



New gTLDs In Your Coffee Break

Executive Summary

In January 2012, ICANN will open the floodgates for the most comprehensive expansion of the Internet's addressing systems in history. This white paper is designed to cover the basics of ICANN's new generic top-level domains program.

If you're completely new to the domain name industry, this is your primer. If you've never heard of ICANN or are only vaguely aware of what it is and what it does; if you don't know precisely what a gTLD is; if you have no idea how ICANN's new gTLD program could affect your business; this is the place to start.



DOMAIN NAME BASICS

The Domain Name System (**DNS**) is a fundamental part of the Internet. It is often described as the "phone book" for the Internet.

It automatically translates human-friendly domain names such as example.com or example.co.uk into computer-friendly numeric IP addresses such as 127.0.0.1.

Every Internet user, usually without realizing it, uses the DNS dozens of times every time they send an email or visit a web site. The DNS is used a trillion times every single day.

In order for the Internet to work, the DNS needs to work.

ICANN, the Internet Corporation for Assigned Names and Numbers, is the non-profit corporation based in Marina Del Rey, California, which is tasked with the responsibility of managing the DNS at the highest level, globally.

It has many of the characteristics of a global industry regulator, but it develops its policies largely on a community consensus basis, drawing on the opinions of anyone and everyone who wants to get involved. It enforces compliance with these policies almost entirely through contractual relationships.

ICANN was originally appointed to this role in 1998 by the United States government. While its decisions are frequently controversial and always mercilessly scrutinized, today it enjoys broad in-principle support -- as an alternative to government regulation -- from stakeholders in the public and private sectors in most parts of the world.



One of ICANN's major responsibilities is to create the policies governing which top-level domains (**TLDs**) are permitted to operate on the Internet and which organizations are allowed to own and operate them.

A TLD is the word or abbreviation to the right of the final dot in a domain name, such as .com, .org, and .uk. There are well over 300 approved TLDs in early 2012, the vast majority of which are assigned for use by specific countries (country-code TLDs or **ccTLDs**).

Those TLDs that are not country-specific are known as "generic" or "global" TLDs (**gTLDs**). There are currently 22 approved gTLDs. Examples include .com, .org, .info, .biz and .xxx.

The .com gTLD is the largest and most recognizable by a very considerable margin, with almost 100 million registered domain names.

Each TLD is unique, and every second-level domain in each TLD also needs to be unique.

The companies responsible for managing the TLD databases that ensure the uniqueness of each domain name are known as **registries**.

The .com and .net registries are both managed by VeriSign Inc, Afiliias Ltd manages .info and the .uk registry is managed by Nominet, for example.

Typically, under the current regime, gTLD registries do not sell domain names directly to registrants. Instead, they sell via online retailers known as **registrars**. Examples of registrars include Go Daddy, eNom, Network Solutions and Register.com.



The ultimate buyer of a domain name is known as the **registrant**. If you own a domain name, you are a registrant.

Over the almost 27 years since the DNS was created, the number of available TLDs has remained relatively stable, with only small, incremental additions.

However, starting in January 2012, ICANN intends to enable a dramatic increase in the number of gTLDs, from 22 to potentially hundreds, or even thousands.

The process of adding these new TLDs is known as the **New gTLD Program**.



THE NEW GTLD PROGRAM

ICANN has spent the last several years developing a program that will enable essentially any organization to apply for, create, manage and market -- essentially, own -- a new gTLD.

From now, nobody will be restricted to buying only a left-of-the-dot domain name. If you can afford it, and you're willing to put in the work, you can own a domain name equivalent to .com.

Any company that satisfies certain technical, financial and (optionally) community-support criteria will be given the opportunity to enter into a long-term registry agreement with ICANN, enabling their chosen gTLD to go live on the Internet.

The rules for applying for a new gTLD are set out in an **Applicant Guidebook**, which is designed to give applicants an objective, transparent, predictable approval process that, broadly speaking, does not restrict or differentiate between gTLD use cases.

The **only way** to be awarded a new gTLD will be to pay an application fee and apply to ICANN during one of its approved application windows.

The first and only confirmed application window is expected to be open between **January 12, 2012 and April 12, 2012**. It will not be possible to apply for or to otherwise reserve a gTLD outside of the designated window.

The application process requires applicants to answer 50 questions, which will be evaluated by independent evaluators selected by ICANN. Most applications are expected to be 250 pages or more in length.



Not all new gTLD applications will be successful.

Some gTLDs will be rejected because the applicant does not meet ICANN's technical or financial stability standards. Others may be rejected because their proposed string infringes upon the legal rights of others, such as in cases where the string matches a well-known trademark or a protected geographical term.

Successful applicants will have a great deal of freedom over how to manage their registries, within certain parameters. They will be able to restrict their customer base, set pricing, and introduce new value-added registry services not available in other gTLDs.

Some companies intend to apply for gTLDs that correspond to their existing brands, either in order to possibly reduce the costs associated with cybersquatting, improve search engine rankings, increase brand loyalty, or create new revenue streams.

Other companies intend to apply for gTLDs corresponding to generic dictionary terms that will be more broadly marketed to Internet users. It is possible that entirely new ways of using and monetizing domain names will be created by the new gTLD program.

ICANN hopes and expects that applicants will propose new and innovative business models.



TYPES OF GTLD

The Applicant Guidebook does not endorse or narrowly differentiate between types of gTLD. Nevertheless, it is possible to infer that there will be several broad classes of applicant.

DomainIncite PRO has compiled a [list of known, probable new gTLD applicants](#).

Unrestricted gTLDs

Some companies will apply for mass-market gTLDs such as .blog, .web, and .site and market them to businesses and consumers on an unrestricted basis, much like .com is today.

Community gTLDs

Some applicants may favor a more restricted customer base, in order to develop trust among a specific community. A successful applicant for .law or .bank, for example, could decide to only supply domain names to licensed legal professionals or regulated banks.

Category gTLDs

Companies or trade organizations may apply for gTLDs corresponding to their niches and keep the entire catalog of second-level domains for their own use – think .computer, .pizza, sneakers, .wine... Any word or term that corresponds to a market sector or vertical industry is obtainable under the new gTLD program.



Cultural/Linguistic gTLDs

Several organizations intend to apply for gTLDs that would be restricted to specific cultural and/or linguistic communities that currently do not have their own domains, such as .scot for Scotland and .gal for the Galician language.

City gTLDs

Many organizations have said they will apply for gTLDs that will be used by companies and individuals from some of the world's most famous cities. For example .london, .paris, and .vegas are among dozens of city TLDs already proposed.

Closed Branded gTLDs

Companies will apply for gTLDs that correspond exactly to their brand. These "dot-brand" gTLDs will be exclusively reserved for that company and its authorized partners.

Open Branded gTLDs

Strong applicants may make their "dot-brands" available to their customers for marketing purposes, to encourage customer loyalty, or to create new recurring revenue streams.

Campaign gTLDs

Proposed domains such as .eco and .green are intended to help customers promote environmental causes, while .hiv has an inventive business model designed to raise money to fight the global spread of HIV and AIDS.



INTERNATIONALIZED DOMAIN NAMES

Internationalized Domain Names (IDNs) are domain names written in anything other than the Latin characters used in English, currently a hugely under-served market.

Virtually any gTLD conceivable in Latin script is also available in Cyrillic, Arabic, Chinese, and any other alphabet. New IDN gTLDs could have restricted or unrestricted user communities and could also fall into any of the above categories, according to the wishes of the applicant.

Under the current regime, only ccTLDs are available in non-Latin scripts.



DEADLINES AND FEES

The new gTLD program will be rolled out in discrete "rounds". There are no limits on how many applications may be received in each round, but ICANN expects to "batch" applications into groups of 500, if demand is higher than expected.

The first round will open for applications January 12, 2012 and will close on April 12, 2012.

The date of the second round has not been decided and may be subject to delays as the successes and failures of the first round are evaluated and legal disputes play out in the courts. DomainIncite PRO estimates the earliest date for a second round would be in 2015.

ICANN expects that each application in the first round will take between nine and 20 months to process to completion, depending on its complexity.

ICANN will charge each applicant a flat processing fee of \$185,000 per gTLD, which is partially refundable if an application is withdrawn before it is fully processed. ICANN will not offer discounts for multiple applications, but some applicants may qualify for financial support.

The full cost of securing a gTLD contract with ICANN could range between a few hundred thousand and tens of millions of dollars and the annual cost of running a gTLD will also, at a bare minimum, cost tens of thousands of dollars.

The total outlay expenditure will depend greatly on what type of gTLD is applied for, whether the same string is contested by more than one applicant, and whether the application is contested by a rights holder or an otherwise interested third party.



Even with straightforward, non-contested applications, it is important to remember that managing a gTLD is not the same as registering a domain name. Applicants will be expected to demonstrate a high degree of technical competence and stability. This will incur costs, either from building and testing registry systems in-house or, in most cases, contracting with third-party registry services providers.



CONCLUSION

The new gTLD program will be disruptive, and its ramifications will take many years to become known. Whether it is ultimately judged a success or failure, it is something that every significant organization that relies on the Internet needs to be aware of.

The program presents opportunities and risks for both participants and non-participants. Companies that do not intend to apply for their own new gTLDs still need to closely monitor the program in order to defend their interests and refine their marketing strategies.

For detailed analysis of all aspects of the program, please visit [DomainIncite PRO](#).