

9 December 2010

Mr Peter Dengate Thrush
Mr Rod Beckstrom
Mr Kurt Pritz
Internet Corporation for Assigned Names and Numbers
(‘ICANN’)
4676 Admiralty Way,
Suite 330 Marina del Rey,
CA 90292-6601
United States of America

Avocats à la Cour
Toque No: J033

David Taylor
drd@hoganlovells.com
D +33 1 53 67 47 47

Our ref PADWT/1052979.3

HOGAN LOVELLS COMMENTS TO ICANN ON THE NEW gTLD PROPOSED FINAL APPLICANT GUIDEBOOK

INTRODUCTION

Following publication by ICANN of the Proposed Final Applicant Guidebook (AGB) on 12 November 2010, Hogan Lovells would like to make the following comments on the revised new gTLD proposal. Hogan Lovells is an international law firm with over 2,500 lawyers and 44 offices worldwide, and acts for numerous brand owners and Internet players.

We welcome the opportunity to make further comments on the latest version of the Applicant Guidebook and we refer to our previous comments which can be found on the ICANN website at the URLs below:

<http://forum.icann.org/lists/4gtld-guide/msg00047.html>

<http://forum.icann.org/lists/tm-clear-15feb10/msg00017.html>

<http://forum.icann.org/lists/urs-15feb10/msg00015.html>

<http://forum.icann.org/lists/ppdrp-15feb10/msg00002.html>

<http://forum.icann.org/lists/draft-eoi-model/msg00260.html>

<http://forum.icann.org/lists/sti-report-2009/msg00029.html>

<http://forum.icann.org/lists/3gtld-guide/msg00096.html>

<http://forum.icann.org/lists/2gtld-guide/msg00102.html>

<http://forum.icann.org/lists/gtld-guide/msg00133.html>

Hogan Lovells (Paris) LLP is a limited liability partnership registered in England and Wales with registered number OC353350 and is regulated by the Solicitors Regulation Authority of England and Wales. Registered office: Atlantic House, Holborn Viaduct, London EC1A 2FG. Hogan Lovells (Paris) LLP is an affiliated business of Hogan Lovells International LLP, a limited liability partnership registered in England and Wales. The word "partner" is used to refer to a member of Hogan Lovells International LLP, or an employee or consultant with equivalent standing and qualifications, and to a partner, member, employee or consultant in any of its affiliated businesses who has equivalent standing.

Hogan Lovells refers to the international legal practice comprising Hogan Lovells International LLP, Hogan Lovells US LLP, Hogan Lovells Worldwide Group (a Swiss Verein), and their affiliated businesses with offices in: Abu Dhabi, Alicante, Amsterdam, Baltimore, Beijing, Berlin, Boulder, Brussels, Caracas, Colorado Springs, Denver, Dubai, Dusseldorf, Frankfurt, Hamburg, Hanoi, Ho Chi Minh City, Hong Kong, Houston, London, Los Angeles, Madrid, Miami, Milan, Moscow, Munich, New York, Northern Virginia, Paris, Philadelphia, Prague, Rome, San Francisco, Shanghai, Silicon Valley, Singapore, Tokyo, Warsaw, Washington DC. Associated Offices: Budapest, Jeddah, Riyadh, Ulaanbaatar, Zagreb.

In our comments on the fourth Draft Applicant Guidebook we noted that while several areas of ambiguity in the proposed application process had been revised and clarified, it was felt that a number of important issues were outstanding particularly in relation to the overarching issue of Rights Protection Mechanisms for trade mark holders.

Unfortunately Hogan Lovells is of the opinion that the same must be said of the AGB with regard to the Rights Protections Mechanisms. While Hogan Lovells recognises that the AGB is a more complete document than the previous Draft Applicant Guidebooks, it does not propose strong enough Rights Protection Mechanisms.

When one compares the original proposals from the Implementation Recommendation Team (IRT) on the overarching issue of suitable Rights Protection Mechanisms with those proposed in the AGB it is clear that there is a large divide between what the intellectual property community would like to see as a minimum level of protection and what ICANN proposes as a suitable level of protection.

The recommendations of the IRT were themselves a compromise in order to reach consensus, and designed to be workable proposals rather than a starting point for negotiations. It is with some dismay that we have seen these recommendations watered down over the course of the last 18 months.

It is critical for all parties involved that this divide is bridged before the new gTLD program moves forward to implementation and the application process is launched. Without clarity in the area of this overarching issue we have a recipe for litigation which is not in the interest of any of the stakeholders.

1. COMMENTS ON GENERAL APPLICATION AND ELIGIBILITY

Hogan Lovells is pleased to note that the AGB contains some additions regarding background screening of new gTLD applicants. The proposal to consider applicants who are listed on any of the world's largest 25 stock exchanges as meeting or exceeding the ICANN general business diligence and criminal history screening is a pragmatic addition which is welcomed.

Also welcome is the wording to the effect that ICANN may deny an otherwise qualified application if any applicant or individual named in the application was involved in a pattern of decisions indicating that they have been engaged in cybersquatting as defined in the UDRP, ACPA or equivalent legislation. Hogan Lovells is in strong agreement with the intention to screen all applicants against the databases of UDRP cases in order to establish this. Whilst we do support this amendment as a means of seeking to prevent abuse by bad faith actors, it is also important to ensure the proposal is balanced. In this respect we would suggest that any entity or person that has been involved in a pattern of Reverse Domain Name Hijacking (RDNH) by any UDRP provider would also be banned from applying.

Another feature which we were pleased to see in the AGB, is the specific provisions for the protection of the names and acronyms of Inter-Governmental Organisations (IGOs) within the scope of the Legal Rights Objections.

2. COMMENTS ON RIGHTS PROTECTION MECHANISMS

Substantial issues surround the Trade Mark Clearinghouse (TMC) and the Rights Protection Mechanisms available to trade mark holders.

Hogan Lovells would like to stress once again that the IRT recommendations have been changed to such a degree that they are no longer the effective solutions they once were. That we are now at the stage of providing comments on the Proposed Final AGB and that the Rights Protection Mechanisms are so seriously diluted and weakened is a genuine cause for concern.

2.1 Substantive Evaluation

The AGB states that in order to participate in any pre-launch Sunrise periods or to bring an action using the post-launch Uniform Rapid Suspension System (URS) the trade mark must be registered in a jurisdiction that conducts substantive evaluation of the trade mark registration during the trade mark application process.

Any trade mark that is registered in a jurisdiction that is deemed not to conduct substantive review will therefore be at a disadvantage as it will need to undergo substantive evaluation validation by the TMC validation agent (and will presumably have to pay a fee to do so) in order to participate in any pre-launch Sunrise periods or to bring an action using the post-launch Uniform Rapid Suspension System (URS).

The AGB definition of substantive evaluation at the point of registration is as follows:

"(i) evaluation on absolute grounds - to ensure that the applied for mark can in fact serve as a trademark;
(ii) evaluation on relative grounds - to determine if previously filed marks preclude the registration; and
(iii) evaluation of use - to ensure that the applied for mark is in current use."

However, many national and regional trade mark registries do not conduct an examination of a trade mark application on an evaluation of use basis. Similarly, numerous national legislations do not consider relative grounds for refusal of a trade mark application. On this basis it would appear that trade mark holders from many jurisdictions will be forced to pay an additional fee to the TMC validation agent in order to seek to protect their trade marks in the new gTLDs.

National and regional trade mark systems that would be discriminated against as a result of the definition of substantive evaluation in the AGB include European Community Trade Marks (CTMs), Brazilian trade marks, French trade marks, to only name a few.

In essence, it appears that most trade mark owners would need to resort to validation by the TMC validation service providers, creating an unfair additional layer into the system and a prerogative by the TMC validation service provider to make a judgment call on respective trade mark systems enacted by sovereign national legislations and European Union directives and regulations. This strikes us as unreasonable and a form of unjust enrichment on the part of the TMC validation service providers. For instance, given the hundreds of thousands of Community Trade Marks currently registered, it would create an additional layer of costs to the detriment of legitimate trade mark owners.

If one considers CTMs alone, at 31 October 2010, there were 906,045 registered CTMs of which 555,757 were word marks. If ICANN, via the TMC agrees to a fee of say USD 50 to validate a trade mark from a jurisdiction that is not considered to undergo substantive evaluation, such as CTMs, and assuming that TMC validation is sought for only half of all word CTMs, this could cost CTM owners over USD 13 million.

Moreover, there is a fundamental potential for conflict of interest if the TMC is to be the decider of which countries conduct substantive review, pursuant to clause 7.3, given that those countries that do not will be subject to additional fees and thus a monetary benefit for the TMC operators. Thus the assessment of which countries conduct substantive review upon trademark registration should be carried out by an independent body to the extent that this is possible.

The AGB, as well as its predecessors, do not seem to recognise that different trade mark systems are on an equal footing despite the fact that they may function differently, and for instance achieve through opposition and revocation what can be achieved through so called "substantive evaluation".

Hogan Lovells believes that the criteria that ICANN has used to define substantive evaluation at the point of registration is too restrictive, discriminatory and unrealistic. It appears to be pushing trade mark holders down the path of validation at the hands of the TMC. This in turn will create a financial burden for trade mark holders in the new gTLDs process, as demonstrated in the example above.

As the launch of new gTLDs is likely to significantly increase the costs of protecting intellectual property rights in the domain name space, the need to pay an additional validation fee to protect trade marks both pre-launch and post-launch does not appear to be merited.

The TMC has considerably drifted away from the IRT IP Clearinghouse which aim was to assist registries, registrars and brand owners and not to “*usurp or replace the existence of legal institutions and systems that are intended to establish the scope of legal rights (e.g., existing laws and national courts)*”. Instead the TMC seems to be an unnecessary burden on certain brand owners and a rejection of the principle of mutual recognition of respective national trade mark legislations and a denial of the validity of certain trade mark legislations.

Thus Hogan Lovells would recommend that the concept of 'substantive evaluation' at the point of registration of a trade mark be re-visited as this is clearly not a situation of 'one size fits all'. This merits full and thorough consideration by trade mark experts. In this respect we would support the Business Constituency (BC) comments that RPMs should cover each *word mark that: (i) is registered (not just applied for); and has been through the relevant period for opposition applied in the country of registration; and is not subject to a pending opposition, revocation or cancellation action; and is in use* and that in terms of use it would be *sufficient for the rights owner to make a simple declaration of use*.

We also fully support the Intellectual Property Constituency (IPC) comments in this regard.

Hogan Lovells is of the opinion that if the problem of substantive evaluation cannot be successfully resolved so as to ensure no discrimination and associated additional costs for certain trade mark owners, it would be worth exploring as an alternative the possibility of subjecting protection of trade marks by Sunrise mechanisms to a chronological condition whereby trade marks would need to have been registered prior to a specific cut-off date in order to be eligible for protection as was the case in previous launches of TLDs such as .ASIA and .TEL.

There must be room for manoeuvre for certain national and regional trade mark registries to be considered as meeting the standard of 'substantive evaluation' at the point of registration without satisfying the three requirements as set out in the AGB.

2.2 Uniform Rapid Suspension System (URS)

The URS remains essentially identical to that which was proposed in the DAGv4 with the most significant change being a reduction from 20 days to 14 days in the time period in which a respondent may submit a response or subsequently an appeal. Whilst this is welcomed it remains only a tweak in the right direction.

Therefore the concerns we raised about the URS in our comments on the DAGv4 still stand and have not been addressed in the AGB.

The URS has been so radically changed from that which was originally proposed by the IRT that it is in danger of becoming an unattractive proposition as a Rights Protection Mechanism and a means of achieving a rapid resolution of clear cut cases of abusive domain name registrations under the new gTLDs. It therefore loses all attraction as a dissuasive RPM. It is no longer the streamlined lower cost mechanism to suspend infringing names that it was designed to be.

By way of example, as it stands in the AGB, the URS will take from the point of filing to the issuing of a decision roughly the same amount of time to file as an eUDRP procedure with the World Intellectual Property Organisation (WIPO). Thus there is no compelling case that the URS is a quicker procedure for trade mark holders. Indeed the current version of the URS allows for the possibility of an appeal during two years of default, thereby creating further uncertainty in the outcome of the URS complaint.

It also requires a higher burden of proof than a UDRP, as per section 8.3:

"For a URS matter to conclude in favor of the Complainant, the Examiner shall render a Determination that there is no genuine issue of material fact"

And section 8.4 states that:

"the Complaint shall be dismissed if the Examiner finds that: (1) evidence was presented to indicate that the use of the domain name in question is a non-infringing use or fair use of the trademark; or (2) under the circumstances, *and no Response was submitted, a defence would have been possible to show that the use of the domain name in question is a non-infringing use or fair use of the trademark.*"

This wording puts a higher burden of proof on a complainant than the UDRP plus obliges an examiner to consider possible defences on behalf of a non-responding party. This is an excessive burden on the examiner and it is unfair on the Complainant. The UDRP remains the better option.

In addition, the URS word limit of 5,000 words for a complaint or a response is not warranted. This is a procedure that was designed to swiftly resolve obvious cases of abusive domain name registrations. Any complaint needing 5,000 words would not be a clear cut case of cybersquatting. 5,000 characters would be more appropriate, or better still a check box form complaint and response as proposed by the IRT. Indeed, given the fact that many registrants do not respond to UDRPs (circa 70%) the option of a check box for the registrant to not contest the complaint and thus avoid the need to go to an Examiner would increase efficiency for all parties concerned and should be considered.

Finally the URS discriminates amongst respective national trade mark legislations as we have seen in the TMC, as a result of requiring substantive examination. The UDRP is thus far more protective and far less discriminatory in that it protects all registered trade marks and even unregistered trade marks in some instances. Our comments on the TMC thus apply to the URS and we urge ICANN to eliminate discrimination on the grounds of substantive evaluation in the context of the URS as well.

Thus the main - or perhaps the sole - advantage that the URS appears to have over the UDRP is one of the associated costs to bring a complaint under this procedure. However, with the timelines involved, the higher burden of proof and the inherent uncertainties in the possible outcome, Hogan Lovells envisages that the URS will likely be passed over in favour of the UDRP.

We cannot emphasise strongly enough that the URS as outlined in the AGB is not that which was originally envisaged by the IRT. The original IRT proposal should be revisited in order to remedy this situation.

2.3 Trademark Claims Service

The Trademark Claims Service only notifies would-be registrants where the application is identical to an included mark. It does not notify based on broader matching requirements which the IRT discussed and would have recommended but did not given the overall tapestry of RPMs the IRT had proposed. However, in the currently diluted RPMs this would now be something to

include so as to send warnings to other potentially infringing domain names that include other terms or are typosquats.

2.4 Post-Delegation Dispute Resolution Procedure ('PDDRP')

We refer to our previous comments on the PDDRP and on the Fourth Version of the Applicant Guidebook and we note that the scope of the PDDRP is such that it still fails to capture recurring circumstances of wilful blindness which is regrettable.

We believe that to limit the scope of the PDDRP to affirmative conduct and thus to exclude wilful blindness will considerably reduce the benefit of the PDDRP and encourage situations where a party sticks its head in the sand to seek to avoid liability, as is too often the case.

3. CONCLUSION

It has been a long journey and much hard work has gone into getting the new gTLD AGB to this point. However, Hogan Lovells believe that more work is required before the Proposed Final AGB can be progressed to a finished product.

Hogan Lovells congratulates ICANN on getting to this point in the new gTLD program, but strongly urges the ICANN Staff and Board not to push forward until the overarching issue of Rights Protection Mechanisms has been revisited. As matters currently stand the overwhelming feedback in each of the Public Comments period for each version of the AGB has been one of dissatisfaction with Rights Protection Mechanisms.

In addition, it is crucial to investigate thoroughly the potential impact of the recent ICANN Board decision of 5 November 2010 concerning cross-ownership of gTLD registries and ICANN accredited registrars and specifically the types of conduct that need to be addressed.

We have also only had a matter of days to consider the New gTLD Economic Study Phase II Report published on 3 December 2010 and in such a short time cannot adequately address the information therein and potential impact on our present comments.

Without consensus on the issue of workable Rights Protection Mechanisms for trade mark holders there is a real risk that the new gTLDs will not live up to their enormous potential with wide-ranging consequences for trade mark holders, new gTLD registries, domain name registrants and wider Internet governance.

Yours faithfully,



David Taylor

Partner, Head of Hogan Lovells Domain Name Practice