Perspectives on New gTLD Expansion

The Evolution of the Name Space

*The Good, the Bad and the Ugly*

by: Michael D. Palage
Pharos Global, Inc.

© Michael D. Palage, 2009
New gTLD Overview

• ICANN is nearing completion on the implementation of a policy development process that *may* result in an unlimited number of new gTLDs;

  “Applicant acknowledges and agrees that ICANN has the right to determine not to proceed *with any and all applications for new gTLDs*, and that there is no assurance that any additional gTLDs will be created.” Section 6.1 (DAG 3.0)

• This process has polarized the community on a number of issues: trademark protection mechanisms; registry/registrar separation; and suitable economic studies.

• ICANN is seeking to resolve these issue prior to finalizing the Applicant Guidebook.

W.I.P.O. Conference: 10 Years UDRP - What's Next?
12 October 2009
Evolution of the Name Space

• Today there exists a rather hierarchical structure to the domain name space with less than 300 TLDs in the root zone file, *things are likely to change*.

• Impossible to calculate with any specificity the exact number of new gTLDs.

• Insightful to look at the historic growth of gTLD domain names associated with ICANN’s previous attempts to introduce competition.

It has been reported that at the end of the first quarter in 2009, that there were over 183 million domain names registered.

W.I.P.O. Conference: 10 Years UDRP - What's Next?
12 October 2009
Evolution of the Name Space

- This is what the future of the TLD name space will likely look like in the not too distant future:

  [Images of various logos including NBA, SONY, DELL, at&t, NFL, FOX, ECO, ING, Virgin, dotParth Domain, LIVE, ebay, horse, .berlin, TIME, CBS, FIFA, .GAY]

  Trademarks used for illustrative fair use purposes only, and not intended to indicate that trademark owners interest in filing a potential TLD application

W.I.P.O. Conference: 10 Years UDRP - What's Next?
12 October 2009
Evolution of the Name Space

CORPORATE CLOSED (.IBM, .SAP, .KPMG)

• All sub-domains will primarily be used for internal company use;
• Provides company ability to consolidate a global branding strategy in a single TLD, instead of trying to defensively register in an “unknown” number of new TLDs;
• Potential benefit of minimizing potential phishing attacks through consumer awareness and enhanced security through the deployment of DNSSEC.

CORPORATE OPEN (.AMEX, .EBAY)

• Registration/use of sub-domains to third parties, in additional to internal company use; attractive to companies with an extended community of users or merchants such as an ISP or online payment provider;
• Potential for a licensor or payment provider to revoke domains from a non-compliant licensee or merchant. This approach is particularly attractive from the current model where licensees may be using domain names registered in existing gTLD or ccTLDs where a licensor may have limited rights.

W.I.P.O. Conference: 10 Years UDRP - What's Next?
12 October 2009
Evolution of the Name Space

SPORTS LEAGUES (.NBA, .NFL)

• Sports leagues with an international fan base;
• Ability of each team in the league (both present and future) to secure a short memorable domain name;
• Ability to provide context in local language through internationalized domain names for sports leagues with a truly global footprint;
• New licensing and marketing opportunities for official league sponsors.

INDUSTRY/TRADE ASSOCIATION (.TRAVEL, .HOTEL, .BANK)

• Industry and trade associations will likely seek to secure TLD strings associated with the goods and/or services of their members.
• Registry operator (sponsor) can restrict registration within the TLD;
• Implementation of DNSSEC and other anti-phishing features;

W.I.P.O. Conference: 10 Years UDRP - What's Next?
12 October 2009
Evolution of the Name Space

CULTURAL/LINGUSITIC COMMUNITIES (.CAT)
• The success of the .CAT TLD in promoting the Catalan language and culture has spurred wide interest in various cultural and linguistic communities:
  .CYM – Wales  .BZH – Bretagne  .GAL – Galicia

GEOGRAPHIC/REGIONAL COMMUNITIES (.ASIA)
• The success of the .EU and .ASIA TLDs has spurred wide interest in various geo centric TLDs:
  .BERLIN  .NYC  .PARIS  .AFRICA  .LAT

SPECIAL INTERESTS (.SPORT, .ECO, .GOLF, .HORSE)
• Various special Interest Communities have already expressed their interest in applying for this type of TLD.
Evolution of the Name Space

SOCIAL/GAMING NETWORKS (PS3, WII, FACEBOOK)

- Existing and emerging social/gaming networks are likely to consider applying for their own TLD to strengthen their global brand and leverage new advertising opportunities.
- Providing users with their own individually customized domain name creates a more positive user experience that potentially increases user adoption and retention.

GENERIC (SHOP, FIRM, COOL, SUCKS)

- There will be no shortage of entrepreneurs flocking to ICANN with the next best TLD idea to enhance competition in the name space and provide users enhanced choice.

W.I.P.O. Conference: 10 Years UDRP - What's Next?
12 October 2009
The Good

• Corporate/Branded TLDs make possible:
  – Enhanced global branding, marketing and licensing strategies;
  – Increased consumer trust and confidence;
  – Enhanced security, and the potential to minimized phishing and fraud;
  – Potential vendors, licensees, and users with customized domains; and
  – Positive user experience that increases user adoption and retention.

• ICANN has reduced the registry fees from a minimal fixed annual fee of $75,000 to $25,000 for up to 50,000 names, thus providing corporate/branded TLDs some recognized cost savings.

• ICANN incorporated some aspects of the proposals from W.I.P.O. (Post-Delegation procedure) and the IRT (including thick WhoIs and an adapted WIPO Post-Delegation proposal).
The Bad

- ICANN failed to incorporate in whole several recommendations, including those of WIPO and the IRT, and appears to have provided no basis or detailed explanation for these changes; See CircleID article by Jeff Neuman: http://www.circleid.com/posts/post_delegation_dispute_irt_concept_unsupportable/

- ICANN instead adopted a piecemeal approach to the recommendations, thus destroying the “tapestry” approach;

- There is no shortage of creative individuals within the domain name industry seeking to “game” ICANN’s new gTLD process;

- **TLD Front Running** - Some creative applicants have filed national trademark applications in connection with a variety of commonly used word;

W.I.P.O. Conference: 10 Years UDRP - What's Next?
12 October 2009
The Bad

<table>
<thead>
<tr>
<th>Filing</th>
<th>Mark</th>
<th>Except from (G/S) Description</th>
<th>Classifications:</th>
</tr>
</thead>
<tbody>
<tr>
<td>CTM</td>
<td>FASHION</td>
<td>Not Available in English</td>
<td>Vienna: 26.4.2, 26.4.5, 26.4.22, 26.4.24 NICE: 14, 16, 18, 25, 35, 41, 42</td>
</tr>
<tr>
<td>CTM</td>
<td>MUSIC</td>
<td>&quot;administrative services provided in connection with registration and allotment of Internet domain names and other Internet addresses&quot;</td>
<td>Vienna: 1.1.2, 1.1.99, 24.17.11, 27.3.15 NICE: 32, 42, 45</td>
</tr>
<tr>
<td>CTM</td>
<td>BIGSTYLE</td>
<td>&quot;creation of Internet or intranet webpages and websites and Internet or intranet applications&quot;</td>
<td>Vienna: 27.5.1 NICE: 9, 16, 25, 35, 38, 41, 42</td>
</tr>
<tr>
<td>CTM</td>
<td>ECO</td>
<td>&quot;Domain name services namely creation and maintenance of a register of domain names; registration of domain names&quot;</td>
<td>NICE: 38, 42, 45</td>
</tr>
<tr>
<td>US</td>
<td>ECO</td>
<td>&quot;maintenance of a register of domain names; registration of domain names;&quot;</td>
<td>NICE: 38, 42, 45</td>
</tr>
<tr>
<td>US</td>
<td>ECO</td>
<td>&quot;the provision of access to information regarding domain names&quot;</td>
<td>NICE: 38</td>
</tr>
<tr>
<td>US</td>
<td>POKER</td>
<td>&quot;Domain name services, namely creation and maintenance of a register of domain names; registration of domain names;&quot;</td>
<td>Vienna: 45</td>
</tr>
<tr>
<td>US</td>
<td>KIDS</td>
<td>&quot;Domain name services, namely creation and maintenance of a register of domain names; registration of domain names;&quot;</td>
<td>Vienna: 45</td>
</tr>
<tr>
<td>US</td>
<td>BOOKS</td>
<td>&quot;Domain name services, namely creation and maintenance of a register of domain names; registration of domain names;&quot;</td>
<td>Vienna: 45</td>
</tr>
<tr>
<td>US</td>
<td>BUY</td>
<td>&quot;Domain name services, namely creation and maintenance of a register of domain names; registration of domain names;&quot;</td>
<td>Vienna: 45</td>
</tr>
<tr>
<td>US</td>
<td>BABY</td>
<td>&quot;Domain name services, namely creation and maintenance of a register of domain names; registration of domain names;&quot;</td>
<td>Vienna: 45</td>
</tr>
<tr>
<td>US</td>
<td>POKER</td>
<td>&quot;Domain name services, namely creation and maintenance of a register of domain names; registration of domain names;&quot;</td>
<td>Vienna: 45</td>
</tr>
<tr>
<td>US</td>
<td>GOLF</td>
<td>&quot;Domain name services, namely creation and maintenance of a register of domain names; registration of domain names;&quot;</td>
<td>Vienna: 45</td>
</tr>
<tr>
<td>US</td>
<td>MOVIE</td>
<td>&quot;Domain name services, namely creation and maintenance of a register of domain names; registration of domain names;&quot;</td>
<td>Vienna: 45</td>
</tr>
<tr>
<td>US</td>
<td>CASINO</td>
<td>&quot;Domain name services, namely creation and maintenance of a register of domain names; registration of domain names;&quot;</td>
<td>Vienna: 45</td>
</tr>
</tbody>
</table>

- New gTLDs: Let the Gaming Begin *Part I: TLD Front Running*

W.I.P.O. Conference: 10 Years UDRP - What's Next?
12 October 2009
The Bad

- new gTLD guidelines are geared toward business seeking to sell domain name to third parties, and **NOT** toward businesses seeking to provide services to its existing/future customer base.

**Hypothetical #1**

- Global Bank XYZ is considering applying for a .XYZ TLD

- Purpose of this TLD is to provide increase global branding under the .XYZ TLD, instead of a conglomeration of gTLD and ccTLD domain names;

- Global Bank XYZ would like to assign every customer a unique second level domain for secure transactions utilizing DNSSEC and other innovative anti-fraud mechanisms;
The Bad

Obstacles Presented by the Current DAG

• All gTLDs must provide equal access to all ICANN accredited registrars. Thus Global Bank XYZ needs to provide equal access to this key infrastructure to over 1,000 ICANN accredited registrars, even those that have been engaged in questionable/illega l activity.

• All gTLD registries are required to use ICANN accredited registrars, there is no ability for a registry to go direct. Global Bank XYZ must enter into a registry contract with ICANN AND then either become a registrar to service its own clients, or contract with an ICANN accredited registrar to service its customers (inefficient and unnecessary additional costs)
The Bad

• ICANN fees. Under the current proposal, ICANN would charge Global Bank XYZ a registry fee (\$0.25) and a registrar fee (\$0.18). Why charge Global Bank XYZ twice?

• ICANN has premised this whole new gTLD initiative on a cost recovery basis, why is ICANN charging Global Bank XYZ a per domain name fee on par with .COM?

Global Bank XYZ has a vested interest to closely supervise the activities occurring within .XYZ, much more closely than ICANN has ever done in connection with any gTLDs.

If Global Bank XYZ has 2 million customers, why should they have to pay ICANN almost 1 million dollars a year? There appears to be a disconnect between the fees imposed and ICANN's costs in administering .XYZ.
The Bad

Hypothetical #2

• FaceBook’s recent allocation of over 73 million (Vanity URLs) has been referenced by some commentators as proof of consumer demand for new gTLDs, or is this proof of how new innovative services can be offered through the existing gTLDs?

• ICANN fees paid by FaceBook in connection with these 73 million registered vanity URLs? Less than $0.50 in connection with the domain name facebook.com.

• Fees paid to ICANN if FaceBook was a TLD, and these free Vanity URLs were given away to consumers in the context of second level domain names? Over 30 million dollars a year.
The Ugly

- LITIGATION, LITIGATION, LITIGATION

- Likely to see claims directed at both the Registry and ICANN as a contributory infringer;

- A growing trend in which ICANN accredited registrars have been named in several complaints;

- The International Olympic Committee has already fired several clear shots across ICANN’s bow:
  
  “The IOC reserves its right to take action against ICANN for damages resulting to the IOC or the Olympic Movement from the Implementation of the gTLD proposal”

  See http://forum.icann.org/lists/2gtld-guide/msg00019.html
The Ugly

- Most TLD applicants are not well funded, thus leaving ICANN as the “deep pocket” target for attorneys ($30 million plus in strategic reserve).

- **TLD Strip Mining** business model:
  - Raise a couple of hundred thousand dollars to submit an application and demonstrate working capital to meet the min. business criteria;
  - Auction off names to maximize initial revenue (estimated to be a couple of million based on recent trends);
  - Recoup initial investment with some premium;
  - Wait to see if recurring revenue provides for a long term cash flow positive business, if not walk away.

- **TLD Superfund Clean Up Act** for failed registries; unfortunately due to the global nature of the domain name system it is in all of our backyards.

W.I.P.O. Conference: 10 Years UDRP - What's Next?
12 October 2009
The Good

- ICANN’s new CEO Rod Beckstrom;

- Has demonstrated a different leadership style;

- Will be bringing in new senior management (two Vice President positions currently open) in the near future;

- Hopefully after building on the success of the Affirmation of Commitments and pending launch of the ccTLD IDN program, Rod Beckstrom will take the time to do a bottom up evaluation of the new gTLD process;

- ICANN staff has done a lot of positive work, however, there remains important issues that have not yet been properly addressed.