traditional Chinese, are allowed and in these cases the minimum number of non-Latin characters permitted is two. However, when converted to puny code they must still fulfil the length restrictions for ASCII terms, namely they must be between three and 63 characters <sup>3</sup>.

There are certain terms which are barred from the first application round for political reasons: ICANN has a list of approximately 30 terms which are reserved at the top level for stability issues, including .icann and .whois, and country or territory names cannot be applied for, following governmental input into policy development <sup>4</sup>. Furthermore, relevant government or public authority approval is required in order to apply for terms considered geographic names: capital city names, sub-national place names (for example, counties or provinces), a city name where the applicant intends to use the gTLD for purposes associated with the city name, and UNESCO regions or terms appearing in the UN 'Composition of macro geographical (continental) regions, geographical sub-regions, and selected economic and other groupings' list <sup>5</sup>.

	May 2011	June 2011	July 2011 – January 2012	12 January 2012	12 April 2012	27 April – 1 May 2012	June 2012	July – October 2012	November 2012	December 2012 – January 2013
ICANN Developments	30th – Final Applicant Guidebook published.	20th – ICANN board approve new gTLD programme in Singapore and announce opening date for applications.	Marketing campaign promoting new gTLD concept.	90 day application window opens.	Application window closes; Administrative completeness check of applications begins.	Applications posted; 60 day comment period and GAC early warning period begin; 7 month Objection period opens.	Initial evaluation begins.	Initial evaluation continues.	Earliest evaluation complete; Pre-delegation testing begins.	Earliest registry opens.
Applicant Actions		Review Applicant Guidebook, especially 50 application questions and Registry agreement.	Prepare application; Resource \$185,000 application fee, Final legal review of application.	Register with ICANN's TAS (\$5,000); Submit application with remaining \$180,000 of fee.		Monitor 3rd party applications.	Respond to queries from evaluators; Object to third party applications if appropriate; Respond to any objections.	Draft registry policies; Develop launch plan; Compile blocked lists.	Finalise ICANN registry agreement.	

## The application questions

The first round of gTLD applications runs for 90 days between 12 January and 12 April 2012 (please see Appendix 1 for an outline of the application process flow). Applications which arrive during this window are treated equally: it is not “first come, first served”, but there are no exceptions or allowances for late submissions. The application consists of 50 questions <sup>6</sup> which can be roughly divided into four sections: applicant information (questions 1-12), string and registry information (questions 13-23), technical and operational information (questions 24-44), and financial capability information (questions 45-50). The filing process is electronic and applications must be submitted through ICANN's specially commissioned TAS (TLD Application System). The TAS is expected to open on or before 12 January 2012. As a user in the TAS you will be asked for information on the applicant; this information actually comprises questions 1-12 of the application. To complete the user registration a deposit of \$5000 will need to be paid for each application slot the applicant requires (i.e. each separate string they wish to apply for). There will be a deadline, prior to the close of the application window, for registering as a user in the TAS, but this deadline is yet to be confirmed by ICANN.

As soon as user registration has been completed you have the remainder of the 90 day window to complete the 50 questions and pay the outstanding \$180,000 of the application fee (per string). The entire application will be evaluated by ICANN's evaluation panels, but the technical and financial questions will be scored and must attain the 'pass mark' of 30 points out of 41 in order to progress. There are 21 technical and operational questions worth a total of 30 points. You must score a minimum of 22 points over these 21 questions, scoring at least one on each question (apart from question 44 on IDNs, which is optional).

<sup>3</sup> A more detailed explanation of IDNs can be found at [http://en.wikipedia.org/wiki/Internationalized\\_domain\\_name](http://en.wikipedia.org/wiki/Internationalized_domain_name)

<sup>4</sup> See [http://www.iso.org/iso/english\\_country\\_names\\_and\\_code\\_elements](http://www.iso.org/iso/english_country_names_and_code_elements)

<sup>5</sup> See <http://www.unesco.org/new/en/unesco/worldwide/> and <http://unstats.un.org/unsd/methods/m49/m49regin.htm>

<sup>6</sup> A full list of the questions can be found in the Applicant Guide Book at <http://www.icann.org/en/topics/new-gtlds/rfp-clean-30may11-en.pdf>

There are six financial questions worth a total of 11 points. You must score a minimum of eight points over these six questions, scoring at least one on each question. The questions are complex. For example, question 35 reads: "DNS Service: describe the configuration and operation of nameservers, including how the applicant will comply with RFCs. All nameservers used for the new gTLD must be operated in compliance with the DNS protocol specifications defined in the relevant RFCs, including but not limited to: 1034, 1035, 1982, 2181, 2182, 2671, 3226, 3596, 3597, 3901, 4343 and 4472. Provide details of the intended DNS service including, but not limited to: a description of the DNS services to be provided, such as query rates.....and reserve capacity of the system. How will these be scaled as a function of growth.....". There are a further three sub-points to this question alone. Their specialised nature means the technical and operational questions should primarily be answered by your chosen registry services provider, although you will need to review the answers to ensure they fit in with your overall mission.

## Evaluation

ICANN's evaluation process begins with a background check on the applicant. The check will focus on three main areas: business diligence, criminal history, and history of cybersquatting behaviour. The business diligence process will require applicants to provide the personal details (such as name and address) of the company's directors<sup>7</sup>, unless the firm is listed on one of the world's top 25 stock exchanges. The criminal background check will also focus on these individuals as well as the company at large. ICANN list 15 types of conviction or regulatory decision which would cause the applicant to be rejected from the programme, broadly focusing on crimes involving mistrust, fraud, or violence. In terms of cybersquatting, an applicant or listed individual with a pattern of dispute decisions against them - for example, three or more UDRPs with one in the last four years - will again be cause for a rejection.

All applicants are required to submit certain documents as part of their application: a copy of a document proving the legal establishment of the applying entity; and audited or independently certified financial statements for the most recently completed fiscal year. In some cases additional documentation may be required to prove community support, governmental support, or third party funding commitments. All documentation must be submitted electronically through the TAS, unless otherwise requested by ICANN.

## Contention Sets

With the number of first round applications expected to be in the region of 500-1000 it is very likely that some character strings will be applied for several times over; for example, two applicants have already stated their desire to apply for .eco. One of the first steps ICANN will take at the evaluation stage is to place all applications for similar strings (which have passed the background checks) into contention sets. Contention sets will feature identical strings, as well as strings which ICANN deems to be so similar that it would not be possible for them to be entered into the DNS without the possibility of confusion: it should be noted that ICANN's idea of confusion is not based on any existing legally accepted norms in the commercial or legal world, but on the simple question of whether the character strings are so similar as to either confuse internet users or cause instability in the DNS. ICANN have developed an algorithm<sup>8</sup> which generates a similarity level for any two strings entered. Any terms with more than a 30% indication of similarity are cited and placed in a contention set. In the event that strings placed in a contention set pass evaluation and overcome any objections, the last resort is an auction<sup>9</sup>. Given that applicants will have invested hundreds of thousands of dollars in their application any auction is likely to be fiercely contested and could drive the overall cost up dramatically.

## Advantages & Drawbacks

Chief among the concerns of trademark holders will be what the new gTLD programme means for the protection of their brands. In this respect there will be both advantages to exploit and difficulties to overcome.

A branded TLD, such as .valideus, would allow your brand to appear straight in the browser; in future, it may be possible to ignore the 'dot' altogether and simply type your keyword brand into the browser and be directed to your website. If the TLD is your brand then consumers will clearly be able to identify you on the web and you will have the advantage of being able to lock infringers out of your registry. Both of these factors will help to inspire confidence and trust in your name. In the age of social networking, where domain extensions are not used, it is important for your brand to be clearly signposted and verifiable online.

For many companies keeping in step with competitors is of major importance so owning your own .brand registry could enhance your profile as a pioneering leader in relation to your peers, or it may simply be too damaging to the brand image to risk rivals obtaining their own branded domain ahead of you. Equally, firms in certain sectors, such as technology and media, may feel it is vital to their industry reputation that they be seen by analysts and consumers to be forward thinking.

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<sup>7</sup> This information will be confidential, but an important point to note is that approximately 80% of the application will be publicly posted by ICANN so this must be appreciated when drafting your answers.

<sup>8</sup> Public access to the similarity assessment tool is here: <http://icann.sword-group.com/algorithm/>

<sup>9</sup> There is one exception: if any of the applications in the contention set are community applications the applicant can request a community priority evaluation. This will be explained later in the document.

Not applying in the first round risks your brand name being permanently excluded from the top-level of the domain name system, not necessarily by a rival application for your brand TLD, but by something deemed confusingly similar by ICANN. For example, someone may apply for .song in the first round, which could then (in theory) exclude a future application for .sony on the grounds that it would be too confusing for internet users. Finally, an overlooked bonus of having your own gTLD registry is that it gains you a seat on ICANN's registry constituency, handing you the chance to influence ICANN policy.

In conjunction with the marketing and brand enrichment opportunities, owning your own gTLD registry can offer advantages in online security as well. All new gTLDs must incorporate DNSSEC, a new DNS security measure which confirms that the information you are receiving through the internet is coming directly from the trusted source, providing you with the means to communicate securely with consumers, suppliers, partners, etc. If you are involved in e-commerce this security extends to online monetary transactions – for this reason some banks are considering applying for their own extensions. Anyone who has their own registry has control over who can register domains, so you will be able to exclude any potentially untrustworthy parties. In time you might even develop your own registry technical infrastructure, allowing you to manage all of your domain name operation in house instead of relying on any third party providers – the only dependency would be on the root servers of the internet. Of course, the benefits derived from improved online security can be transposed onto your brand/corporate reputation: the public will trust your gTLD, which is your brand and thus is a clear representation of you.

## Objections

Trademark holders must keep a watchful eye on new gTLD applications which may conflict with or infringe their trademark rights. ICANN aim to publish the list of applied-for strings two weeks after the close of the application window on 27 April 2012, and there will then follow a seven month period during which objections can be filed (by anyone) against an application on one of four grounds:

- String confusion – the applied-for string is confusingly similar to an existing TLD or another applied-for new gTLD;
- Legal Rights – the applied-for string infringes the existing legal rights of the objector;
- Limited Public Interest - the applied-for gTLD string is contrary to generally accepted legal norms of morality and public order that are recognized under principles of international law;
- Community - there is significant opposition to the application from a part of the community which the TLD is supposed to be implicitly or explicitly targeting.

The Legal Rights Objection will probably be the most applicable for trademark holders, providing a mechanism to object to any unauthorised application for a string matching your trademarks. Filed objections will be assessed by WIPO with official fees for one panellist starting at \$10,000.

## Sunrises, IP Claims & the URS

The introduction of hundreds of new gTLDs within a few years, many of them Open Registries where anyone can register anything, will mean that your brand will need protecting at the second level to a degree not encountered previously. The long term ideal might be that your own gTLD will strengthen its reputation sufficiently so that users will not confuse it with unauthorised second level domains containing your marks and consequently there will be less need to worry about infringers at the second level. However, in the first few years you will still need to take action to protect your trademarks under other new gTLDs. This might involve registering your trademarked terms in the compulsory Sunrises which each new registry must hold for the IP community, using the new IP Claims process to notify or instigating dispute proceedings through the traditional UDRP, or the new URS (Uniform Rapid Suspension) system, which has been designed as a rapid solution for registrations that are clearly abusive.

Further concerns regarding the new gTLD process centre on the inevitable unknowns of such a unique plan. Nobody can be sure how the public will react to the introduction of new gTLDs: will they understand them and embrace their use, or will the majority of users simply continue to favour .com as the TLD of choice? If the latter is the case then applying for your own gTLD could be an expensive gamble. There is also no certainty over how the major search engines will include new gTLDs in their algorithms and whether they will give them priority in their rankings over searches for the same term in a second level domain.

## Generic Terms

It is possible for anyone, including brand owners, to apply for a generic character string. For example, applying for an industry specific term, such as .insurance, and then obtaining the exclusive right to its use at the top level could have significant advantages and could be seen as a financial investment. Thought must be given as to how your industry competitors might react to this. If they are likely to object to such an application, or to go to anti-trust/competition authorities then it might be more in your interests to look into the possibility of applying for the term as part of an industry consortium, satisfying everybody's interests.

## IDNs

If you trade globally then you may wish to consider the need for a separate IDN (Internationalised Domain Name) application. Obtaining the gTLD .brand in ASCII does not also endow you with the equivalent extensions in other languages or scripts, so if the market is important enough to you, having your extension in the native language might be a serious consideration. Russian Cyrillic, simplified and traditional Chinese and Arabic are expected to be the main scripts for IDN new gTLD applications.

## Costs

The official ICANN application fee is \$185,000, but there will be other significant costs of applying for and running your own gTLD: you will need to employ a Registry Services Provider, an Escrow Provider, and it is advisable to take out an insurance policy for the registry once it has begun operations. Due to some of the contingencies involved, such as the number of domains contained in your registry and which providers you select, we can only estimate the costs you might incur. These have been outlined below to cover the first five years of your registry: the first two years during which you will apply for and setup the registry, and then the first three years of operation.

There may be additional costs if your application enters an auction, if you utilise external legal review, or if you decide to enlist the services of consultants, such as Valideus, to help you through the application process. Valideus fees for application management and ongoing registry management are available on request.

<b>Active Closed Registry up to 10,000 domains</b> <b>Illustrative costs</b>	<b>ICANN Fees</b>	<b>Registry Services Provider Fees</b>	<b>Escrow Provider Fees</b>	<b>Insurance</b>	<b>Sub-Totals: All fees in US\$</b>
<b>24 months of Application Management &amp; Set Up</b>	185,000	75,000	5,000	-----	265,000
<b>1st full year of operation</b>	25,000	100,000	10,000	20,000	155,000
<b>2nd full year of operation</b>	25,000	100,000	10,000	20,000	155,000
<b>3rd full year of operation</b>	25,000	100,000	10,000	20,000	155,000
<b>TOTAL</b>					<b>730,000</b>

## Key Decisions

The first major decision you need to make is whether to apply or not. Different companies will have different priorities and different strategies so application in the first round may not be suitable for everyone. Even if you decide not to apply you will need to mark the 27 April 2012 in your diary: this is when a list of the applied-for strings is published so you can see who you are competing against or whether you need to file an objection.

The next key decision is exactly what to apply for. From a brand perspective this may be more obvious for some than others – if your brand is short and distinctive it may be a straightforward decision, whereas if your brand is longer or if it contains non-permitted characters (for example, an ampersand) you may need to give your branding more thought: this will be your image on the internet so it must be truly representative of you as well as being concise and memorable enough for the common user to remember. It could be in your interests to apply for an IDN or a generic TLD as well, or you may even apply for a number of gTLDs including a combination of brands, IDNs and generic terms.

Who will own your registry? If you are a global company you could choose any one of your offices as the legitimate owner of the registry, or you could even create a new entity. You can situate the applicant entity in jurisdictions which provide favourable tax or political conditions.

You must decide on the type of registry you want to run. If you are a trademark holder and have applied for purely defensive purposes then your choice could be to operate a Blocking Registry in which you only have two live domains (to comply with the ICANN agreement). If you want to use your gTLD in a more positive way you may decide to operate a Closed Registry,

permitting only company employees and designated partners to register domains, giving you greater security in your internal communications; or you might use an innovative approach, and apply for an Open Registry, where you give second level domains to your customers for communication, social networking, or even revenue generation.

If you apply for a generic term which is targeting a specific community (for example, there are publicised bids for .gay and .film) the application process allows you to designate your application as a Community-based application, rather than a standard one <sup>10</sup>. Such a designation necessitates the submission of additional documentation showing that you have support from your chosen community. You can also elect Community Priority Evaluation so that if you are in a contention set the strength and scope of your community is considered, as a priority, giving you a significant advantage over a standard application <sup>11</sup>.

One of the most important questions of the 50 in the application is question 18, in which you are asked to describe the mission of your registry. The response to this question should be given careful consideration; it has to reflect the type of registry that you want, while providing you with enough flexibility to review your options in the future.

## Registry Services Provider: a Key Partner

In order to have a functioning registry you need to have a registry services provider to supply the technical infrastructure. The choice of this provider is a major decision; it is critical to avoid any unplanned registry down-time, both to satisfy your registrants and to comply with ICANN. There are only a handful of experienced registry service providers currently in the market place, each with different tariffs and levels of service, so careful research needs to be conducted to establish which model best suits your registry. For such a large outlay and vital part of the project, an RFP is recommended, time permitting. If an applicant applies for more than one gTLD then one option is to use multiple registry service providers. This has the benefit of 'spreading the load' and allows you to compare the performance and service levels of your providers over the first year or two of the registry's activity. If you have the financial backing, a future objective could be to create your own registry technical infrastructure and run every aspect of your registry in house, providing a further level of security.

## Lifecycle Registry Management

Although your Registry Service Provider will supply you with technical systems and infrastructure, you will need assistance with day to day Lifecycle Registry Management unless you want to create an in-house team to undertake the specialist tasks associated with registering, assigning, updating, renewing and lapsing domains in your registry. Although ICANN may change their policies, at time of writing registry owners cannot place domains into their own registries: they must use a registrar of some type.

A new type of company, called a GateWay Registrar is emerging to undertake these tasks and also to provide mandatory ICANN reporting, oversight of your selected Registry Services Provider including obtaining and reviewing MIS, payments to the Registry Service Provider and the Escrow Provider, monitoring of ICANN Consensus Policies which could impact upon you and even representation in the ICANN Registry Constituency.

## Conclusion

The new gTLD process is costly, complex and time consuming, and might be considered nothing more than an unwanted problem by some trademark holders. However, it will have a significant impact on the future of domain names and consequently, brand protection and digital marketing, so it is important to understand the process and be prepared. At the very least you will need to monitor proceedings and be ready to object to any infringing third party applications, but you may see the process as an opportunity to apply for your own gTLD registry and exploit the potential benefits.

## Valideus' Services

Valideus is assisting a small number of leading brand owners with a "Turn Key" service covering the development of strategy, the prosecution of an application and the implementation of a new gTLD. Valideus' sister company is ICANN-accredited registrar Com Laude. Com Laude is offering GateWay Registrar services to ensure stable lifecycle management of new gTLD registries. For further information, contact [info@valideus.com](mailto:info@valideus.com).

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<sup>10</sup> This is independent of the fact of whether you are actually targeting your gTLD at a community – you need not specify your application as a Community one even if you target a community

<sup>11</sup> If there is more than one Community application in a contention set and they both ask for and pass a Community Priority Evaluation they will proceed to auction, ahead of the standard applications, which will be rejected.

Appendix 1 – The new gTLD Application Process Flow

