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Microsoft

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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 the Discussion Draft of the New
gTLD Applicant Guidebook

Dear Messrs. Dengate Thrush and Beckstrom:

Microsoft Corporation (“Microsoft”) welcomes this opportunity to provide its comments to ICANN on the Discussion Draft of the New gTLD Applicant Guidebook (“DDAG”).

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 has provided extensive and meaningful comments to ICANN on all four versions of the new gTLD Draft Applicant Guidebook (“DAG1”, “DAG2”, “DAG3”, and

“DAG 4”), the Proposed Final gTLD Applicant Guidebook (“PAG”), all three proposals for trademark rights protection mechanisms, and both documents relating to the ill-fated Expression of Interest proposal.¹ Thus far, Microsoft has submitted 12 separate comments, totaling almost 80 pages, on the new gTLD Applicant Guidebook, mechanisms contained in it, and proposals relating to it. In addition, Microsoft substantiated the offer in its DAG1 comments to support ICANN’s pursuit of scaleable, cost-effective, and efficient rights protection mechanisms through the participation of Russell Pangborn, its head of trademarks and signatory to this letter, on the Implementation Recommendation Team. While the DDAG represents significant progress over DAG1, it is essential, as stated in our DAG1 comments, that ICANN “get it right.” We appreciate the progress that has been made, but there are still additional steps to be made.

Executive Summary. It is essential for ICANN to make further changes to the Uniform Rapid Suspension system (URS), Trademark Clearinghouse (including Trademark Claims and Sunrise processes), and Trademark Post-Delegation Dispute Resolution Procedure.

Similarly, the current mechanisms to mitigate malicious conduct are not strong, despite ICANN’s characterizations to the contrary. In addition, ICANN still 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.

We incorporate by reference our comments on DAG 1, DAG2, DAG3, DAG4, PAG, the IRT Final Report, the STI Report, the Clearinghouse Proposal and the Draft URS. We

¹ See December 15, 2008 Comments on the New gTLD Draft Applicant Guidebook, accessible at <http://forum.icann.org/lists/gtld-guide/pdfMvfg7LTxa8.pdf>; December 15, 2008 Comments Regarding Technical and Operational Issues, accessible at <http://forum.icann.org/lists/gtld-guide/pdf5Ldl1Crw9E.pdf>; April 13, 2009 Comments on Draft Applicant Guidebook 2 (“DAG 2”), accessible at <http://forum.icann.org/lists/2gtld-guide/pdf05RfROrkND.pdf>; April 13, 2009 Technical Comments on DAG 2, accessible at <http://forum.icann.org/lists/2gtld-guide/pdfk6UvWqLcLy.pdf>; July 2, 2009 Comments on Final Report of the Implementation Recommendation Team, accessible at <http://forum.icann.org/lists/irt-final-report/pdfCZIN3Aa1Ni.pdf>; November 22, 2009 Comments on Draft Application Guidebook 3, accessible at <http://forum.icann.org/lists/3gtld-guide/pdfHyfFPW2Jf.pdf>; December 11, 2009 Comments on Expression of Interest in New gTLDs Process, accessible at <http://forum.icann.org/lists/eoi-new-gtlds/pdfIJ84r0zbgc.pdf>; January 26, 2010 Comments on “Special Trademark Issues Review Team Recommendations”, accessible at <http://forum.icann.org/lists/sti-report-2009/pdfdTmcspztsL.pdf>; January 27, 2010 Comments on “Aspects of an Expression of Interest Pre-Registration Model” (“EOI Model”), accessible at <http://forum.icann.org/lists/draft-eoi-model/pdfK4Q2pETRNU.pdf>; March 31, 2010 Comments on “Proposal for Trademark Clearinghouse” and Draft Uniform Rapid Suspension System, accessible at <http://forum.icann.org/lists/tm-clear-15feb10/pdfKjjShbN3RT.pdf>; July 21, 2010 Comments on Version 4 of the New gTLD Draft Applicant Guidebook (“DAG 4”), accessible at <http://forum.icann.org/lists/4gtld-guide/pdfIel3VOishV.pdf>; and December 8, 2010 Comments on the Proposed Final gTLD Applicant Guidebook (“PAG”), accessible at <http://forum.icann.org/lists/5gtld-guide/pdfVfn5MZpVUL.pdf>.

provide below our comments on the DDAG, which we have limited to Microsoft's most significant concerns.

We provide our comments below.

Rights Protection Mechanisms

Proof of Use. ICANN should delete the proof of use requirement for participation in Sunrise services, the Uniform Rapid Suspension System ("URS"), and the Post-Delegation Dispute Resolution Procedure ("PDDRP"). Requiring proof of use is inconsistent with the trademark laws of many countries that do not require use as a prerequisite to registration. The Trademark Clearinghouse provider should not assess 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 Trademark Clearinghouse provider will be significant and beyond the scope of any existing potential service provider. If the evidence of use will not be subject to meaningful examination, there is no value in requiring it. Lastly, the requirement of use does little to stop the ability of a registrant to "game the system". In today's age, digital renderings of products and services can be easily and quickly created. Instead, the protections surrounding the "use requirement" that the Board seeks are delivered by requirements of sworn statements of use and the power to address fraudulent claims.

URS

- Microsoft supports the reduced word limits for both Complainants and Respondents, and the shorter time periods for conducting administrative review and issuing determinations.
- The "loser pays" threshold should be reduced from at least 26 domain names to 10 domain names.
- Respondents should not be permitted to obtain an additional 6-month extension (beyond the initial 6 months) in which to seek review of a decision in a default case. The likelihood that a Respondent with legitimate rights or interests in the disputed domain name(s) actually needs more than 6 months to seek this review is virtually nonexistent. After all, a Respondent with a legitimate claim to registration and use of the disputed domain name(s) will have tremendous incentive to seek review almost immediately after decision.
- Examiners must rely only on the evidence submitted by the Complainant and Respondent. Allowing an Examiner to rely on "evidence available to the Examiner" is unfair to the parties who will not have access to evidence independently obtained by the Examiner
- In addition to the proof of use comments above, requiring that URS Complainants submit proof of use presumes that the URS Provider will be qualified to meaningfully examine that evidence of use and such a presumption is not realistic. Further, if a Complainant wished to rely on proof of use previously submitted to and validated by the Trademark Clearinghouse, how recent must such a submission and validation be?

Trademark Claims

- ICANN should require that the New gTLD Registry Operators provide Trademark Claims services for the first 6 months (not 60 days) that the registry is open for general registration. This longer period will encompass the time after launch in which, based on the more recent gTLD launches, the greatest percentage of cybersquatted domain names are registered.
- The Trademark Claims service should apply to domain names that either consist of or contain textual elements of marks entered into the Trademark Clearinghouse. Limiting the scope of the service to only domain names that consist of textual elements of these marks is too narrow and does not correspond to the unfortunate reality that the vast majority of abusive domain name registrations are for domain names that are MARK+word.

Sunrise Services

- Participation in Sunrise services for first round new gTLDs should be restricted to registrations that issued on or before the effective date of the relevant gTLD Registry Operator's Registry Agreement and that were applied for before ICANN announced the new gTLD applications received in the first round. This restriction will decrease gaming, but is broad (and recent) enough to be appropriately inclusive. If ICANN rejects this restriction, it should eliminate the failure to meet this requirement as a ground on which a Sunrise Eligibility Dispute Procedure can be based (6.4.2).
- Microsoft supports the requirement that new gTLD Registry Operators provide both Trademark Claims and Sunrise services.

PDDRP

The PDDRP has been revised so extensively and in accordance with the wishes of the Registry Stakeholder Group that Microsoft questions its utility as an RPM. In our view, ICANN should implement the PDDRP format as outlined in the IRT Final Report.

Other.

- Equity and fairness dictate that the ICANN mark should be removed from the Reserved Names List. ICANN should bear the same burden and expense of protecting its mark against cybersquatters as other brand owners must.

Module 1

Microsoft supports both ICANN's commitment to reviewing the effects of the new gTLD program on operations of the root zone system and to defer second-round delegations until it is clear that root zone system security was not jeopardized by first-round new gTLD

delegations and its decision to publish the names and positions of individuals associated with a new gTLD application.

Malicious Conduct

Microsoft remains concerned 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.” DDAG is a considerable improvement since DAG1, but the mechanisms in PAG fall short.

Vetted Registry Operators. ICANN’s broadening of the scope of offenses that will render an applicant or entity ineligible to operate a new gTLD is commendable. However, in light of the Board’s elimination of the vertical separation requirement, ICANN should require applicants to disclose their Affiliates (as defined in Section 2.9(c) of the new gTLD Agreement) and ICANN should be permitted to disqualify applicants based on conduct of those Affiliates. This is particularly true with regard to cybersquatting where numerous Affiliates of likely applicants have been found to have engaged in cybersquatting in UDRP proceedings.

Searchable WHOIS. Searchable WHOIS should be mandatory and not merely optional. The awarding of an additional point to applicants that will provide searchable WHOIS is positive, but insufficient. Access to searchable WHOIS data is extremely valuable to entities, including Microsoft, that combat online fraud, abuse, and infringement, and the search specifications in Specification 4 will be very useful in combating online fraud and abuse. . It is regrettable that ICANN allowed a committee of its Board of Directors to make the arbitrary determination that searchable WHOIS would not be required.

Rapid Takedown or Suspension Systems. The clarification of requirements necessary to obtain 2 points on questions 28 and 29 is useful and Microsoft supports the requirements. However, ICANN missed a tremendous opportunity to make an important contribution to the security and stability of the Internet by failing to require that all new gTLD registry operators implement a rapid takedown or suspension system. Further, ICANN Compliance must have the resources and mandate to ensure that applicants abide by the representations made in their applications on questions 28 and 29.

Investigation of and Response to Illegal Conduct Reports. Microsoft supports the new requirement in Section 2.8 of the new gTLD Registry Agreement that requires the Registry Operator to take reasonable steps to investigate and respond to reports of illegal conduct in the TLD. However, ICANN should provide some illustration of what constitutes “reasonable steps”. Lack of clarity of this requirement will ultimately undermine its effectiveness.

Registry Agreement

In addition, Microsoft supports (i) the revisions to Section 2.10(c) to prohibit abusive and/or discriminatory Renewal Pricing practices; (ii) the new Section 2.15 to require Registry Operators to cooperate with any ICANN initiated or commissioned economic study of the impact or functioning of new gTLDs on the Internet; and (iii) the additions to Section 4.3(f) that allow ICANN to terminate the new gTLD Registry Agreement if the Registry Operator does not terminate employees or board members convicted of certain crimes, found by a court to have engaged in fraud or violated fiduciary duty, and substantive equivalents thereto.

The revisions to Section 4.5 are unclear -- are “sub-domains” second-level domains? -- and insufficient. ICANN must not transition a .brand TLD to a successor registry without the written consent of the Registry Operator, which can be withheld, conditioned, or delayed. The potential for consumer confusion and fraud if a .brand TLD is operated by an entity not affiliated with or authorized by the brand owner is both tremendous and troubling.

RDDRP. Potential Complainants must not be required to first file a claim through the Registry Restriction Problem Report System. The WPDRS, on which the RRPRS is clearly based, has not historically been effective. There is no reason to think that such a system will be effective here. It is arbitrary and unfair to prohibit RDDRP Complainants from filing PDDRP Complaints relating to the same facts or circumstances. Each DRP is intended to deal with different harms. ICANN’s decision to tie them together in this matter bears the imprimatur of the Registry Stakeholder Group, which has succeeded in rendering both DRPs ineffectual. In its comments on the first draft of the DAG, Microsoft observed that “any post-delegation dispute resolution processes must be properly balanced to provide for an effective and useful DRP mechanism and to avoid creating undue uncertainty for registry operators.” In their current form, neither the PDDRP nor the RDDRP is properly balanced; both clearly favor registry operators.

Miscellaneous

Single-character IDN gTLDs. Before it adopts any implementation models for single-character IDN gTLDs, ICANN must put those models out for a meaningful public comment period.

Publication of Objections. Microsoft supports the planned publication of all filed objections and the revision to the community objection standard.

Secondary Market

The possibility of an active secondary market in gTLDs raises significant concerns. ICANN should take action to minimize the likelihood that such a market will come to fruition and, to the extent it does, that participants do not successfully evade the examination and objection processes.

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Four possible measures are immediately identifiable. First, ICANN should revise Section 7.5 of the Registry Agreement to prohibit assignment of the Registry Agreement within a defined period (12-18 months) after delegation. Prohibiting assignments within this time period should decrease significantly the possibility of “gTLD flipping.” Second, ICANN should ensure that post-delegation dispute resolution procedures apply to assignees of the Registry Agreement. This measure would mitigate considerably the risk that the assignee of the Registry Agreement (“gTLD Assignee”) itself or its intended use of the gTLD would essentially elude the objections that could have been levied had the gTLD Assignee been the original applicant. Third, ICANN should develop “Assignment Guidelines” that set forth the conditions and criteria that a proposed gTLD Assignee must satisfy to obtain ICANN’s approval of the proposed assignment. To be effective in ensuring that gTLD Assignees are qualified to be Registry Operators, these conditions and criteria must – at a minimum – be the substantive equivalent of the full range of evaluation criteria for new gTLD applicants. Further, guidelines comparable (if not identical) to the Assignment Guidelines should be developed to ensure that a change of control is not used as a mechanism to evade substantive evaluation of the new controlling entity or person.

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If ICANN proceeds with the introduction of new ASCII gTLDs, 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. To reiterate, it is essential that ICANN “get it right.” The DDAG demonstrates a substantial improvement, but ICANN still has important problems to address before launching the program.

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

\Russell Pangborn\

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