



Dr. Paul Twomey
President and CEO
Internet Corporation for Assigned Names and Numbers (ICANN)
4676 Admiralty Way, Suite 330
Marina del Rey, CA 90292-6601

Re: Comments on the New gTLD Program and Process

Dear Mr. Twomey,

The Internet Commerce Coalition (ICC) appreciates the opportunity to provide comments regarding ICANN's Full Draft Applicant Guidebook ("Guidebook"); our comments focus on several of the modules for its new gTLD program. The ICC consists of leading Internet Service Providers, technology companies, and technology trade associations in the United States.¹

The ICC does not agree that ICANN has established the need for vast numbers of new gTLDs, and has identified significant concerns with the proposed implementation approach outlined in the "Guidebook." ICC's members are concerned that ICANN's proposed approach to the introduction of new gTLDs will significantly increase the already substantial costs associated with trademark protection and brand management, which are needed to prevent consumer fraud and confusion, as well as trademark infringement.

For example, it is unclear whether the evaluation, enforcement, and dispute resolution mechanisms proposed by ICANN will be robust enough to permit intellectual property (IP) rights holders to fully protect their rights, even assuming IP rights holders' vast expenditures at the outset of this process to reduce the likelihood of misappropriation and infringement. Infringement of trademark rights harms not only the actual trademark holder, but creates consumer confusion, and often results in abuse of the goodwill established by the trademark holder, consumer fraud and other forms of network abuse.

The substantial costs that ICC members, and other online businesses whom they serve as online providers, will invariably absorb as a result of the introduction of new gTLDs are unwarranted. There is no compelling economic analysis or substantiated evidence to suggest that there is consumer demand for new gTLDs. Further, TLD registrations have declined in part due to declines in both gTLD and ccTLD growth.

¹ ICC members include Amazon.com, AT&T, eBay, Comcast, Monster Worldwide, Verizon, the Information Technology Association of America, and USTelecom Association.

The ICC understands the importance of introducing Internationalized Domain Names (IDNS) in order to meet the growing need of vast numbers of new Internet users who do not speak or rely on English. This is a different challenge, however, and should be separately addressed.

ICANN is a not-for-profit organization, and ICC's members believe that this status is a central and important element to its ability to build trust within the international community. In light of the vast new revenue streams that the introduction of new gTLDs, and in particular the use of auctions to resolve disputes will create for ICANN, the ICC believes that it is important for the ICANN community to reevaluate whether the proposed implementation approach is meeting the needs of the broader Internet community that ICANN should be serving, and whether ICANN is expending the necessary resources to fulfill its underlying critical mission.

I. The New gLTD Program Will Significantly Increase Costs Associated with Protecting Trademarks and Brand Names

IP rights holders are already compelled to engage in defensive registrations to prevent trademark dilution, trademark infringement, misappropriation, and misuse in the online world. The complex challenges that are faced by domain name registrants in today's online environment with over-200 gTLDs - a combination of generic, sponsored, and country code strings - are well documented but not well reflected in ICANN's proposed implementation. Consumer fraud, identity theft, forms of cybersquatting that confuse users (including typosquatting), and the abusive use of some domains to engage in the spread of malware present significant challenges to consumers who rely on the Internet for everything from shopping to keeping in touch with friends. The new gTLD program will vastly increase the costs associated with defensive registrations and mark protection, which are already extremely expensive for trademark owners under the existing scheme, where there are only a finite number of gTLDs. A trademark owner's goodwill is inextricably intertwined with the painstaking and costly efforts to maintain its brand integrity.

II. There is No Compelling Evidence Demonstrating a Need for New gTLDs

The ICC fundamentally disagrees with ICANN's premise that the Internet's addressing system is "now constrained by only 21 generic top-level domain names." This assertion is belied by evidence that suggests that (1) the rate at which new domains have been registered appears to be declining and (2) newer TLDs introduced at the behest of ICANN are vastly underutilized. In its September 2008 Domain Name Report, VeriSign observed that new domain registrations across all TLDs declined by 18% in the second quarter of 2008 (in comparison to the first quarter of 2008).² In its December 2008 Domain Name Report, TLD registrations declined by 2% (in comparison to the first quarter of 2008), "driven by declines in both gTLD and ccTLD growth."³

² VeriSign, *The Domain Name Industry Brief*, Volume 5, Issue 4 (September 2008).

³ Verisign, *The Domain Name Industry Brief*, Volume 5, Issue 5 (December 2008).

New .com and .net registrations declined by 9% over the second quarter of 2008 and 8% over the second quarter of 2007.⁴

Utilization rates for gTLDs thus suggest that demand for new domain names is weak. The .coop, .aero, and .museum gTLDs, for example, have no more than 10,000 registrations each.⁵ There is thus little evidence to suggest a compelling demand for the expansion of new TLDs. Further, as noted by VeriSign, growth of registrations in key country codes, such as .de; .cn; .bz; .uk. and many other country codes shows that many registrants prefer to register in a country code that reflects a national affiliation. ICANN's proposed approach ignores the significance of such data. Before moving ahead with the proposed introduction of new TLDs in particular in ASCII, ICANN should deliver the long awaited, and promised Economic Study of Proposed Registry Agreements that was requested by ICANN in a Board resolution adopted on October 18, 2006.

In addition, with search becoming the primary way people find information on the Internet, the utility and value of yet more domain names is diminishing. This fact, plus the cost to register, defend, and educate people about new domains, makes gTLDs even less attractive.

III. Internationalized Domain Names (IDNs) Need Further Study Before Deployment

The ICC recognizes the positive benefits of a carefully considered system for IDNs, since our members sell products and services in many foreign countries to individuals who do not speak English as a first language. IDNs offer significant promise to ease the integration of vast numbers of new users onto the global Internet.

Nevertheless, some forms of IDNs may be used for fraud, if the string is confusingly similar to an existing gTLD, for instance, through a use of a script that appears to be the same as another gTLD.

ICC's members understand the importance of moving ahead with IDNs, and greatly value the contribution of introducing non-ASCII addressing. Our members will face many challenges as they move into this world in order to serve their customers around the globe. Thus, further study of the risks, and resolution of such risks, should be a priority for ICANN. ICC members look forward to participating fully in such a study. In the meantime, the ICC supports in principle the introduction of the fast-track ccTLDs IDNs, and suggest that many lessons can be learned from this initial step.

⁴ *Id.*

⁵ See ICAAN - Registry Operator Monthly Reports, available at <http://www.icann.org/en/tlds/monthly-reports.com>

IV. String Similarity Algorithms Are Not A Panacea

The use of string similarity algorithms to determine whether trademark rights are implicated, in and of itself, is not a panacea for the protection of intellectual property rights. Module 2.1.1.1 discusses the String Similarity Algorithm (SSA) that examiners will use to determine whether the string is likely to cause confusion. Although the SSA accounts for visual similarity, it does not appear to account for aural or phonetic similarity. Notably, Module 3.5.2 (Legal Rights Objection) enumerates non-exhaustive factors to be considered in a Legal Rights Objection, including “[w]hether the applied-for-TLD is identical or similar, including in appearance, *phonetic sound* or meaning, to the objector’s existing mark.” (emphasis added). The phonetic sound of a TLD should be similarly incorporated in the SSA used to determine whether a proposed TLD is likely to cause confusion.

Moreover, the SSA alone cannot be dispositive of string similarity. There must be manual reviews to ensure adequate protection of trademarks. Serious questions are raised about whether the seemingly exclusive reliance on algorithms to determine confusing similarity of strings will conflict with trademark law’s “likelihood of confusion” test, which relies on a complex sound, sight and meaning analysis and review of many other factors.

V. Dispute Resolution Mechanisms Should Be Revised

Module 3 describes dispute resolution mechanisms that will be available to IP rights holders in lodging objections to a gTLD application. Intellectual property rights holders maintain standing under Module 3 when an applied-for gTLD string infringes upon such rights. Module 3.1, however, provides that “an objector accepts the gTLD dispute resolution process by filing its objection.” This language implies that IP rights holders may be foreclosed from seeking legal recourse through other avenues that are currently available. Although this may be an oversight, the ICC strongly encourages ICANN to clarify that IP rights holders will not forfeit their options to pursue other legal recourse merely by lodging complaints with one of the dispute resolution service provider (“DRSPs”) identified in Module 3.

ICANN should consider at least two other changes to its dispute resolution mechanism under Module 3. First, IP rights holders should have the opportunity to appeal an adverse ruling concerning an objection filed against a gTLD application. Given the potential harm that could be caused by the creation of a gTLD that implicates IP rights, an appeal process is necessary to ensure that IP rights holders receive adequate process to vindicate their rights. Second, Module 3.4.4 provides for a single panelist to adjudicate intellectual property rights disputes in proceedings involving an existing legal rights objection. Yet parties in Uniform Dispute Resolution proceedings have the option (at their expense) of selecting three panelists to adjudicate disputes. Likewise, ICANN should allow three-member panels to resolve disputes that may arise with new gTLD applications.

VI. Evaluation Mechanisms Need Enhancement

Module 1.1.5 notes that ICANN intends to launch the next gTLD application rounds “as soon as possible” and that “[t]he goal is for the next application round to begin within one year of the close of the application submission period for this round.” ICANN’s timeframe appears to value speed for its own sake. Additional gTLD application rounds should only occur *after* ICANN has carefully evaluated and addressed problems that have arisen in the course of its current round of gTLD applications, since it is highly foreseeable that intellectual property rights concerns will militate toward a more deliberative approach.

In sum, there should be significant time periods in between application rounds to assess (1) whether trademark owners will be able to vindicate their intellectual property rights given the introduction of any new gTLDs; (2) whether the costs associated with brand management and mark protection justify the benefits of the new gTLDs; (3) whether the new gTLDs do, in fact, yield tangible benefits to the broader Internet community; and (4) whether the gTLDs negatively impact the safety and stability of the Internet and its infrastructure.

VII. ICANN Must Explain How it Will Use gTLD New Revenue Streams to Fulfill its Purpose(s) as a Non-Profit Corporation

In an explanatory memorandum that precedes the Draft Applicant Guidebook, ICANN notes that “one of its foundational principles, recognized by the United States and other governments, has been to promote competition in the domain-name marketplace while ensuring Internet security and stability.” The stability of the Internet is inextricably intertwined with the ability of IP rights owners to vindicate their rights in an efficient and effective manner.

ICANN is in a financial position to devote increased financial resources to protecting IP rights as it introduces new gTLDs. As a result of its revenue streams in 2007, ICANN now maintains net assets or fund balances in excess of \$35 million. This is not entirely consistent with ICANN’s enunciated foundational principles, and seems to run counter to its purpose as a non-profit corporation under U.S. law.

Colleges and universities have recently been subject to increased scrutiny by the IRS and Congress for purportedly hoarding their endowments at the expense of achieving the underlying missions that give rise to their tax-exempt status. In September 2008, the IRS’ Exempt Organizations Compliance Unit (“Unit”) announced that it would send detailed questionnaires to over 400 colleges and universities. The IRS Unit plans to specifically examine the investment and use of college and university endowment funds in light of their underlying missions and tax-exempt statuses. Similarly, Senator Max Baucus, the Chairman of the Senate Finance Committee, and Senator Charles Grassley, the Ranking Member of the Senate Finance Committee, sent a similarly oriented questionnaire to 136 colleges and universities on September 8, 2008.

In light of this renewed scrutiny and with the new revenue streams that will be created by new gTLDs, ICANN should devote its additional resources to: 1) ensuring the security, stability and integrity of the Internet; 2) benefiting registrants through lower costs; and 3) establishing

cost-free mechanisms to ensure that trademark holders have adequate and effective tools to protect their intellectual property rights.

VIII. Specific ICC Proposals

If, despite the strong arguments set forth above, ICANN determines that it must still implement new gTLDs, ICC respectfully submits the following alternative proposals.

A. Create an improved approach for preventing conflicts with brands at the Registry level

At the outset of the application process for new gTLDs, ICANN should create a low-cost “reserved” list for trademark owners who can meet specific, objective criteria to address applications for top level strings (new gTLDs). This reserved list would not constitute a famous mark list, but rather would be open to any trademark owner who could meet certain objective criteria. The objective criteria would require the trademark owner to demonstrate “global” brand strength by virtue of trademark registration in three (3) out of five (5) UN regions. If a trademark owner is not registered in 3 of 5 UN regions, it would still be able to get its name on the list by showing a combination of two or more of these factors: (1) active use of the mark; (2) registration of the mark as domain name in multiple gTLDs or ccTLDs; (3) active, resolving websites using the mark (that predate rollout of new gTLDs); or (4) evidence of defensive actions against forms of infringement like cybersquatting or other forms of online dilution in any appropriate forum.

Once these objective criteria for inclusion on this “reserve list” have been satisfied by a trademark owner, a prospective applicant who wishes to register a domain that is on the reserved list should have the option to bring an expedited administrative proceeding to allow its proposed gTLD to move forward. This proceeding would be administered by the Arbitration and Mediation center of the World Intellectual Property Organization (WIPO), which has already been identified by ICANN as a potential DRSP and has well-established expertise in resolving trademark and domain name disputes.

B. Create an improved approach for preventing conflicts with brands at the Secondary level

At the secondary level, ICANN appears to be placing great faith in the capacity of new gTLD applicants, who are not required to have previously operated a domain name registry. In some instances, ICANN will be entrusting gTLD applicants with no experience in operating domain registries with the critical task of devising and implementing mechanisms to prevent abusive registrations.

Instead, ICANN should establish baseline rules and/or processes in Module 2 to ensure that IP rights holders can easily and inexpensively protect their trademarks and brands, both prior and subsequent to the launch of new gTLDs. ICANN should establish the following baseline rules and procedures:⁶

⁶ The ICC encourages ICANN to develop more detailed rules and procedures that convey to potential registry operators that they must devise and implement mechanisms that protect intellectual property rights.

- Require the implementation of a detailed, objective, uniform and cost-based Sunrise Process for all new gTLDs, whereby trademark holders can register domain names before the registration process is opened up to the general public. (Some variations are appropriate for sponsored/community based strings, but there should be a strong degree of consistency in the sunrise processes used by all new gTLDs, both ASCII and non-ASCII (IDN));
 - In this vein, registry operators of new gTLDs should use a “reserved name” list for trademark holders. In addition, in light of the legitimate concerns of countries about the potential for abusive registrations/applications for domains that are associated with countries and territories, this same approach should be considered for country and territory names. The approach taken for .travel and .info provide a basis for the “reserved names” list for sovereign countries, territories and related entities;⁷
- Require new gTLD registry applicants to establish detailed pre- and post- launch mechanisms to protect the rights of trademark owners;
 - Such mechanisms should first be evaluated in terms of their capacity to protect the rights of trademark owners or other established legitimate rights;
- Require new gTLD registry applicants to create a consolidated portal for receipt of claims by trademark owners, which will facilitate the resolution of intellectual property rights issues that are likely to be replicated across all new gTLDs;
 - Rules should also mandate that ICANN staff monitor and track complaints and problems, and fully consider such problems during the evaluation process of the initial round of introduction of new gTLDs;
- Require the implementation of expedited, cost-based procedures for the forfeiture of domain names obtained through abusive registrations. Such expedited procedures should be developed, agreed to by the community, and required as a contractual term in all new registry contracts;
- Require applicants to genuinely commit to participate in an open and transparent WHOIS database. Proxy and private registrations often frustrate the efforts of trademark owners to identify domain name registrants and should be strongly discouraged, if not prohibited. The growth of online fraud, and, in particular, phishing, necessitates stronger action at both the applicant and registrant level to ensure that criminals can be quickly identified and stopped. Even if applicants are not prohibited from facilitating proxy or private registrations, at a minimum IP rights holders and law enforcement must be able to quickly identify the actual entity or individual responsible for abusively registering a domain name that misappropriates or violates a trademark owned by the IP rights holder.

⁷ ICC members understand that certain names associated with ICANN-related entities are on reserved status since such names may cause consumer/user confusion. ICC’s members respect that concern. Likewise, other brands and countries deserve similar treatment.

Procedures are needed prior to the finalization of the registry agreement, and will need to also address the role of the registrars.

IX. Conclusion

The current iteration of the Guidebook lacks important procedural and substantive protections to ensure that IP rights holders can effectively and efficiently protect their trademarks, reduce the likelihood of confusion, and help prevent fraud. The ICC strongly encourages ICANN to consider the recommendations enumerated above, which would appreciably enhance the ability of IP rights holders to vindicate their rights and protect consumers from prospective harm that could be engendered in the absence of substantive modifications to the Guidebook. The introduction of new gTLDs should not be advanced by ICANN until fundamental problems concerning the protection of IP rights are fully addressed.

Sincerely,

Heidi C. Salow
David Lieber
Counsel

cc: Peter Dengate Thrush, Chair