

Demand Media Comments on the Proposed Final New gTLD Applicant Guidebook

Demand Media is pleased ICANN has published the Proposed Final New gTLD Applicant Guidebook and provided this opportunity for comment. We believe the long process leading to the introduction of new generic top level domains is coming to an appropriate close. The process for developing the applicant guidebook through five draft versions has been extraordinarily inclusive and has involved hundreds of meetings around the world and dozens of opportunities for community comments. ICANN's actions and decisions in implementing the GNSO's policy agreement to advance new gTLDs have been well documented in a plethora of explanatory memoranda and detailed analysis. The ICANN staff and Board have done yeoman's work in reaching this point and advancing competition and innovation for the Internet.

The Proposed Final Applicant Guidebook provides an excellent framework for gTLD applicants, the public and others who have interest in advancing the domain name system. It is not perfect, but no set of "regulations" such as this ever is. Like any law or regulation, the Applicant Guidebook may need to be amended after implementation based on real issues and experiences. This is a normal part of policy implementation and processes are in place to modify the gTLD rules based on real-world experiences and issues.

We look forward to minimal refinement of the Applicant Guidebook based on this final round of comments followed by approval by the ICANN Board, posting of the Operable Applicant Guidebook, execution of the launch of the global communications campaign and finally, acceptance of new gTLD applications in the spring of 2011.

Having made these general remarks, we offer the following comments on specific aspects of the Proposed Final New gTLD Applicant Guidebook:

Applicant Eligibility and Background Checks

Section 1 of the Proposed Final New gTLD Applicant Guidebook details what is generally a reasonable process for ICANN to perform background checks on the applicants for any new gTLD. Section 2.1 works in conjunction with Section 1 and details certain eligibility criteria for the applying individuals and entities.

Section 1.2.1 states that ICANN will "perform background screening in only two areas 1) general business diligence and criminal history; and 2) history of cybersquatting behavior." In regards to a "history of cybersquatting behavior," DAG 4 elaborated on this applicant restriction by stating that the applicant would be disqualified if the applicant or an individual named in the application are "the subject of a pattern of decisions indicating liability for, or repeated practice of bad faith in regard to domain name registration, including:

- a) Acquiring domain names primarily for the purpose of selling, renting or otherwise transferring the domain name registration to the owner of a trademark or service mark or to a competitor, for valuable consideration in excess of documented out of pocket costs directly related to the domain name; or
- b) Registering domain names in order to prevent the owner of the trademark from reflecting the mark in a corresponding domain name; or
- c) Registering domain names primarily for disrupting the business of a competitor; or
- d) Using domain names with intent to attract, for commercial gain, Internet users to a web site or other on-line location, by creating a likelihood of confusion with a trademark or service mark as to the source, sponsorship, affiliation, or endorsement of the web site or location of a product or service on the web site or location.

This more detailed history of cybersquatting definitional language of DAGv4 is changed in the Proposed Final Applicant Guidebook to now state more generally that an otherwise qualified applicant may be denied their application for a new gTLD if the applicant or an individual named in the application has “been involved in a pattern of decisions indicating that the applicant or individual named in the application was engaged in cybersquatting as defined in the UDRP, ACPA or other equivalent legislation. Three or more decisions with one occurring in the last 4 years will generally be considered to constitute a pattern.”

The Guidebook then states that applicants with “confirmed convictions” of a “history of cybersquatting” as defined above will “be automatically disqualified from the gTLD program.”

We believe this new definition is problematic for several reasons and urge ICANN to modify it.

To begin with, denying an entity the opportunity to operate a gTLD because of 3 (adverse) UDRP decisions is an extremely broad standard that we believe will unintentionally disqualify otherwise qualified applicants.

This standard does not allow for contextual analysis such as whether the person or entity owns or has owned thousands of domain names. If they do/did, then losing a few contested UDRP cases in what amounts to a tiny percentage of their total domain name portfolio certainly doesn't seem to constitute a “pattern” as most people would define the term. To us, a pattern of behavior is a customary way of operation or behavior. Certainly by all reasonable standards, it is difficult to conclude that an entity or an individual has engaged in a history/pattern of cybersquatting when they own hundreds or thousands of domain names and have lost a few UDRP or similar proceedings.

To be clear, we support ICANN's goal of examining a gTLD application to determine whether the applicant truly has a background and history of cybersquatting and other similar nefarious actions. Someone should not be operating a registry for the primary purpose of producing domain names that infringe trademark rights. However, there appears to be no language in this new section to permit analysis as to whether this person or entity operated in bad faith or

repeatedly attempted to abuse trademark rights in the past ---it is just a matter of whether they have lost three or more UDRP cases. A hard and fast line just does not fit here.

We also believe that barring applicants for new gTLDs after the fact by imposing an unrelated sanction is not a fair or reasonable result, as it is not something that has ever been contemplated under the UDRP process. Perhaps some entity would have chosen to fight their UDRP cases more vigorously or, given this additional risk, attempted to settle the UDRP case (even where they had a good faith dispute over a domain name) if they knew that in the future, this additional punishment would be imposed. When analyzing a UDRP claim and preparing a response, the only result that had to be considered in the past was the possible loss of the subject domain name. Using UDRP decisions as an additional *ex post facto* punishment to disqualify an otherwise qualified applicant is an inappropriate and draconian penalty. The result is a retroactive change in the legal consequences of all UDRP decisions.

In addition, intellectual property rights are the subject of thousands of good faith disputes in courts around the world. Oftentimes the decisions in such cases, as in UDRP decisions, are close calls. However, just because a particular company loses several contested patent, copyright or trademark infringement lawsuits, laws and policies do not prohibit that defendant company from ever applying for their own patent, copyright or trademark in the future. If we were to apply this logic then many of the great innovators would be excluded from ever applying for a patent in the future and we would lose out on untold global benefits.

Furthermore, the proposed language is not clear on what constitutes cybersquatting. The UDRP and ACPA are cited in the Guidebook but in fact do not contain definitions of cybersquatting. Rather, they list certain actions under general categories that may constitute, essentially, trademark infringement.

For example, under the ACPA, a trademark owner may bring a cause of action not labeled or defined as cybersquatting against a domain name registrant who “(1) has a bad faith intent to profit from the mark and (2) registers, traffics in, or uses a domain name that is (a) identical or confusingly similar to a distinctive mark, (b) identical or confusingly similar to or dilutive of a famous mark.....” In determining whether the domain name registrant has a bad faith intent to profit a court may consider many factors including nine that are outlined in the statute. Other national laws have their own distinct definitions. Thus, there is no specific or universal definition of “cybersquatting.” So, is any “decision” (presumably negative) under the general definitions of the UDRP, ACPA and other national laws considered cybersquatting?

It is simply not equitable, nor in ICANN’s best interests to adopt a standard that is so rigid and low. ICANN should be more reasonable in defining and executing this aspect of the applicant review process and should not be seeking to exclude an applicant for anything but serial/egregious intellectual property violations.

We suggest that ICANN revert to the DAGv4 definition of “bad faith in regard to domain name registration” (a-d above) and in conjunction with this definition, utilize a definition of history or

pattern of cybersquatting that does not involve a specific number but rather, is closer to “a customary way of operation or behavior” and thus allows for a contextual analysis for each applicant.

Trademarks and new gTLDs:

We believe ICANN has gone to great lengths throughout the DAG process to provide new and useful protections for trademark owners. The Proposed Final Draft Applicant Guidebook has significant protections for trademark rights at the top and second level. ICANN and the community should be applauded for the enormous amount of work that was expended to arrive at the new trademark protections embedded in the Applicant Guidebook. There is simply no question that trademark owners will enjoy more protections in new gTLDs than they do in current gTLDs and many ccTLDs.

Regarding specific RPMs for new gTLDs, we see the Trademark Clearinghouse as a very practical step and it will help to minimize brand protection costs by providing a one-stop shop of sorts for trademark validation that will result in lower costs and greater efficiencies for trademark owners participating in Sunrise or IP claims processes. We also view the URS as a strong tool for Trademark owners in cases where there is a clear and actual infringement of their trademark rights. By focusing on actual infringement, cheaper and faster decisions will be available. Furthermore, the URS will deter some infringing conduct in the first place given the greater ease by which trademark abusers will be subject to justice. Why acquire the infringing names if they are likely to swiftly lose them?

The Trademark Clearinghouse and URS, combined with other RPMs for new gTLDs ---mandatory participation in the UDRP, mandatory top level legal rights objection, a mandatory requirement that applicants detail measures to reduce abusive registrations, mandatory centralized, and thick whois for registries and mandatory implementation of a Sunrise or IP Claims process --- will be a significant improvement over the current protections and remedies for trademark holders. Importantly, these protections will be available to **all** trademark owners, including those like the International Olympic Committee who are seeking special treatment.

Vertical Integration:

The ICANN Board made a sound decision by lifting restrictions on vertical integration. The VI related rules as written in the Proposed Final applicant Guidebook are sound, workable and will promote competition.

The vertical integration policy as proposed in the final guidebook supports a long stated goal of ICANN --- the promotion of competition and choice. With the implementation of ICANN’s new gTLD program, the top level and second level domain marketplaces will drastically change. The monopolistic situation that precipitated vertical separation in the first place will not be present with a couple hundred of new gTLDs, none of which will have any market power. Given that, ICANN’s decision to remove vertical integration restrictions is both logical and meritorious.

During the DAG development process, no legitimate reason was given for the wholesale exclusion of ICANN accredited Registrars from participating in the new gTLD marketplace. In fact, ICANN accredited registrars are the main force behind the innovation and competition that has come to the domain name market place in the last 10 years.

Morality and Public Order:

We recognize significant attention has been paid to this issue by ICANN, the GAC, the GNSO and the community at large. ICANN has studied this issue intently for two years and researched and modeled different approaches. In our opinion, the Proposed Final Applicant Guidebook treats the issue in an appropriate and balanced manner. From a business perspective, the reality is there will be very few, if any, applications that raise issues of morality, public order or cultural sensitivity. There is just too much planning and investment that goes into a gTLD application and corresponding business operations for an applicant to risk getting mired in a dispute over these types of concerns. Furthermore, we cannot truly plan for every scenario where one or two countries may be sensitive to a particular string. Let's launch the program under the current rules and if problems arise, revise the rules and procedures going forward.

One small issue we think should be adjusted is the issue of government objection fees. We believe spending processes for most countries and governments are sufficiently complex and limiting that it just isn't practical to ask governments to pay for the objection fees. In the case of objections from government that are not clearly a proxy for a business or social interest, we think the objection fees should be waived. If the process becomes abusive, and we don't think it will, then ICANN can revisit this fee policy.

Conclusion:

Demand Media has been involved in the ICANN gTLD policy-making process since 2008 and having gone through all the starts and stops, we believe ICANN is in a position to move ahead by approving this guidebook, completing the communications campaign and accepting applications. ICANN has received a tremendous amount of input regarding new gTLDs from individuals, companies, governments, associations and constituencies around the globe. That input has been synthesized and processed into this Proposed Final Applicant Guidebook and we believe it is appropriate to close this process and move ahead to the Go-Live stage.

The new ICANN gTLD program will create enhanced competition and result in financial investment and job creation and the world is ready --- indeed needs --- to realize these benefits. Choice and competition have fostered breathtaking economic development in the Internet world and extraordinary social and economic progress over the past 15 years. Like with many aspects of the Internet, innovation has always been key, has always outpaced expectations, and has led to the creation of new businesses, many new jobs and the expansion of global free speech and expression.

The process of developing and refining the Applicant Guidebook for new gTLDs has been exhausting but well worth the effort. The product is a good one. We congratulate ICANN on providing an excellent applicant guidebook and urge the ICANN staff to make a few final changes so the ICANN board can meet next month and approve the launch of the new gTLD program.

Sincerely,

Jeffrey Eckhaus
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Demand Media