



**IPC COMMENTS FOR ICANN**  
**On**  
**Applicant Guidebook – April 2011 Discussion Draft**

The Intellectual Property Constituency (IPC) of the Generic Names Supporting Organization (GNSO) of ICANN appreciates this opportunity to comment on the Applicant Guidebook – April 2011 Discussion Draft (“AGB”).

*I. Opening Remarks*

At the outset, the IPC would like to address a glaring omission in the gTLD discussion, economic studies. We refer to this as an omission not because there has been no call for studies or because the studies have not occurred, but because ICANN appears to have omitted analysis of economic studies in preparation of the recent AGB.

Questions relating to the economic impact of new gTLDs had their origins in October 2008 when ICANN posted for public comment its proposal to introduce new gTLDs. At this time, the Department of Commerce submitted comments that called for ICANN to conduct an economic study of the domain name market. The ICANN Board agreed and identified several specific questions that needed to be analyzed to ensure that the benefits of the introduction of new gTLDs would not be outweighed by their costs. In fact, as recently, as December 10, 2010, economic issues were identified as one of the four sets of "overarching issues" that needed to be "addressed as a threshold for moving forward with the introduction of new gTLDs".<sup>1</sup> In a carefully worded statement, in this same resolution, the Board declared, "the call for **economic analysis** has been addressed by comprehensive expert consultation and analyses, including reports by CRA International, Dennis Carlton, Michael Katz and Greg Rosston."<sup>2</sup> It is important to note that the resolution did not declare that the economic analysis was complete or that these questions had been answered.

In a November 23, 2010 letter from Peter Dengate-Thrush to Heather Dryden, Interim Chairman of the Governmental Advisory Committee ("GAC"), the ICANN Board addressed the GAC's suggestion that ICANN consider an initial round of new gTLD applications limited to a small number of non-controversial applications. In its response, Mr. Dengate-Thrush admitted, "the economic reports to date reflect that the benefits of innovation, or the effectiveness of trademark protection developed by the intellectual property constituencies, are too speculative to predict with accuracy." Despite this acknowledgement, little has changed in the AGB.

The Phase I Report correctly concluded that the decision to approve a particular new gTLD should be made on the basis of whether the net social benefits from its introduction are positive or not.

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<sup>1</sup> ICANN Board Resolution (10 Dec. 2010) <http://www.icann.org/en/minutes/resolutions-10dec10-en.htm>

<sup>2</sup> Id.

Importantly, the drafters specifically mentioned that social benefits should include costs to trademark owners. As a result, the drafters recommended that ICANN craft rules for new gTLDs that are likely to enhance the external benefits and minimize the external costs of new gTLDs, including adopting the recommendations of the Implementation Recommendation Team ("IRT") Report to address potential problems associated with trademark protection in new gTLDs "to prevent infringing domain names from being registered and to eliminate infringing domain names that are discovered after registration."

In his November 23, 2010 letter Dengate-Thrush indicated that the ICANN Board was awaiting Economic Considerations in the Expansion of Generic Top-Level Domain Names Phase II Report: Case Studies ("Phase II Report") presumably to assist with its decision-making relating to the scope and process of the initial launch of gTLDs. In the Phase II Report, the drafters again found that "the magnitudes of both incremental benefits and incremental costs will very likely be uncertain and vary by application."<sup>3</sup>

ICANN cannot escape these reports' conclusion that the introduction of large numbers of new gTLDs would be a historical experiment and that ICANN should carefully weigh, on a case-by-case basis, the benefits and costs of each new gTLD. To accomplish this, the Phase I Report asserted, "it may be wise to continue ICANN's practice of introducing new gTLDs in discrete, limited rounds. By proceeding with multiple rounds, the biggest likely cost – consumer confusion and trademark protection – can be evaluated in earlier rounds to make more accurate predictions about later rounds."<sup>4</sup>

In its prior comments, the IPC referred to the ICANN's analysis of the economic impact as being incomplete. In light of the fact that ICANN's own studies have now concluded that incremental benefits and costs cannot be predicted, the IPC believes that ICANN's decisions to go forward with an unrestricted and potentially controversial round of new gTLD applications is willfully blind, at best, or reckless, at worst. The IPC joins with the GAC in urging ICANN: (1) to authorize only a discrete and limited number of new gTLDs; (2) to undertake with respect to each application, an evaluation of the social benefits and costs of each new gTLD application and to implement mechanisms for the denial of the application if such benefits are not clearly weighted in favor of the consumer protection; and (3) to implement data reporting for all approved new gTLDs on the subjects of malicious conduct, cybersquatting and other rights protection mechanisms to assist ICANN in evaluating social costs of the new gTLD program.

Once the basis for new gTLDs is better evaluated and documented, then ICANN can focus on building a program with proper scope and mechanisms. With that said, the IPC offers the following on the current rights protections mechanisms (RPMs) in the AGB.

## **II. *IPC Comments to RPMs***

### **a. Trademark Clearinghouse**

Comments on specific numbered sections of the Trademark Clearinghouse ("Clearinghouse") description are provided below:

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<sup>3</sup> M Katz, G. Rosston, T. Sullivan, *Economic Considerations in the Expansion of Generic Top-Level Domain Names Phase II Report: Case Studies* (3 Dec. 2010). <http://www.icann.org/en/announcements/announcement-03dec10-en.htm>

<sup>4</sup> M Katz, G. Rosston, T. Sullivan, *An Economic Framework for the Analysis of the Expansion of Generic Top-Level Domain Names*, at ¶ 117, (June 2010). <http://www.icann.org/en/announcements/announcement-03dec10-en.htm>

- 2.2.1 In accordance with the previously stated IPC position that was submitted to the ICANN Board in San Francisco in March 2011, the IPC still believes that no use requirement should be imposed. Requiring proof of use is inconsistent with the trademark laws of many countries that do not require use as a prerequisite to registration. By way of example, Community Trademarks are not subject to cancellation for failure to prove use until five years after the effective date of the registration. Thus, a requirement for proof of use creates substantive trademark law that the Clearinghouse process was never intended to create. Further, where use requirements exist to support a registration, they are generally required to prove use within the territory of registration. In this case, no such link between the registration and the country of use is being required which could further complicate both enforcement and validation efforts.
- 5.2 As discussed above, the IPC supports the concept that a requirement of use should not be a prerequisite for inclusion in the Clearinghouse.
- 6.1.1. The Trademark Claims service should extend beyond the initial launch phase. A fundamental service provided by this mechanism is the notice given to the potential registrant. As cited in the “Remaining points of difference between the ICANN Board and the Governmental Advisory Committee on New gTLD Rights Protection Mechanisms” dated 19 April, 2011, continuation of this service provides a mechanism for early settlement should there be a legitimate dispute between the parties after the domain has registered. Further, this is consistent with the statement made by Mr. Dengate Thrush to Australia in the March 17 consultation between the ICANN Board and the GAC wherein Mr. Dengate Thrush indicated that the Board’s best thinking at the time was that IP claims service would continue “in perpetuity.”
- 6.1.5 Consistent with its comments on 6.1.3 in the IPC San Francisco Positions Statement, the IPC recommends that a Trademark Claims notice issue to a potential registrant and the corresponding trademark owner with regard to any intended domain name containing the identical trademark in the domain name (e.g. onlineship**kodak**.newgTLD or **kodak**shopping.newgTLD).
- 7.2 No proof of use should be required with respect to Sunrise service as discussed in the comments on Clearinghouse Section 2.2.1 above.

#### **b. Uniform Rapid Suspension System (“URS”)**

The IPC has consistently expressed concerns that the URS be designed as an inexpensive and rapid remedy to disable infringing domain names, especially when compared to the UDRP. While the IPC appreciates certain improvements made to the URS from prior drafts (including limiting the word limit for a URS complaint and response and reducing the time to file a *de novo* review), we continue to have significant concerns with the URS as proposed:

1. The IPC appreciates that the latest AGB eliminates any requirement that a valid trademark registration must be issued by a jurisdiction that conducts a substantive examination

of the mark. The AGB, however, now includes a requirement that a valid registration must be in “current use.” Current use requires evidence of use, including submission of a declaration and one specimen of current use in commerce. The IPC has previously commented that no use requirement should be imposed. As we have noted in the past, requiring proof of use is inconsistent with the laws of many countries that do not require use as a prerequisite to registration. Neither the URS provider nor the Clearinghouse is qualified to conduct a substantive evaluation of use. Nor are these the right entities to be assessing the validity of trademark rights. Requiring proof of use will not add greater certainty to the URS process. For all these reasons, the IPC agrees with the GAC that the URS should not require evidence of use of the trademark.

2. The GAC continues to request that a “loser pays” mechanism be added to the URS. The AGB, however, proposes a very different mechanism, which the AGB terms a “limited loser pays” model. For complaints listing 26 or more disputed domain names, a “Response Fee” (which may not exceed the fee charged to the Complainant) will be refundable to the prevailing party. While the IPC supports a true “loser pays” mechanism, the proposal outlined in the AGB suffers from numerous flaws. By allowing respondents to circumvent paying any penalty, even when they register multiple domain names, the system may actually encourage cybersquatters to register blocks of domain names with impunity, so long as they register fewer than 26. Cybersquatters who make a practice of registering 10, 20 or even 25 names can be assured they will never face any financial deterrent beyond the suspension of the misappropriated domain names. Moreover, the proposal does not fix the amount of the “Response Fee,” or ensure the amount will be at least the same as the fee charged to the Complainant. Instead, the proposal merely provides that the Response Fee *may not* exceed the amount charged to the Complainant. If a URS provider decides to charge a small response fee, this proposal would not even reimburse the Complainant for the filing costs of the proceeding. The IPC therefore requests that the loser pays model apply to any situation where the registrant has filed for 5 or more domain names. It should also be made clear that the Response Fee must be equivalent to the filing fee charged to the Complainant.

3. The IPC advises that the Board should not be “picking and choosing” select components of the IRT/STI recommendations that it finds most favorable. If the Board wishes to rely on the stated standard of “clear and convincing evidence,” it should reinstate the URS as developed by the IRT.

4. The GAC requires a clear rationale for appeal of a URS decision. As every appeal will be decided *de novo*, the GAC urges that the appeal process not require a separate evaluation of the rationale. The IPC supports the GAC’s position. In addition, the IPC suggests that the *de novo* review should occur in court, similar to a UDRP proceeding, as returning the matter to the URS for review does not truly constitute *de novo* review.

5. In response to the GAC’s proposal that Registrants who have lost five or more URS proceedings should be deemed to have waived the opportunity to respond to future URS complaints, the Board states that due process requires that every Registrant always have the opportunity to present a defense. The IPC urges that stakeholders consider the IPC’s compromise position, which would, properly deter registrants from cybersquatting and lower costs for rights holders. The IPC proposes shifting the burden of proof to the Respondent in a URS proceeding when the Respondent has lost five or more URS proceedings.

### **c. Post-Delegation Dispute Resolution Procedure (“PDDRP”)**

The PDDRP remains inadequate, especially in light of the elimination of vertical separation. ICANN has failed to implement most of the IPC's recommendations in its December 2010 comments on the Proposed Final Applicant Guidebook, and has not adequately addressed subsequent GAC and IPC concerns on this point, as follows:

1. The IPC appreciates ICANN's attempt to address the issue of vertical integration in PDDRP section of the AGB by adding language in Section 6 stating that a registry operator is defined to include entities directly or indirectly controlling, controlled by or under common control with a registry operator...” However, as suggested by the IPC in December 2010, further clarification is still required, and this section should be revised to state that such entities include (but are not limited to) any registrar(s) that may be vertically integrated with the registry operator in order to specify that vertically integrated registries may not attempt to shift blame for second-level bad faith actions to the registrar.
2. Section 18.1 states that remedies may not include “deleting, transferring or suspending registrations,” but implies that this policy may not hold if the registrant is found to be related to the registry operator. Again, this section is vague and must be amended to clarify exactly how suggested remedies may differ if indeed the registrant is found to be under the ultimate control of the registry operator, *i.e.*, whether in this case, the second-level domain name registrations may be recovered by the PDDRP complainant or disabled.
3. The IPC is disappointed that ICANN has not reinstated the requirement in Section 10 that the registry operator pay a filing fee when submitting its response. This places the initial financial burden for the proceeding completely on the Complainant. Again, this requirement must be reinstated so that the Complainant and the registry operator share costs during the proceeding, maintaining the practice of refunding the costs paid by the prevailing party at the conclusion of the proceeding. Also, without a mechanism for both parties to pay up front in place, the process of refunding fees to the prevailing party will be hampered.
4. The filing fees and estimated cost ranges in Section 14 have not yet been defined by the selected Provider(s), and are instead vaguely stated as “reasonable.” Again, we ask that the fees and costs be defined more clearly no later than the release of the Final AGB, to assist with budgeting for the possibility of filing a PDDRP Complaint.
5. Section 21.4, which states that the registry operator may challenge a remedy imposed by ICANN under the arbitration provisions of the registry agreement, still requires clarification. This section should be revised to provide explicit assurance that ICANN may implement the remedy once the arbitration has been concluded, if the PDDRP decision is upheld. Without such assurance, the IPC is concerned that a registry operator may be able to bypass any unfavorable decision recommending a remedy by initiating arbitration, thus drastically limiting the usefulness of the PDDRP.
6. The IPC supports the GAC's position that the PDDRP standard of proof in Section 6 be changed from “clear and convincing evidence,” to a “preponderance of evidence.” Although “clear and convincing evidence” was the standard developed by the Implementation

Recommendation Team (IRT), we remind ICANN that the IRT's recommendations were minimum RPMs intended to be taken in whole, and that the Board should not "pick and choose" the components of the IRT's recommendations it wishes to accept. Accordingly, to balance the generally watered down RPMs adopted by ICANN in the current version of the AGB, the PDDRP standard of proof should be a "preponderance of evidence."

7. The IPC welcomes the removal of the "substantive examination" requirement in Section 9.2.1, but does not support the new text, namely, the imposition of a use requirement. No use requirement should be imposed. Requiring proof of use is inconsistent with the trademark laws of many countries that do not require use as a prerequisite to registration. Neither the Clearinghouse nor the Provider(s) should be assessing the validity of trademark rights, potentially contrary to the laws of a particular country or jurisdiction. In addition, the level of expertise and costs required to meaningfully examine evidence of use by the Clearinghouse or the Provider(s) will be significant and possibly beyond the scope of the service providers. If the evidence of use will not be subject to meaningful examination, there is no value in requiring it. While the IPC appreciates ICANN's stated goal that "all registered trademarks [be] treated equally,"<sup>5</sup> requiring proof of use is not an acceptable means to this end, and in fact, believes this requirement accomplishes the opposite.

8. The IPC continues to believe that the Section 7.2.3(d) requirement that the complainant must notify the registry operator at least 30 days prior to filing a complaint is unduly burdensome, and proposes that the notice period be reduced to 10 days. A registry operator does not require 30 days for an investigation. Instead, it seems more likely than not that the registry operator will use the additional 20 days of the notice period to initiate preemptive litigation. Under U.S. law, for example, the information required to be in the notice would form a sufficient basis for a registry operator to institute a declaratory judgment action.

### **III. Other Issues**

#### **a. Brand co-existence**

The IPC reiterates its request that the string contention provisions of the AGB be modified to accommodate consent and co-existence agreements. Where all non-identical applications in a contention set consist of brands registered in at least ten national or supra-national trademark registries, the contention set should be dissolved if all the applicants inform ICANN that they believe the TLDs can co-exist without significant risk of consumer confusion. Such a mechanism would encourage brand owners to participate in the ICANN new gTLD process, rather than resolving these issues through litigation (which could involve ICANN).

#### **b. Re-delegation/wind-down of .brand TLD**

The IPC appreciates the change made to Section 4.5 of the draft Registry Agreement, preventing the re-delegation of a TLD over the objection of the Registry Operator "if all sub-domains in the registry for the TLD are registered or licensed to and used exclusively by Registry Operator or individual or entities that are affiliates of Registry Operator." We note that this wording, with its reference to "sub-domains," is inconsistent with the wording of the exclusion from the Registry Code of Conduct

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<sup>5</sup> See *New gTLD Explanatory Memorandum on Trademark Protections*.

(discussed below), which refers to “registrations in the TLD.” It is unclear whether this is meant to treat single registrant TLDs differently based on whether subdomains or second level domain name registrations are used to distinguish between different resources (e.g., [www.sales.brand](http://www.sales.brand) or [www.\[standardSLD\].brand/sales](http://www.[standardSLD].brand/sales)). This needs to be clarified. The IPC maintains that this provision should not be limited to a closed registry.

### **c. Draft Registry Code of Conduct**

While this document (Specification 9 to the draft Registry Agreement) has been improved, a number of questions remain:

1. Key terms such as “other related entity” have not been defined.
2. All second level names which the registry intends to register in its own right as “necessary for the management, operations of purpose of the TLD” should be publicly specified, either as reserved names in the registry operator’s application, or as “additional registry services” through the RSTEP process. Otherwise, the exception to item 1(b) of the Code of Conduct provides too wide a loophole and invites abusive control by the registry operator over wide range of second level domains.
3. The internal compliance reviews required by item 3 should be specified in more detail, e.g., a checklist of items to be included.
4. A number of concerns raised by the IPC in its December 2010 comments on the draft Code of Conduct are assuaged by new item 6, excluding at least some single registrant .brand TLDs from its strictures. While we appreciate this recognition that, for instance, such registries should be able to enter into exclusive arrangements with a single accredited registrar, the definition of which registries can avail themselves of this exclusion should be clarified and harmonized with similar exceptions elsewhere in the AGB (e.g., regarding re-delegation).

### **d. Arbitration**

While the IPC agrees that the ICC International Court of Arbitration is “an objective and efficient arbiter of disputes,”<sup>6</sup> that does not change the fact that ICC will be under contract to ICANN as the dispute resolution provider for the Limited Public Interest and Community objection procedures, thus creating a potential conflict, and therefore should not be the exclusive forum for arbitration of disputes arising under the Registry Agreement.

### **e. Whois Accuracy**

The IPC welcomes the decision to provide applicants with an incentive (in the form of an additional evaluation point) if they take “measures to promote Whois accuracy” (see evaluation question 28). However, we see no reason not to require all registries to take these steps in order to qualify for a score of 1 on “Abuse Prevention and Mitigation,” rather than only if they wish to achieve a score of 2. Steps such as “authentication of registrant information as complete and accurate at the time of registration,” “regular monitoring of registration data for accuracy and completeness,” and (where

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<sup>6</sup> ICANN Summary and Analysis of Comments at 146.

applicable) establishing policies and procedures to ensure [registrar] compliance” with Whois accuracy obligations, should be required for all new gTLD registries. By leaving them optional, ICANN is communicating the message that Internet users are not entitled to effective means of knowing with whom they are dealing online, nor to the full measure of accountability and transparency that more accurate and reliable Whois data would provide.

**f. Preventing Abusive Registrations**

Similarly, the IPC does not understand why any new gTLD should be approved without committing to service level requirements for responding to law enforcement requests and otherwise resolving abusive behaviors, nor without providing adequate controls (such as multi-factor authentication) against domain name hijacking. The fact that, under evaluation question 28, commitments in these areas are simply optional for those seeking to achieve an extra point in the evaluation process sends the message that domain name registrants and Internet users in general cannot expect ICANN to require these protections for them in the new gTLD environment. While we support the step ICANN has taken in encouraging new gTLD applicants to take on these commitments, it should go further and make at least some of these requirements mandatory.

**IV. Conclusion**

Thank you for considering the views and recommendations of the IPC. We look forward to assisting ICANN in addressing these important matters.

Submitted by:

J. Scott Evans, President

May 15, 2011