



July 21, 2010

VIA EMAIL

Mr. Peter Dengate Thrush
Chairman of the Board of Directors
Mr. Rod Beckstrom
President and CEO
ICANN
4676 Admiralty Way, Suite 330
Marina del Ray, CA 90292

Re: Comments of Microsoft Corporation on Version 4 of the new gTLD
Draft Applicant Guidebook

Dear Messrs. Dengate Thrush and Beckstrom:

Microsoft Corporation ("Microsoft") welcomes this opportunity to provide its comments to ICANN on Version 4 of the new gTLD Draft Applicant Guidebook ("DAG 4").

Microsoft is a worldwide leader in the IT industry, with a mission to enable people and businesses throughout the world to realize their full potential. Since the company was founded in 1975, it has worked to achieve this mission by creating technology that transforms the way people work, play, and communicate. Microsoft is also an owner and champion of intellectual property rights. It maintains sizable trademark and domain name portfolios and takes pride in the worldwide recognition of multiple of its trademarks. Further, Microsoft's businesses rely heavily on the Internet and the current system of top level domains, and Microsoft is an ICANN-accredited registrar.

Microsoft provided extensive and meaningful comments to ICANN on the first three versions of the new gTLD Draft Applicant Guidebook ("DAG 1", "DAG 2", and "DAG 3"), the Final Report of the Implementation Recommendation Team ("IRT Final Report"), the "Special Trademark Issues Review Team Recommendations" ("STI Report"), and the February 2010 "Proposal for Trademark Clearinghouse" ("Clearinghouse Proposal") and the Draft Uniform Rapid Suspension System ("Draft URS"). Accordingly, Microsoft is well positioned to provide its comments to ICANN on DAG4.

Executive Summary. Notwithstanding recent pronouncements by Mr. Dengate Thrush, Microsoft disagrees that the rights protection mechanisms in DAG4 are sufficient for the

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protection of trademark rights. They are not. As of today, ICANN has not satisfactorily addressed “the concerns of trademark owners”¹ and has not “fix[ed]” the “crucial concerns about trademark and intellectual property protections once the expansion of gTLDs begins.”² Further changes to the Uniform Rapid Suspension system (URS), Trademark Clearinghouse, and Trademark Post-Delegation Dispute Resolution Procedure are essential. More broadly, ICANN should implement the recommendations in the IRT Final Report.

Microsoft voiced in its DAG1 comments its grave concerns that the “introduction [of potentially hundreds of new ASCII gTLDs] will expand the environment and opportunities for online fraud, an environment and opportunities that will most certainly be seized upon by criminals and their enterprises.” Unfortunately, the mechanisms in DAG4 to mitigate malicious conduct fall short.

In addition, ICANN has not yet satisfactorily addressed the concerns raised by numerous commenters about its plan to reserve to itself the sole discretion to redelegate a .brand TLD if the trademark owner registry operator chooses to no longer operate the TLD.

Microsoft supports the recommendations in paragraphs 117 and 118 of the recent economic study, encourages ICANN to take the recommended action, and looks forward to the report of phase two of the study.

We incorporate by reference our comments on DAG 1, DAG2, DAG3, the IRT Final Report, the STI Report, the Clearinghouse Proposal and the Draft URS. We provide below our comments on DAG4, which we have limited to Microsoft’s most significant concerns.

Trademark Protection Deficiencies

As noted above, it is Microsoft’s view that ICANN has not satisfactorily addressed “the concerns of trademark owners”³ and has not “fix[ed]” the “crucial concerns about trademark and intellectual property protections once the expansion of gTLDs begins.”⁴ We

¹ Press Release, ICANN, *Trademark Issues to be Addressed Ahead of Internet Address Expansion*, Mar. 7, 2009, accessible from <http://www.icann.org/en/news/releases/index-2009.htm#March>.

² Dr. Paul Twomey, CEO, Internet Corporation for Assigned Names and Numbers, Written Testimony on Issues Concerning the Internet Corporation for Assigned Names and Numbers (ICANN), Including the Expiration of the Joint Project Agreement between the U.S. Department of Commerce and ICANN at the End of September and the Creation of New Global Top Level Domains (gTLDs) (June 4, 2009), available at http://energycommerce.house.gov/Press_111/20090604/testimony_twomey.pdf.

³ Press Release, ICANN, *Trademark Issues to be Addressed Ahead of Internet Address Expansion*, Mar. 7, 2009, accessible from <http://www.icann.org/en/news/releases/index-2009.htm#March>.

⁴ Dr. Paul Twomey, CEO, Internet Corporation for Assigned Names and Numbers, Written Testimony on Issues Concerning the Internet Corporation for Assigned Names and Numbers (ICANN), Including the Expiration of the (continued...)

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identify below only a few of the changes that are necessary. Microsoft's comments on the IRT Final Report, STI Report, Clearinghouse Proposal, and Draft URS identify other changes.

Uniform Rapid Suspension System ("URS"). Although the IRT created the URS to provide a low-cost, rapid means of relief where a domain name's registration and use is clearly abusive use of a trademark, the current iteration of the URS is not rapid. Indeed, a URS proceeding will, at best, be only two days faster than a UDRP proceeding and could actually be longer. ICANN must take the steps necessary to make the URS rapid such as shortening the answer period to 14 days instead of using the 20-day period contained in the UDRP.

Currently, Section 8.4 (Examination Standards and Burden of Proof) provides that "the URS complaint shall be dismissed if the Examiner finds that (2) under the circumstances, and no Response was submitted, a defense would have been possible to show that the use of the domain name in question is a non-infringing or fair use of the trademark." This language is so broadly drafted as to effectively ensure the dismissal of all URS Complaints in which no Response was submitted. Any competent lawyer is capable of developing and articulating a defense that "would have been possible to show that the use of the domain name in question is a non-infringing or fair use of the trademark." It is unclear what this language is intended to accomplish. Nonetheless, better phrasing of the current language would be "under the circumstances, and no Response was submitted, it would have been possible to assert and substantiate a successful defense that the use of the domain name in question is a non-infringing or fair use of the trademark."

Trademark Clearinghouse. ICANN has not defined "substantive review" even though it will now require trademark registrations issued by "countries where there is no substantive review" to undergo validation by the Clearinghouse in order to be eligible for participation in pre-launch Sunrise processes. Microsoft previously observed that such a requirement embodies ICANN's implicit determination that some national trademark registrations and, by extension, their national trademark offices and national laws, are "better" or "more valuable" than others. ICANN continues to have no basis for such a determination, is still not qualified to make such a determination, and should not make such a determination. If, however, ICANN continues to insist on making such a determination, it must define or replace "substantive review." ICANN should replace "substantive review" with "examination for refusal on absolute grounds." The trademark offices of virtually every country examine applications for refusal on absolute grounds, which include lack of distinctiveness, genericness, and functionality. Adopting this revised language provides much needed clarity and effectively eliminates ICANN's previous discrimination among trademark offices.

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Trademark Post-Delegation Dispute Resolution Procedure (“Trademark PDDRP”). ICANN’s revisions to the Trademark PDDRP since the Final IRT Report have significantly undermined the utility of the Trademark PDDRP. The obligation for addressing post-delegation disputes between ICANN and the contracted registry property rests with ICANN. In addition, it defies common sense to prohibit deletion, transfer or suspension of second-level registrations where second-level registrations are the basis for the Trademark PDDRP claim. Finally, the limitations of liability identified on page 4 are so broad as to reduce considerably the applicability of the Trademark PDDRP.

Malicious Conduct

Microsoft continues to have grave concerns that the “introduction [of potentially hundreds of new ASCII gTLDs] will expand the environment and opportunities for online fraud, an environment and opportunities that will most certainly be seized upon by criminals and their enterprises.” Although DAG4 represents a considerable improvement since DAG1, the mechanisms in DAG4 fall short in several respects.

- Vetted Registry Operators. Microsoft is pleased that ICANN is requiring disclosure of certain information and will conduct background checks of certain individuals and entities associated with the application. Additional measures would decrease the likelihood of malicious conduct by registry operators. These include: (i) rendering denial of an application automatic (as opposed to discretionary, as suggested by the wording of the notes to question 11); (ii) extending the class of persons to include persons who operate, fund, or invest in the Registry Operator; (iii) eliminate the temporal restrictions in (d) relating to disqualification by ICANN such that any disqualification at any time -- not simply at the time of application -- is relevant; (vii) revise (e) to read “is the subject of a pattern or practice of either liability for, or findings of bad faith in connection with, trademark infringement or domain name registrations, including”; (viii) add a new category (f) that covers “has materially breached an existing registry agreement or the Registrar Accreditation Agreement”.

- Thick WHOIS. Microsoft strongly supports the proposed requirement for a fully searchable Whois service (Section 1.8 of Specification 4). Having access to such searchable Whois data will be of great assistance to those entities, including Microsoft, that combat online fraud, abuse, and infringement. The benefit would be even greater if registries were required to require their registrars to also provide fully searchable Whois. It will be essential that ICANN improve Whois compliance efforts; otherwise, the searchable Whois requirement is likely to be less value. The sudden – and unexpected – resignation of ICANN’s Director of Compliance, combined with the lack of any announcement about ICANN’s efforts to quickly hire a replacement, is disconcerting.

- Rapid Takedown or Suspension Systems. It is deeply disappointing that ICANN has failed to take the opportunity to require registry operators to adopt and implement

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rapid takedown or suspension systems to combat malicious conduct. Such systems are and have been one of the most widely discussed mechanisms for combating the expansion of malicious conduct that is expected as new gTLDs are introduced. We reiterate the proposal set out in our DAG3 comments:

An acceptable system must (i) require the reporting party to provide documented evidence of the alleged abuse; (ii) require the registry operator to review evidence within a set time period; (iii) if documented allegations of abuse are substantiated, require the registry operator to take down or suspend the relevant website or web page within a set period of time and simultaneously notify the domain name registrant; (iv) provide registrants with an opportunity to demonstrate that the allegations are not documented and, if so, have the website/web page restored; and (v) provide that registry operators that comply with the established process should have “safe harbor” against lawsuits from registrants whose websites or web pages are taken down and/or suspended. Microsoft has numerous employees who specialize in security and enforcement issues, and would be amenable to having one or more work on an ICANN-convened expert group to develop a required rapid takedown or suspension system.

- High Security Zones Verification Program. Based on the recent “Draft Program Development Snapshot #2” and statements made by one of the Advisory Group co-chairs during the Brussels meeting, the HSZ TLD program appears unlikely to materialize and, if it does, to be effective. The HSZ TLD program must be mandatory for all new gTLDs or, at a minimum, ICANN should subtract points from any applicant that does not state its intention to seek HSZ TLD certification.

Transition of Registry Upon Termination of Agreement

Microsoft has previously commented that Registry Operators of .brand TLDs must have the discretion to terminate operation of the .brand TLD registry without concern about ICANN’s transition of the TLD to a third party, possibly a competitor. Previously, Section 4.5 gave ICANN the sole discretion to transition a .brand TLD to a third party not affiliated, connected, or associated with; or sponsored or approved by the brand owner. The proposed alternative Section 4.5 and the gTLD Registry Transition Processes Model are helpful, but further clarity and resolution is necessary.

As written, the alternative Section 4.5 is not clear whether the Registry Operator’s ability to reasonably withhold its consent applies to ICANN’s transition of the TLD to a successor Registry Operator or to providing ICANN with the registry data for the TLD. If it is the former, the problem appears to be resolved. If it is the latter, it would still be possible for a .brand TLD Registry Operator to decide to terminate the TLD and, subject to the terms of the

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registration agreement for its TLD, cancel the second-level registrations. In that event, there would be little useful registry data to transition, but ICANN could still transition the TLD to another Registry Operator not affiliated, connected, or associated with; or sponsored or approved by the brand owner Registry Operator.

On its face (and subject to the ambiguity noted above), the gTLD Registry Transition Processes Model would allow ICANN to launch an RFP to transition a .brand TLD to another Registry Operator where the .brand owner Registry Operator decided to terminate operation of the TLD and did not identify a prospective successor. It would be highly undesirable for an RFP process to result in the transition of a .brand TLD to another Registry Operator not affiliated, connected, or associated with; or sponsored or approved by the brand owner Registry Operator. If that is not ICANN's intent, the appropriate clarifications and revisions should be made.

Economic Study

Microsoft read with interest the recently released report of the economic study, "An Economic Framework for the Analysis of the Expansion of Generic Top-Level Domain Names." We support the recommendations contained in paragraph 117 – to introduce new gTLDs in discrete, limited rounds – and paragraph 118 – to require registries, registrars, and registrants to provide information (including about trademark disputes) sufficient to allow the estimation of the costs and benefits of new gTLDs. ICANN should take the action recommended therein. We look forward to reading the report of phase two of the study.

* * *

In conclusion, Microsoft continues to object to ICANN's planned simultaneous introduction of an unlimited number of new ASCII gTLDs. However, should ICANN nonetheless proceed in the face of such widespread opposition and in spite of the current economic downturn, Microsoft encourages ICANN to take the time necessary to consider and address the issues and questions raised by the community about the intended implementation plan. It is essential that ICANN "get it right" and DAG4, as written, effectively ensures that it will not.

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Thank you for your consideration. If you have questions or wish to discuss any of the points raised herein, please contact Russell Pangborn (russpang@microsoft.com)

Respectfully submitted,

Microsoft Corporation

A handwritten signature in black ink, appearing to read "Russell Pangborn", written over the printed name.

Russell Pangborn

Associate General Counsel – Trademarks