

Worldwide worries at costly move from .com to .anything

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A multibillion-pound plan to expand the internet is mired in conflicts of interest, raising concerns from the world's governments and largest businesses, an investigation by *The Times* has found.

From January, companies and groups can apply for a raft of new domain names — the suffixes to internet addresses. This means that as well as .com and .co.uk, soon there may be the likes of .google, .sex and .London. But key industry figures have raised questions about the independence of those who have made controversial plans to sell off the web's "real estate".

Sources said the changes mean that thousands of British businesses and prominent people will be compelled to buy new web addresses to defend their online identities, costing them millions of pounds. "If you're Unilever [maker of Dove soap], you're going to want to defensively register dove.London and dove.chicago," said one industry insider. "Companies, whether they want to buy .brand or not, are still going to have to protect their trademarks on the left side of the dot."

Allegations surround the impartiality of decisions made by the Internet Corporation for Assigned Names and Numbers (Icann), which oversees the internet's naming structure. The organisation has also come under scrutiny from the EU Commission and US Justice Department. Others said there was no evidence that the changes would benefit the billions of people who use the internet.

The Interactive Advertising Bureau, which represents the media interests of companies including PricewaterhouseCoopers, Nestlé and BBC Worldwide, has called on Icann to reverse its "ill-considered decision" to expand the internet, calling it "disastrous."

In June, Icann board members met in Singapore to decide whether there should be an expansion of domain names. Peter Dengate Thrush, the chairman, voted in favour of the expansion with 12 of the 16 board members.

The New York Times described the vote to expand "global top level domains" (gtlds) as "a personal triumph for Mr Dengate Thrush, given that the meeting in Singapore is set to be his last as chairman".

Weeks after stepping down from Icann's board, Mr Dengate Thrush was appointed executive chairman of Top Level Domain Holdings, which describes itself as "the only publicly traded company focused exclusively on acquiring and operating new generic top-level domains". In other words, a company whose sole purpose is to profit from Icann's decision to expand domain names.

Mr Dengate Thrush said that his move was "not in breach of any rule", arguing: "I don't leave Icann knowing any secrets. It's not as if I know how the guidebook works and no one else does. The whole thing was developed transparently."

He said that he did not speak to Top Level Domain Holdings until after he had stepped down from the board of Icann. "There were a number of people who approached me, and I said, don't talk to me ... this would compromise me."

Stephen D. Crocker, the current chairman of Icann, said it had robust procedures in place to deal with potential conflicts of interest among board members and staff, and has provided guidance. "Icann currently has no information indicating that Peter had any conflict at the time of his vote on new gtlds or any other matter," he said.

To buy new domain names, interested parties must pay an application fee of \$185,000 (£115,000), which covers Icann's costs and aims to deter cybersquatting — where rogue claimants swiftly steal addresses from a large corporations and sell them for huge fees.

Though it is not suggested that Icann will profit from the \$185,000 application — it is a not-for-profit group — it is argued that that the initial fee represents a small amount of the real cost for applicants, who may pay millions in consultancy and legal fees.

Icann argues that it is built on a "multi-stakeholder" model — a self-regulatory system that means it has representation from many different companies, groups and individuals, some of whom inevitably have a material interest in its decisions. However, others argue that rarely has an industry regulator also had the power to create a multibillion-pound new market which, according to one leading authority will be a "bonanza" for the groups represented within Icann.

In what was a prelude to the wider expansion of domain names, Stuart Lawley, the chief executive from ICM Registry, secured the right to the .xxx domain name for adult websites in March this year.

However, Mr Lawley said that .xxx ultimately cost his company more than \$20 million because of the additional costs paid to lawyers and consultants to navigate the application procedure.

Josh Bourne, of the Coalition Against Domain Name Abuse, said: “We predict that this expansion may force the globe’s 500 largest companies to spend an additional \$2 billion, or \$400,000 annually. This figure takes into account the acquiring and maintaining of domain names and making sure their brands are not hijacked by others.”

Another former board member, Rita Rodin Johnston, also voted to approve the expansion of domain names. Like Mr Dengate Thrush, she has since stepped down from the board.

Ms Rodin Johnston is a partner at Skadden, a New York-based law firm, and was described as one of the leading cheerleaders for the domain expansion by multiple sources. Her firm is a leader on internet law issues, and is well placed to help clients to navigate the technical application procedure for top level domains. She did not comment.

The vice-chairman of Icann is Bruce Tonkin, of Melbourne IT, an Australian web consultancy company which has been advising its 3,500 customers, which include Volvo, Lego and GlaxoSmithKline about how to do business online. Dr Tonkin abstained from the vote in Singapore, saying that although he had helped to develop the new policy, his employer would be affected by the decision given that, among other things, it “provides a range of services to corporations considering applying for new gtlds”.

However, Melbourne IT admits to advising clients about the expansion of domain names months before Icann voted to approve the policy in June. Documents show that he held seminars and spoke to clients about the proposed expansion during this time.

Sources said that in one case Melbourne IT had “aggressively” pursued a contract with Visa last year, with a view to advising on the process of applying for the .visa domain name. The consultancy has even told companies with no interest in launching their own domain names that they should buy them anyway to protect their brands.

Theo Hnarakis, the chief executive of Melbourne IT, said in June: “We’re advising people to buy their brands, park them and redirect visitors to their existing site at the very least.”

Melbourne IT said: “We have absolutely been speaking to customers and prospects about the gTLD programme both before and after the applicant guidebook was approved in June this year. Melbourne IT is one of the global leaders in this field and our business does not stop just because Bruce is an Icann board member.

“That said, Bruce’s role in the gTLD business opportunity for Melbourne IT is strictly controlled to avoid any conflict of interest or perceived conflict of interest.”

But according to documents, the US Justice Department and the European Commission have expressed serious concerns over Icaann’s decisions. It is understood that they want changes to the process by which Icaann chooses its board members in future and what jobs they are allowed to do during and after their employment there.

In a statement the commission said that it had suggested possible “improvements” to how Icaann works, including “the need to ensure that members of Icaann’s board of directors do not have any conflicts of interest that could threaten independent and objective decision-making”.

“I think Icaann has bitten off more than they can chew with these applications and the sheer number of them,” said Mr Lawley, who claimed that it took years to get approval for the .xxx domain name.

“You have 22 gTLDs at the moment . . . you multiply that by 30, 40, 50, 100-fold, its going to be a difficult job,” he said. “There are very few people who know the inside game, who are skilled enough to know the development of all the policy, who know where all the bodies are buried. All these consultants and attorneys in and around Icaann are going to be in for a bonanza.”

A senior figure involved in the internet since its inception said: “Icaann’s participants will make a shed load of money. If you can create more real estate, you make a lot of cash.”

Countdown to expansion

June 2011 Icaann votes for increase in domain names. Approves guidebook for applicants of new internet names

January 2012 Window for applying for new domain names opens

April 2012 Window for applying for new domain names closes

November 2012 Icaann to reveal which domain-name applications have been successful

How the Icaann board voted

FOR

Kuo-Wei Wu a pioneer of HPC Asia, TANET, TWNIC, APTLD and CDNC; co-founder

of Asia Pacific Supercomputer Centre Consortium

Ray Plzak past co-chairman, Domain Name System operation working group of Internet Engineering Task Force

Erika Mann former German MEP; executive vice-president, Computer & Communications Industry Association

Stephen Crocker CEO and co-founder, Shinkuro

R. Ramaraj founder of Sify, leader in internet and e-commerce services in India

Rita Rodin Johnston partner in Skadden's internet and e-commerce practices

Gonzalo Navarro chief of staff, National Institute of Industrial Property of Chile; director, Icann

Sébastien Bachollet helped set up European Global Event on Domain Names and Address Systems

Katim Touray independent development consultant, Gambia

Bertrand de La Chapelle former diplomat and entrepreneur; until last year France's special envoy for the information society

Cherine Chalaby has served on Accenture's executive committee and global leadership council

Rod Beckstrom on boards of Environmental Defence Fund and Jamii Bora Trust; president and CEO, Icann

Peter Dengate Thrush ex-chairman of Icann board; legal adviser to InternetNZ 1996-1999; past chairman, APTLD, the body of national domain name registry managers for the Asia Pacific region, and of Icann; executive chairman, Top Level Domain Holdings

AGAINST

George Sadowsky mathematician and programmer, has worked at the UN and as executive director, Global Internet Policy Initiative

ABSTAINING

Bruce Tonkin chief strategy officer, Melbourne IT, which provides domain name registration services

Mike Silber head, legal and commercial, Liquid Telecom; helped form .ZA Domain Name Authority and director since 2004

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