

Vertical Integration Proposal – Demand Media

I would like to submit this proposal for consideration to the WG on Vertical Integration.

As we all know the world of new gTLDs is arriving along with changes to the domain name world. I believe the current structure will not afford new gTLDs the flexibility necessary to succeed in what will be a much more competitive and fluid gTLD marketplace. We need to change the status quo and not place structural impediments on new registries that are not present in virtually every other competitive industry.

While this WG would love a crystal ball to predict what the effects of the structural changes will be, I believe no amount of economic studies and analyses can predict what will happen with certainty. We need to move on from that request and the hope that the economists will show us what may happen. What we do know is that the original registry-registrar separation was born out of a monopolistic situation that has changed over the last 10 years and will change dramatically with the introduction of many new gTLDs.

There are some legitimate concerns about the changes to the current rules. Proposed change often leads to fear and uncertainty and I can see the Board's point that putting the Genie back in the bottle may be difficult, but is going back to the status quo always the best option? I believe the proposed path outlined below is a reasonable step forward that will foster competition that benefits the consumer/registrar while keeping the proper safeguards in place. The goal of the safeguards is to stop any wrongdoing and make sure the specific offender is punished. What we do not need to do is exclude a whole class of competition from entering a market, which is the current path we are on after the Board resolution.

Registry / Registrar Vertical Integration

- Registry can purchase, own, affiliate with a Registrar
- Registrar can purchase, own, affiliate with a Registry
- No limits on percentage of ownership
- All rules would apply to new gTLDs only, regardless if you are a new or existing gTLD Registry
- Integrated entity (RR) can distribute any TLD including own through integrated RR subject to equal access.

- If an integrated RR decides to distribute own TLD then the Registry portion must provide equal access to any ICANN accredited registrar.
 - Registry portion may set up access requirements for Registrars in the TLD, not to be unreasonable.
 - (EX: .HORSES wants to sell names in its TLD to the public, but has stringent rules on Registration--- Extended Attributes, etc. All Registrars including INTEGRATED RR for .HORSES must abide by rules)
 - The Registrar portion of the Integrated RR must be ICANN accredited
- Registry and Brand TLD – Single Registrant
 - If a vertically integrated RR wants to be a Registry and there is a single registrant (ex: .IBM and IBM is the single registrant and the only information in whois), then the Registry must distribute /sell names through an ICANN accredited Registrar or must agree to terms of the RAA
 - Integrated RR does not have to offer equal access
- Registry and Brand TLD – Multiple Registrants
 - Registry portion may set up access requirements for Registrars in the TLD, not to be unreasonable.
 - Integrated RR must offer equal access to Registrars that meet access requirements

- (EX: .COMCAST wants to sell names in its TLD to the public, but has stringent rules on Registration--- Extended Attributes, etc. All Registrars including INTEGRATED RR for. COMCAST must abide by rules)

Additional Considerations & Safeguards

- Integrated RR subject to annual ICANN or 3rd party audit to comply with equal access provisions in Registry agreement. Cost to be borne by RR
- Integrated RR may not share confidential information between Registry entity and Registrar entity except as necessary for standard business
- Integrated RR mandated to use independent 3rd party to perform annual review of RR practices and study consumer effects of practices by RR
- Integrated RR to staff compliance team to monitor equal access and data controls.
- If Integrated RR does not adhere to Agreement must stop selling TLD in its Registrar for:
 - 1st violation -30 days
 - 2nd violation – 90 days
 - 3rd violation – 180 days
- Integrated RR has right to appeal at its own cost after any violation

Fee Structure

- Integrated RR to pay ICANN reduced fee for each domain which is less than the current sum of per domain Registry fee + per domain Registrar fee