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Dear Sirs

Comments on Implementation Recommendation Team Trademark Protection Draft Report

Demys Limited thanks the Implementation Recommendation Team ("IRT"), ICANN Board and Staff for the opportunity to comment on the Trademark Protection Draft Report. The following comments are based upon the views of Demys Limited Internet Intellectual Property Managers, together with the results of a poll of a cross section of our clients including global brand owners, representatives of international celebrities and nationally well known trade mark owners.

Extent of draft report

The draft report is extensive and wide ranging. This is fitting given that the ICANN proposal to introduce potentially hundreds of new generic top level domains at one time is entirely unprecedented and its effect upon intellectual property abuses cannot be fully quantified. Furthermore, ICANN Staff indicated at the Cairo meeting in response to a question in public forum that at that stage ICANN did not have a vision for how the namespace would look after, or be shaped by, this important development. That comment could equally be applied as much to the effect upon IP owners as on the namespace in general. Furthermore, based upon the abuses which followed the introduction of previous generic top level domain names, for which a sunrise phase is an incomplete solution (requiring as it does the registration of multiple blocking domains on a per brand/trade mark basis) it is clear that the risks to IP owners could be exponentially greater from the current proposal.

Demys considers that the IRT should be commended for what is an equally unprecedented and very detailed draft response to the Board which clearly provides a basis for the Internet intellectual property community to discuss the issues arising with ICANN. With due respect to the IRT, however, we and our clients do consider that much further debate and work is required on this topic if the protection for IP owners is to be suitably 'front loaded' in the new gTLD process, something which should be ICANN's goal if it intends to allocate large numbers of new TLDs at one time.

Timing

The draft report was published on 24 April 2009 and is subject to public comment for the usual 30 day period mandated by ICANN. Accordingly, the final date for comments is 24 May 2009. However, the report itself provides "...those wishing to have the IRT consider their comments in connection with its final report should submit comments by 6 May, 2009." In effect, this has provided the Internet IP community with around seven working days to canvass their clients and to respond (Monday 4 May being a public holiday in substantial parts of the UK and elsewhere). While responses are still invited



until 24 May, it would be unfortunate indeed if those later than 6 May cannot be scrutinised and commented upon by members of the IRT who are eminently qualified to do so.

The ICANN Board resolution from which the draft report follows is dated 6 March 2009. The IRT has prepared the present draft in the intervening period and it is to be finalised in time for discussion at the Sydney ICANN meeting which is scheduled to take place between 21 and 26 June 2009. Demys' clients have a reasonable concern that, however anxious ICANN and the Internet community may be to progress the introduction of large numbers of new TLDs, an issue of this magnitude, namely how to protect IP interests which may be at risk, should not be unduly rushed.

Trade mark law has enjoyed well over a century of development and refinement. In contrast, ICANN is anticipating a matter of months for the development and refinement of Internet intellectual property protections which have themselves been developed over the last three months. That said, Demys would not in any way wish to denigrate the efforts of the IRT who, in their production of a detailed 50 page paper in the period allowed, which evidently contains many interesting thoughts and useful suggestions, have clearly risen to their part of the challenge.

The above comments were formulated prior to the publication yesterday of the ICANN Staff document entitled "Timeline and Public Comment Concerns". That said, Demys continues to stand by the thrust of our comments on timing as the IP component of the new gTLD process is such an important issue that it inevitably merits extremely careful scrutiny and should be allocated enough time to allow for this.

IP Clearinghouse

The novel idea of an IP clearinghouse is interesting. However, there are some flaws which are worthy of debate and further consideration.

In the first place, the report indicates that the clearinghouse would reduce the cost of sunrise registrations for trade mark owners because registries and registrars will be able to pull the data from the clearinghouse or it can be pushed to them. While this is correct in part, in that there would be a one-time validation fee rather than multiple validations, Demys does not believe that the IP clearinghouse would be effective in reducing sunrise registration costs to any significant extent. In the first place, the current proposal will still require non-GPM owners to make vast numbers of defensive registrations and there will be nothing to prevent registrars (other than ordinary competition which has not so far achieved this) continuing to charge premium prices for sunrise registrations.

Secondly, it is worth bearing in mind that in the more recent sunrise periods, where registrars have continued to charge premium prices, the trade mark validation data has been directly provided by the intending registrant, often in a strict template format, XML or similar. This is no different in technical terms from the data being provided to the registrar by a clearinghouse. As such it is difficult to see how this innovation will reduce registrar charges for non-GPM owners.

In the past, IP owners have been content to pay sunrise registration fees for defensive registrations in newly introduced TLDs where such introduction has been staggered; in the present ICANN proposal there may be hundreds coming on to the market at one time, with widely different rights protection mechanisms and continued premium per domain prices. Finally, the introduction of the clearinghouse will still require registries or registrars to 'tool up' for its introduction whether by way of pull or push technology. It would be unfair for such bodies to pass this cost on to the general registrant in that only IP rights owners will be receiving the benefit and it is likely therefore that this in itself will increase sunrise registration costs for at least the first round of new gTLD introductions. In short, the clearinghouse is only part of any solution to dealing with the cost issue.

IP Claims Service

The idea of a system which will provide notice to intending registrants that their proposed domain name is a match for a right held within the clearinghouse is a good one as far as it goes. It should not be restricted to those registries who are not otherwise providing for a rights protection mechanism such as a sunrise period. It should continue to extend to all registrations in the new gTLDs for the foreseeable future and certainly after initial launch. However, the notice currently seems to lack “teeth” in that it is a notice and nothing more. Under the current system, if a registrant wishes to register an exact match of a distinctive mark in a domain name (where that mark does not necessarily qualify for GPM status in the current draft report but perhaps is nationally known in the intending registrant’s locality) the chances are that the intending registrant already knows of the potential for infringement; this has not stopped registrants in the past. In particular, the “hard core” of abusive registrants will simply ignore such notices in exactly the same way as they ignore post-registration cease and desist letters.

Demys suggest that it might be possible to attach reasonable consequences to a clearinghouse notice. The notice should provide that the registrant is still free to continue with the registration but if they do so certain consequences will apply; full details of the consequences should then be provided within the notice itself. The following are options which could be considered as consequences:-

1. A letter in suitable electronic format, such as .pdf, lodged in advance with the clearinghouse by the trade mark owner could be automatically supplied to the intending registrant. While this letter would not take the form of a cease and desist notice, since there would technically be no abuse at that stage (and it is only fair to presume that the registrant is not necessarily contemplating any such abuse in any case) it would allow the trade mark owner to provide a layman’s guide to the rights held by it. Such a guide is routinely issued by one of Demys’ clients to the registrants of potentially infringing domains and its clarity, tone and non-threatening informative nature have often been praised by the recipients.
2. A warning to the intending registrant that the notified trade mark owner may be entitled to apply for a determination under the newly proposed URS if the domain is registered or used in a way that provides clear and convincing evidence of abuse (details of the summary nature of the procedure and possible outcomes could also be advised). This might serve to place the issue of IP higher on the agenda of each potential registrant than it is at present. For example, it is fair to say that while the UDRP has now been in force for a decade its incorporation in the contract of registration and the consequences of transgression are entirely unknown to the vast body of registrants; its provisions are typically buried in a lengthy set of terms and conditions through which an intending registrant merely clicks at high speed.
3. The period of notice given to the respondent in a URS could be reduced to seven days for those registrants who have already received the clearinghouse notice, provided that the URS complaint is filed by a rights holder who was the subject of the IP Claims notice at the point of registration.
4. An answer fee could be introduced which the registrant must pay in any subsequent URS complaint provided that the complaint is filed by a rights holder who was notified to the registrant at the point of registration. While the IRT have understandably been cautious to introduce answer fees in the present draft it is submitted that these are perfectly fair, whether for registrants who are individuals or small business owners or otherwise, in cases where registrants have proceeded with a registration in the face of the clear information as to trade mark rights contained in the appropriate notice yet have gone on to use the domain name in a manner which is unfairly detrimental to those rights.

It is submitted that the above are fair, reasonable and proportionate consequences given the stage in the registration process at which notice would be given. Care would need to be taken for any of the above consequences that the notice provided did not contravene the so-called “groundless threats”

provisions of trade mark legislation which are in force in many different jurisdictions. That said, such compliance is a requirement for the notice which the IRT currently proposes under the IP Claims Service.

Demys does not endorse the suggestions of some commentators that ICANN should not introduce a service which may be seen to be competing with the providers of existing commercial watch services. Demys agrees that it may be reasonable to provide free access to the data to such service providers under similar constraints to those applied by certain registries to the provision of zone file data to the same parties. However, if ICANN were to abandon the IRT's proposal to private sector watching services ICANN would ultimately lose the excellent opportunity to provide a strong notice and consequences scheme as outlined above which benefits from centrality and from being directly linked into registry and registrar systems.

Globally Protected Marks "GPMs"

It is submitted that the IRT has set the bar too high for GPMs. In attempting to provide a fully objective test for what constitutes a GPM the IRT would exclude a considerable number of rights owners who would consider themselves to have a body of rights which should entitle them to the initial 'white listing' for domains in the second level which is proposed for GPM owners. The proprietor of 199 global trade marks will be excluded. The proprietor of 200 global trade marks which do not cover all 5 ICANN regions will be excluded. The proprietor of 299 global trade marks covering all 5 ICANN regions will be excluded where another party owns a trade mark registration for the applied-for GPM. Demys also endorses those comments which have noted the near impossibility of meeting the threshold based upon the number of sovereign states in the world and the fact that the current proposal might require a rights holder to have two or more identical word marks in several jurisdictions.

Demys suggest that the IRT may have adopted an overly prescriptive approach in attempting to find a workable objective test. Demys would propose that a straightforward yet more challenging mechanism be introduced whereby any trade mark owner could apply to validate their rights in a name or term at a higher level than the basic IP clearinghouse registration. This application for "higher protected mark" status could then follow a process similar to the UDRP in that the matter could be referred to an independent expert for a carefully scrutinised, reasoned and public decision. The fees for this determination would naturally require to be greater as would the requirements for evidence of use of the mark. That said, a rights holder currently facing the cost of thousands of sunrise registrations and multiple IP clearinghouse applications would most probably be prepared to meet a significant, if lower, cost in order to obtain "higher protected mark" status.

In awarding this status, it is suggested the expert should not be restricted to addressing such arbitrary questions as a threshold of numbers of global trade mark registrations in force. The expert should consider use and adopt an approach along the lines of "it's not the number of marks but what the proprietor does with them that is important". While this is clearly a more subjective test and would require further work to give prospective applicants greater certainty of the outcome for an application, it is submitted that it is far fairer to rights owners who have very extensive global rights but would currently be excluded from GPM status. Naturally the process could also include an objections procedure for interested parties which could be invoked for a period after grant of the status and it is submitted that this would fit neatly with the processes currently being considered for the application of the new gTLDs themselves.

It is clear that the IRT has considered and rejected the notion of successful past enforcement action being a factor in the status of a GPM (note 7, page 6 of the draft report). It is strongly urged that this should be reinstated as one of the criteria for consideration of our suggested "higher protected mark" status. The reason for this is very straightforward. There are some marks which are subject to greater abuse online than others. Such abuse does not necessarily correlate to whether or not the mark itself matches the IRT's criteria for GPMs. If the intention is to prevent abuse, increase consumer confidence in online brands and, broadly speaking, improve the general user experience on the Internet then the

extent of past abuse of a brand on the Internet is highly relevant to the “higher protected mark” status. That said, Demys does not believe that the expert in our suggested “higher protected mark” application process should be restricted to a consideration of successful anti-cybersquatting actions; the extent of abuse can be demonstrated in many ways of which this is just one. That said, should the IRT propose to maintain its current position on the question of past abuses in its final report it is strongly recommended that this issue be given greater treatment by way of reasoning than the present footnote.

In the event that, as some commentators have noted, it becomes impossible to agree objective or broader subjective criteria as noted above for a higher protected mark, Demys suggests that the IP Claims service notice could again be brought to bear on the issue. Upon a notice being triggered, and if the registrant proceeds with the registration, the domain name could immediately be placed into quarantine ie. removed from the available pool of domains but with a neutral WHOIS status and a completely inactive delegation. The registrant could then discuss with the IP rights owner(s) whose rights were disclosed by the notice the intended use of the domain name; in the event that agreement cannot be reached as to whether this will or will not be an infringing use the matter could be referred for expert determination where both parties pay for a decision. This approach could not be regarded as prejudicing private individuals, sole traders, small business owners and the like since they would have engaged in no development of the domain name prior to an issue being disclosed. Likewise, commentators have added that the focus on exact matches seems too restrictive. While Demys acknowledges that it might be difficult to add effective typo-squatting or string comparison criteria, Demys would endorse the proposal that this be done if it is technically possible.

The URS

Demys and its clients are broadly in agreement with these proposals and in particular the default provisions. As noted above, Demys believes that it would be convenient to give the IP Claims Service some teeth which could have reasonable consequences for URS cases subsequent to a Claims Service notice. Furthermore, it seems sensible to combine the IP clearinghouse functions with those of the pre-registration for frequent use of the URS - it should be an option for rights holders to make both applications for their marks and for the URS pre-registration at the same time.

As noted above, Demys does not believe it is necessarily unfair to ask registrants to contribute to the cost of a URS proceeding provided that this is proportionate. It should be noted that many judicial systems provide for filing fees for defence documents which a defendant or respondent must meet and this is not generally regarded as unfair. Should ICANN wish to radically improve fairness for registrants while ensuring that IP complainants do not require to bear the whole cost of proceedings it might be reasonable to consider applying a standard charge for responding to a URS or indeed a UDRP proceeding (however modest) while applying a proportion of the proceeds of such a charge to a ‘hardship fund’ to which suitably qualified respondents could make application for assistance in the preparation of their response (showing *probabilis causa* as is expected in such cases).

Securing a payment from the typical registrant would serve to concentrate the mind of that party to the importance of the matter, which in most cases would be highly beneficial; meanwhile, applying the proceeds to a fund which would support registrants in certain cases would serve to address some of the concerns regarding small businesses and individual registrants suggested by the IRT. Finally, it might be feasible for ICANN to introduce a specific IP rights levy on registrations in the new gTLDs of, say, 5 USD which could either contribute to the hardship fund or be used to reduce the cost of the URS for complainants who cannot reach the GPM standard with all the benefits that this brings (on the current IRT proposal).

Finally, on the subject of the Answer fee, Demys notes that the IRT asks for community comments on the level of domain names which would put an answerer into the category whereby an Answer fee will be charged, currently proposed at 10-25 domains. As will be noted from the above comments, Demys considers that it would be perfectly proper to apply a charge across the board but with suitable



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safeguards as indicated. However, if the IRT were to proceed with the current suggestion, Demys believes that the threshold for an Answer fee should be set much lower, for example, no more than 5 registrations. That said, it should be noted that a large number of UDRP cases do not involve multiple registrations and the logic of applying this fee only to multiple domain cases is unclear - the IRT state that the intention is to prevent 'gaming' of the URS process by registrants but it is not apparent as to why gaming will only occur in the case of a registrant abusively targeting a trade mark via multiple domains or why the registrants of multiples should be specifically singled out at all.

In closing, may we repeat that we appreciate the opportunity to comment and that we found the initial draft report to be an extremely useful and carefully presented body of work. While our clients' opinions have been canvassed so far as time allowed, the opinions and proposals in this letter should be treated as ours alone and should there be any errors or lack of understanding the same applies. In the latter case we would ask for your indulgence and would point to the urgency of response required in order to reach the IRT by the initial deadline.

Yours faithfully,

Andrew DS Lothian
Chief Executive