

.XXX DOMAIN NAMES - TO BLOCK OR NOT TO BLOCK?

October 11, 2011

To Our Clients and Friends:

“.xxx” domain names are coming. Companies recently have been inundated with warnings about “.xxx” because October 28, 2011 is the deadline for filing to block trademarks from being used by operators of these new, adult content websites.

WHAT'S THIS ALL ABOUT AND WHAT, IF ANYTHING, SHOULD YOU DO?

Let's say that you are Great Big Company and own federal trademark registrations for both your name and for Bigco Stores, the public's nickname for your retail outlets. These trademark registrations entitle you to apply to block the domain names “greatbigcompany.xxx” and “bigcostores.xxx” from being used by websites that offer “X-rated” content.

As the October 28 deadline approaches, many companies are asking whether the \$200-300 per name blocking fee is worth the expense. We think that for many, the answer is “no.”

WHAT IS .XXX?

Generic top-level domains, or gTLDs, are the letters at the end of a domain name, like .com or .org. Earlier this year, the Internet Corporation for Assigned Names and Numbers, which manages the domain name system, approved .xxx as a new gTLD. In theory, “.xxx” makes adult sites easier to identify for their operators, for consumers and for those, like parents of young children, who may wish to block access to them. Skeptics have noted that “.xxx” also promises significant new revenues for domain name registrars, including from brand owners willing to pay to block use of their brands in this new gTLD space.

THE MECHANICS AND THE CALENDAR

The rollout of a new gTLD typically is divided into phases, and “.xxx” is no exception. During phase Sunrise B, which expires October 28, trademark owners can block “.xxx” domain names that correspond to their registered trademarks from use by anyone else. Blocked domain names will resolve to a standard website stating only that the domain name has been reserved. Blocking requires you to have owned a valid trademark registration before September 1, 2011. Later this year there will be “Landrush” and “General

Availability” phases, when website operators will be able to register new “.xxx” domain names.

To block, you have to apply through a registrar, such as Network Solutions or GoDaddy, and pay a per name \$200-\$300 fee. If granted, the block is expected to be permanent. If you get the block, no website operator will be able to register your exact trademarked names in the “.xxx” gTLD. If you don’t seek the block, then during Landrush or General Availability, a third party may have the option of registering *greatbigcompany.xxx* or *bigcostores.xxx*.

THE STRATEGIC CHOICE

Is blocking worth the effort and expense?

- Blocking is imperfect. A pornographer determined to use a domain name corresponding to your brand has plenty of options beyond registering a URL with a literal copy of a mark. One common tactic is to add additional words to the trademark (e.g., *thegreatbigcompany.xxx* or *shopbigco.xxx*). Another is to incorporate common misspellings of a corporate name into a URL (e.g., *greetbigcompany*), to catch what is known in the trade as “typo traffic.” The blocking scheme only covers your actual registered mark, not variants or misspellings.
- Each company must assess its own risks in light of its unique circumstances. If your company’s trademarked name or nickname has been targeted by pornographers before or could somehow be seen as having a sexual implication, then perhaps blocking is a good idea. The same would hold true if your company is in a business, like children’s entertainment, where any potential association with “.xxx” might be seen as an intolerable reputational risk. For many other companies, especially those with marks unlikely to attract pornographers, the risks of a “.xxx” registration could fairly be seen as minimal, and payment of the blocking fee may be seen as an unjustified expense that will only enrich domain name registrars.
- Blocking is not your only option. For years, trademark owners have been able to participate in relatively inexpensive dispute resolution procedures. Many have stopped unauthorized uses of their names as part of gTLDs this way. Each company will have to weigh for itself the costs and benefits of paying to block now – which could be seen as

relatively inexpensive insurance – versus waiting to see what risks actually materialize in the future, if any, and paying only the actual costs of fighting down the road.

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If you have questions about your options with regard to the new “.xxx” gTLD, or other related matters, please feel free to contact any one of us.

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