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Internet Corporation for Assigned Names and Numbers
Implementation Recommendation Team

Re: Comments on IRT Final Draft Report on Behalf of Ford Motor Co., Volvo, Honda, Porsche, Volkswagen, Audi, and Hertz

To Whom It May Concern:

On behalf of the above-listed automobile manufacturers and other prominent trademark holders, we submit these comments in response to the IRT's Final Draft Report. By way of background, the undersigned counsel have been involved in online trademark enforcement since the earliest stages, having filed some of the very first domain name lawsuits and having participated in drafting and lobbying in support of the legislation that became the Anticybersquatting Consumer Protection Act (ACPA). We also have an academic background—in teaching intellectual property law courses and publishing articles on a range of trademark law issues.

At the outset, we wish to express our appreciation for the time and effort invested by the IRT's members in the formulation of recommended solutions to some of the "overarching issues of trademark protection in connection with the introduction of new gTLDs." [Report at 8] Given the complexity of the issues and the often conflicting interests of the stakeholders, the IRT's task is not an easy one. We are particularly grateful for the IRT's open-minded recognition "that further work on each of the proposals will be required especially upon receiving comments from the community." [*Id.*]

While recognizing the considerable work and analysis that have gone into the IRT's proposals, we object to their implementation as currently structured on several grounds. Our threshold concern is that the IRT's proposals get the cart of trademark rights protection before the ICANN horse of an independent evaluation of the economic need for and viability of a new set of top-level domains. The introduction of an unlimited set of new gTLDs is sure to raise a range of new costs, particularly where the new domains take the form of a ".trademark" gTLD. Unless and until ICANN conducts a careful, independent analysis that weighs these costs against any purported benefits, it should not proceed to a rollout of new gTLDs (regardless of whether the IRT's proposals, or even an improved set of rights protection measures (RPMs), are adopted).

Our second set of concerns arise out of the fact that the IRT's proposed RPMs ignore key differences between ".trademark" gTLDs and "community-based" gTLDs, affording *no protection* at the top level for any trademarks except those that qualify as "globally protected" and offering problematic standards of protection at the second level. The Report pays initial lip service to the notion that there may be a need to "[c]reate special status in the application process for '.brand' type TLDs" [*id.* at 9], but its proposals routinely ignore key differences between ".trademark" gTLDs and community-based gTLDs.

These concerns are summarized in the executive summary below and elaborated in greater detail in the sections that follow.

EXECUTIVE SUMMARY

The principal flaws we see in the IRT's approach fall into four categories:

- First, no set of RPMs merits any consideration until ICANN conducts threshold economic and other studies evaluating the viability of a new gTLD regime. Specifically, the implementation of the new regime can proceed only after a careful, independent evaluation of (a) the economic need for new gTLDs, (b) concerns about the safety and stability of the internet, and (c) problems of malware, phishing, and fraud. ICANN seemingly has pushed these issues aside in an attempt to pacify the trademark community through the RPMs it so hastily demanded of the IRT. It has commissioned one preliminary economic report, but that report does not attempt to measure any economic demand for or benefits produced by the new domains (much less the ".trademark" gTLDs that are most problematic). Moreover, the theoretical analysis it does present actually undermines the economic (cost/benefit) basis for new ".trademark" gTLDs. Unless and until these issues are comprehensively evaluated, there should be no new gTLDs (and certainly no ".trademark" gTLDs) and thus no reason to even consider a set of mechanisms aimed at protecting trademark rights in such new domains.

- Second, the IRT improperly forecloses trademark protection at the top level for all but an arbitrarily limited category of "Globally Protected Marks" (GPMs). The "global" or geographic scope of a trademark's protection is an improper ground on which to determine a trademark owner's right to object to new gTLDs. Thus, the GPM dichotomy is both arbitrary and problematic, in that it will encourage a new wave of high-stakes cybersquatting that will lead to wasteful, defensive registrations by trademark holders, even under circumstances where there is no public benefit for ".trademark" registrations. A better approach would allow any trademark holder to object to a new gTLD application incorporating its trademark, subject to a rebuttal by the applicant establishing any legitimate interest in the use of the mark at the top level.

- Third, and more specifically, the IRT's proposed top-level standards are problematic and should be refined in ways that will better balance the competing rights of trademark owners, internet users, and applicants. The IRT's proposed requirement of a "probability" of confusion or deception is out of place in the internet domain context and is inconsistent with standards embraced in the UDRP and elsewhere. By the same token, the proposed rebuttal upon a showing of a "legitimate interest" is far too liberal in the top level context, given the high stakes and significant interests of the parties. Such a standard makes sense in the context of a second-level streamlined administrative proceeding like the UDRP, but at the top level the trademark owner's rights should be considered and weighed against the applicant's proffered interests.

- Finally, the IRT's second-level mechanisms are also insufficient. If a second-level domain is a clear case of trademark abuse and there is not even a plausible right or legitimate interest on the registrant's part, the domain should be blocked at the registration phase—whether the mark is a GPM or not. None of the IRT's RPMs (the IP Clearinghouse, IP Claims Service, Sunrise Registration, or Uniform Rapid Suspension (URS) system) is adequate, and each must be adapted and changed before implementation. The IP Clearinghouse should be jointly funded (not balanced on the backs of trademark owners) and its data of expressly limited use. The IP Claims Service's notices are an inadequate substitute for a blocking right, and they should not replace it. Sunrise registration cannot be an alternative RPM; it is a profit-centered churning mechanism requiring defensive registrations. The URS should be made much more streamlined and a transfer remedy is essential to its effectiveness.

DISCUSSION

I. THE IRT'S EXTENSIVE EFFORTS AT TRADEMARK-PROTECTION ARE NO SUBSTITUTE FOR INDEPENDENT ANALYSIS OF THE ECONOMIC BASIS FOR NEW gTLDs AND OF SAFETY, STABILITY, MALWARE, PHISHING, AND FRAUD.

Before venturing into the details of the IRT's proposed RPMs, a set of broader, threshold questions must first be addressed—including an economic analysis of the basis for the new gTLD regime and of concerns of safety and stability of the internet and of malware, phishing, and fraud. We recognize that these issues were not the IRT's to tackle. But it is important to understand the IRT's proposed mechanisms in light of these threshold issues. Impairment of trademark rights is just one category of costs generated by the introduction of a new set of gTLDs. Unless and until these other concerns are evaluated carefully and independently, ICANN should not assume the need for the new gTLDs (since without them there will likewise by no need for any new RPMs in the new domains).

Last December, the U.S. Departments of Commerce and Justice called for an evaluation of "the threshold question of whether the potential consumer benefits [of the new gTLD regime] outweigh the potential costs." [Letter from Meredith A. Baker, Acting Assistant Secretary for Communications and Information, Dept. of Commerce, dated December 18, 2008.] ICANN has proffered the Preliminary Report of Dennis Carlton in response to this request, but that report focuses principally on the economic effects of non-trademark gTLDs (such as a ".generic" domain like ".cars"), while openly begging the question of the consumer impact of the ".trademark" species of domains. Specifically, the Carlton Report asserts that "ICANN's plan to introduce new gTLDs is likely to benefit consumers by facilitating entry which would be expected to mitigate market power associated with .com and other major TLDs and increase innovation," while acknowledging that the net impact on consumers depends on a comparison of these benefits with the costs associated with the new gTLDs. As the Carlton Report puts it, "[r]estricting ICANN's ability to expand the number of gTLDs is economically efficient … if costs from new gTLDs, including increased consumer confusion and/or higher costs of monitoring and enforcing trademarks, exceeds the potential benefits to consumers from new gTLDs, which include lower prices for domain names, increased output, and increased innovation."

Carlton ultimately reaches the conclusion that the benefits outweigh the costs, but he makes no attempt to quantify or measure them, and even his theoretical analysis focuses only on *non-trademark* gTLDs while unrealistically minimizing the costs associated with consumer confusion and trademark protection. Thus, in concluding that "deployment of new gTLDs does not appear to raise" any "substantial new enforcement costs," Carlton offers the example of a generic product category gTLD—"*.cars* designed for sites related to car [sic]." Carlton asserts that the introduction of this new gTLD would not "further increase the required effort and associated costs of monitoring use of [General Motors] marks," since in his view "[t]he introduction of GM trademarks in the *.cars* gTLD raises the same concern as in other gTLDs and thus appears to raise no new issues relating to the use of trademarks in domain names."

This analysis is flawed. If there is anything that the past decade or more of cybersquatting litigation has taught us, it is that there is no end to the innovation and industry of the domain registrants who stand to profit from the goodwill developed by others in their trademarks. Courts and UDRP panels alike face new issues every day, and there is little doubt that the introduction of a new phase of domains incorporating trademarks (at the gTLD level) would introduce a host of "new issues relating to the use of trademarks." The example presented here is loaded, as it employs a non-trademark gTLD. The potential defensive enforcement costs would be much greater in the ".trademark" scenario, such as .GM, .SATURN, or .HUMMER. Any such ".trademark" gTLD would introduce a broad range of new legal issues and "would further increase the required effort and associated costs of monitoring use of GM marks." Thus, the Carlton Report falls far short of establishing a basis for the conclusion that benefits of implementation of the new gTLDs outweigh the costs. Particularly in the ".trademark" scenario, there is every reason to expect that consumer confusion and enforcement costs outweigh any conceivable benefit.[1] Thus, with all due respect, ICANN still finds itself in the position that the federal government found that it was in a few months ago, in which there is every reason to believe that "approval of new gTLDs" will "proliferate the number of TLDs in which registrants feel that they must purchase registrations to protect their domain names" and incur other enforcement costs. [Letter from Deborah A. Garza, Acting Assistant Attorney General, Dept. of Justice, Antitrust Division, dated December 3, 2008.]

Admittedly, there are economic and other benefits that would flow from the introduction of certain new gTLDs. Yet both the Carlton Report and the federal government have focused their analysis of these benefits on *non-trademark* gTLDs. As the Department of Justice noted, "new gTLDs may benefit unique registrant populations that might value a domain in a particular gTLD," such as "a new gTLD that represents a particular community of people." [*Id.*] Yet "ICANN has not attempted to distinguish the registrants that might value having a domain in a … new gTLD from those registrants that would feel compelled to purchase one or more domains in the new gTLD" or would otherwise incur substantial costs of trademark protection. [*Id.*]

That was true a few months ago, and it continues to be the case today. In light of the Carlton Report and letters from the Departments of Commerce and Justice, there is every reason to suspect that the costs of ".trademark" gTLDs outweigh any benefits, and absolutely no basis for the endorsement of this species of domains. The Carlton Report's only justification for the endorsement of this particular species of new gTLDs is its bald assertion that "company-specific TLDs (e.g., *.GeneralMotors*) may facilitate the ability of General Motors' customers to obtain product information as well as the interaction of suppliers and dealers with General Motors." [Carlton Report at 13] This conclusion is as telling as it is specious. Its premise is demonstrably false. While there may be some benefit to a ".trademark" TLD, there is no reason not to give the trademark owner a right to object to the registration of a new domain incorporating its mark (or confusing variations of it), under a provision allowing trademark registrants generally to object to the use of their marks in top level domains. Yet the IRT Report inexplicably fails to do that, opting instead to preserve a general rule that treats ".trademark" gTLDs like all others (including ".generic" and ".geographic location" domains), subject to the limited exception of the GPM list.

The fact of the matter is that most trademark owners—and certainly all of our clients—have absolutely no interest in opening the Pandora's box of a ".trademark" domain incorporating

[1] While recognizing that trademark enforcement is costly, the Carlton Report blithely asserts that a "loser pays" fee-shifting rule "would deter frivolous attempts by non-trademark holders to obtain domain names that are based on trademark terms or are confusingly similar to such as well as the need for defensive registrations." This dismissive conclusion is naïve and unrealistic for at least three reasons: (a) not all such attempts will be sufficiently "frivolous" to sustain a fee award; (b) the fees shifted by a "loser pays" rule will hardly encompass all of the costs (such as monitoring costs) of enforcement; and (c) there is hardly a guarantee that all fees will be shifted even for "frivolous attempts" (so that the deterrence would be far from perfect).

their trademarks. Indeed, one of the most glaring omissions in the IRT Report (or in any of the other ICANN analyses of the new gTLD regime) is the absence of any sense that ".trademark" gTLDs are in any way demand-driven. We are not prone to conspiracy theories, but one is tempted to conclude that the only "demand" for such gTLDs is ICANN's—in its interest in cashing in on a new line of domains whose ".trademark" top level will be populated almost entirely by cybersquatters (and perhaps a few trademark owners defensively trying to fend them off at the outset in order to avoid having to pay their extortionate prices at a later date).

Thus, the move to introduce ".trademark" gTLDs on equal footing with other new domains will introduce extensive enforcement costs that far outweigh any supposed benefit from facilitating their customers' ability "to obtain product information as well as the interaction of suppliers and dealers," as suggested by the Carlton Report. The benefits of such facilitation are already available under the second-level domains currently controlled and operated by the trademark owner. There is little to be gained, and much to be lost, from adding a first-level domain incorporating the trademark.

In any event, that decision should be made with input from (and in light of objections by) individual trademark owners, as they are the ones whose investments created the goodwill and value that sustain whatever demand may exist for a ".trademark" gTLD. Ultimately, if a trademark owner decides that trademark protection costs would outweigh any benefits flowing from the registration of a ".trademark" domain, there may be no grounds for allowing that registration to go forward. Such a right to object would not necessarily have to foreclose the use of any trademark at the top level. In some circumstances, as where a mark has other non-trademark meanings or uses, there could be a legitimate public interest in allowing a ".trademark" registration that might be deemed to outweigh any trademark protection opposition to the registration.

Some trademarks, for example, are linguistically identical to geographic names, which may be of legitimate interest to applicants for community-based gTLDs. If the public interest in the registration of such geographic, community-based gTLDs outweighs any potential for consumer confusion or harm to trademark goodwill, such gTLDs presumably should be registered even over the objection of the trademark holder. Thus, an application for a community-based ".tucson" gTLD (for use by the Tucson, Arizona community) presumably could be registered even over the objection of the Hyundai Motor America,[2] which owns a trademark registration for the mark TUCSON, used as the name of one of its automobiles, if there are legitimate community interests in using this top level domain and the likelihood of consumer confusion is minimal.

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[2] We do not represent Hyundai Motor America on these issues, and offer this example merely as an illustration.

Such community-based registrations can certainly be preserved under the model we propose below, in which all trademark owners have a right to object to the confusing use of their trademarks in new gTLDs. Indeed, the framework that the IRT proposes for GPMs could easily be extended to balance the rights of trademark owners against the public interest in non-confusing, non-trademark uses of words that happen to be trademarks in new gTLDs. Specifically, the IRT proposes the application of a standard used by the UDRP in cases of second-level cybersquatting, which considers both the trademark owner's rights and the countervailing "rights or legitimate interests" of the registrant. That framework needs to be adjusted in order to work properly at the top level (on grounds explained below), but the general principle is sound and could easily be applied to a trademark owner's objection to the proposed use of a trademark in a new gTLD.

Some cases will be straightforward. If there is no reason to suspect that consumers will assume that ".tucson" is connected to Hyundai Motor America or its automobiles and there exists a legitimate community-based interest in the development of a Tucson-area domain, then presumably the ".tucson" gTLD could be registered over any objection from the trademark owner. But there will also be easy cases on the other side: A ".saturn" gTLD presumably would have value only because of its apparent connection to the car company, while a professed "interest" in establishing a top-level domain for those interested in the ringed planet would likely be dismissed as pretextual. If so, the registration for the ".saturn" gTLD should be denied on the ground that the trademark owner's rights outweigh any supposed interest put forward by the registrant.

II. NON-"GLOBALLY PROTECTED" TRADEMARK OWNERS SHOULD BE ENTITLED TO OBJECT TO REGISTRATION OF NEW gTLDs INCORPORATING THEIR MARKS AT THE TOP LEVEL.

For all but the limited category of "globally protected" trademarks, the IRT Report completely ignores the notion of trademark rights at the *top* level. Thus, for any mark that falls short of the GPM criteria, the *only* trademark protections recommended by the IRT address potential infringement at the *second* level. This approach is troubling and unfounded for reasons elaborated below.

The IRT purports to have "considered and rejected the idea of a single, all-encompassing Trademark Reserved Names List as a universal protective mechanism" and states that it "is not making any recommendations at this time" about a "Regionally Protected Marks List … in light of the time constraints within which it has worked." [Report at 11, 17] But the important intellectual property interests in non-GPMs can and should be protected without the adoption of either an "all-encompassing" list or a "Regionally Protected Marks List." The basic framework proposed by the IRT for GPMs—of objection by a trademark owner subject to a response by the gTLD applicant—could easily be adapted for evaluation of objections by all trademark owners. Such an approach would better balance the rights of trademark owners and of gTLD applicants in a way that is more likely to benefit consumers under the framework proffered in the Carlton Report.

A. Non-GPMs Should Not Be Ignored at the Top Level.

The IRT presents detailed RPMs, URS system, and pre-launch rights protection mechanisms, but none of them provide any top-level protection for trademark holders who happen to fall short of qualifying as "globally protected." Trademark holders that get their marks on the Globally Protected Marks List (GPML) can block the use of their marks on new gTLDs if the new top-level domain is "identical" to the mark or if it is deemed likely to cause confusion, subject to "reconsideration" on grounds of a "legitimate right" to use the mark.[3] But if a mark falls short of the criteria for being "globally protected" (e.g., because it has been registered in only 4 of the 5 ICANN regions, because its total number of registrations falls just short of the number settled on by ICANN, or because it is not the mark used at the second level in the mark's "principal online presence"), it is completely ineligible for any protection against its use at the top level in a new gTLD. The RPM and URS protections offer protection only at the second level, so a mark that is deemed insufficiently "global" would be ripe for cybersquatting at the top level and the trademark holder would have absolutely no ground for objecting.

Thus, if a car company coined the trademark NISSAN[4] but had not yet extended its registrations to North America (where it used the name DATSUN), a well-heeled, opportunistic cybersquatter could register the ".nissan" gTLD and the car company would have absolutely no grounds for objecting. The registrant presumably would have no motive for this registration except to squat on the gTLD domain, whose value inheres in the investment and goodwill established by the car company. But the car company apparently would have no basis for objecting within the rights-protection mechanisms suggested by the IRT.[5]

[3] The standards set forth in the IRT Report for top-level domain blocking by GPMs are also problematic for reasons set forth below. For now, the point is that non-globally protected marks appear to be entitled to absolutely no protection whatsoever at the new top level.

[4] We do not represent Nissan Motor Company on these issues, and offer this example as an illustration. Our example assumes counterfactually that the NISSAN mark is not currently in use in North America. In reality, the mark DATSUN was phased out and replaced by the NISSAN mark in North American in the early 1980s.

[5] The IRT's rejection of this approach inexplicably denies any rights whatsoever to non-GPMs at the top level, despite the existence of a simple regime for balancing competing interests. As explained below, the IRT proposes a rebuttal standard for applicants who have a "legitimate interest" in a GPM whose owner objects to the use of its mark at the top level. Thus, if the applicant is not a cybersquatter, but is instead the owner of a coexisting trademark (such as Nissan Computer), the GPM's objection presumably would fail in the face of the applicant's "legitimate interest." This is a sensible, straightforward mechanism for resolving competing

Alternatively, a world-famous brand name could fail to qualify as a GPM if its "principal online presence" is not "identical to the GPM." Conceivably, this requirement could disqualify famous automobile marks like CHEVROLET, SATURN, CADILLAC, BUICK, SAAB, HUMMER, and PONTIAC, which are owned by General Motors and arguably have their "principal online presence" at "gm.com."[6] (At a minimum, this requirement would disqualify vehicle model marks like MUSTANG, PRIUS, or BEETLE, which are world-famous trademarks by any standard but which are not the "principal online presence" for their mark owners. For a non-automobile example, consider Disney's world-famous marks presented at "disney.com"; none of them would qualify as GPMs and none would be entitled to any top-level stake in new gTLD applications incorporating them.) Again, this would leave a giant loophole for cybersquatters, allowing them to register any of these famous and valuable brands as domains at the top level. There may well be significant value in a ".chevrolet" or ".saturn" domain, but that value is a result of the significant investment and goodwill developed by General Motors. It is deeply troubling that the IRT would foreclose the trademark owner from asserting its intellectual property rights on the arbitrary ground that the marks fall short of being "globally protected."

The lack of any such rights is stark in light of the top-level protections afforded to a range of other names. Under 2.1.1 of the Draft Applicant Guidebook (DAG), an applied-for gTLD is subjected to a "string confusion review" in order "to prevent user confusion and loss of confidence in the DNS." This review, however, "involves [only] a preliminary comparison of each applied-for gTLD string against existing TLDs and against other applied-for gTLD strings," "to determine whether the applied-for gTLD string is so similar to one of the others that it would create a probability of detrimental user confusion if it were to be delegated to the root zone." The following section (2.1.2) calls for a "reserved names review," but that list includes only "ICANN structures" and other such names; ICANN openly declined to add "other categories of names, such as well-known brands or geographical names to the Top-Level Reserved Names List." The IRT would add GPMs to the list of names that would be entitled to top-level string review in the application process, but again any marks that fall short of being "globally protected" would be open to gTLD registration without any evaluation of the "probability of detrimental user confusion if it were to be delegated to the root zone."

B. Lack of "Global Protection" is Not a Valid Ground for Denying Trademark Rights in New gTLDs at the Top Level.

There is no reason to limit the trademark owner's right to object to marks deemed "globally protected." On this issue, we disagree wholeheartedly with the comments of the Internet Committee of the International Trademark Association (INTA) to the IRT's initial Draft

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rights administratively at the top level. It could easily be adapted and extended to objections by non-GPMs.

[6] Again, we do not represent General Motors in this matter and offer these examples for illustration purposes only.

Report. INTA asserts that the GPM list "appears to be the best approach because it limits the list to only those marks that can obtain protection across a broad range of national laws and rights," and opines that limiting the right to object to new gTLDs to marks that are "globally protected" somehow assures that "few if any legitimate rights will be impacted." [INTA Comments at 5] With all due respect to INTA, the geographic scope of a trademark's protection is a poor indicator of the costs implicated by the registration of a new gTLD that incorporates a trademark.

INTA is rightly concerned about the prospect of "unfairly lock[ing] out legitimate, but smaller trademark owners from obtaining domain names reflective of their own trademarks." [*Id*. at 6] But the geographic scope of a mark's registration says little about the extent of any "legitimate" third-party interests in the use of a mark in a domain (whether at the top or second level). DELTA may well be a GPM (since presumably it is registered globally by Delta Airlines and is identical to that company's "principal online presence"), but arguably there is nonetheless a legitimate interest on the part of the "smaller trademark owner[]" Delta Faucets in utilizing that name in the new gTLD space (either in a ".delta" gTLD for use by its network of dealers, installers, and repairers, or in a "delta.plumbing" in a new domain for plumbing fixtures and supplies).

Conversely, non-GPMs may not need to leave room in the new gTLD domain space for legitimate third-party uses. As noted above, CHEVROLET arguably may not qualify as a GPM (since the "principal online presence" of its owner is arguably "gm.com"), but it is difficult to imagine a legitimate third-party interest in the use of this fanciful name in a new gTLD. A well-heeled registrant may well wish bank on General Motor's eventual interest in the ".chevrolet" domain, but that is classic cybersquatting and is not the sort of interest that should be protected by ICANN. More broadly, a new brand name may not yet have extended its protection to the global level, but if the new mark is a fanciful one, there should be no reason to expect any legitimate third-party interests in using the mark in the new gTLD domain space. Thus, despite the limited geographic scope of protection for a new mark, the costs associated with its use in new gTLD domains may outweigh any benefits.

Ultimately, our point is that the cost/benefit calculus should be performed on a case-by-case basis, weighing the trademark rights on hand against any legitimate interests of the gTLD registrant on the other. On the registrant's side, legitimate interests presumably would encompass concurrent, non-infringing trademark uses (as with the hypothetical ".delta" gTLD registered by Delta Faucets) and non-trademark "fair"' uses (if a hypothetical ".apple" gTLD applicant were genuinely interested in a new domain reserved for apple growers and marketers). If and when a gTLD applicant proposes the use of a trademark (or a confusing variation of it) at the top level, the trademark owner should be entitled to object to the registration, subject to a response by the applicant establishing that the risk of any likelihood of confusion is outweighed by a legitimate interest of its own.

The IRT's approach—of making a categorical determination that GPMs are generally foreclosed from top-level registration and non-GPMs are always available for new gTLDs—is an invitation for cybersquatting that runs roughshod over non-GPM trademark owners' rights without carefully considering the relevant costs and benefits. All trademark owners should be given the right to object to registration of identical or confusingly similar gTLDs subject to a response that considers the counter-balanced considerations of the extent of any legitimate third-party interests.

This approach is consistent with the basic framework set forth in the Carlton Report. Carlton recognizes that "[r]estricting ICANN's ability to expand the number of gTLDs is economically efficient … if costs from new gTLDs, including increased consumer confusion and/or higher costs of monitoring and enforcing trademarks, exceeds the potential benefits to consumers from new gTLDs." [Carlton Report at 18] It is our view that these costs and benefits cannot be weighed in the abstract at the wholesale level, and that the costs and benefits will vary with each individual gTLD. Thus, our approach would simply allow for a trademark owner to object to a new gTLD by identifying trademark monitoring and enforcement costs that would stem from the new domain while permitting the registrant to respond by identifying any countervailing interests in public use of the gTLD.

C. The IRT Report Gives No Persuasive Grounds for Rejecting this Approach.

The IRT Report states that it "considered and rejected the idea of a single, all-encompassing Trademark Reserved Names List as a universal protective mechanism," on the grounds that "(1) such a list could not accommodate the various types (and corresponding scope of legal protection) of protected marks or the possibility of calibrating the recommended RPM to these differing types and scope of protection; (2) designing workable, specific, flexible and inclusive criteria for a single, all-encompassing Trademark Reserved Names List would be extremely difficult—if possible at all; and (3) such a one-size-fits-all solution would not be acceptable to the ICANN community." [IRT Report at 12] This analysis is unpersuasive and ultimately self-defeating. The IRT Report actually *does* adopt a list that establishes a "universal protective mechanism"—in the form of the GPM list. The GPM list is (or at least should be) at least as troubling as the broader list dismissed out of hand by the IRT Report. Of course the GPM list is much more constrained than the broader list rejected in the IRT Report; but the arbitrary criteria that define the GMP list also fail to "accommodate the various types (and corresponding scope of legal protection) of protected marks" and likewise is "unlikely to be broadly acceptable to the ICANN community" (at least that part of it consisting of trademark owners).

Thus, a general "all-encompassing" list is no more untenable than the GPM list. The former could be said to be overinclusive. But the latter is just as surely underinclusive. The question is whether to err on the side of protection of the rights of trademark owners and the concomitant interests of consumers, on the one hand, or on the side of broader gTLD registration, on the other. In the absence of any ground for finding a public interest in the expansive availability of ".trademark" domains, the "all-encompassing" list protecting trademark holders and consumers is preferable to an under-inclusive GPM list.

That said, moreover, it is not necessary to resolve this issue through the adoption of any "list" at all—whether under- or overinlcusive. We propose the adaptation of the IP Clearinghouse to facilitate notice to trademark owners upon submission of an application for a gTLD incorporating a trademark or a confusing variation of it. The IRT Report currently contemplates the use of the IP Clearinghouse only for blocking the use of GPMs at the top level and to provide notice to non-GPMs when their trademark is being applied for at the second level. For reasons noted above, however, owners of non-GPMs should at a minimum be entitled to notice and an opportunity to object when their marks are implicated at the top level in a new gTLD. The IP Clearinghouse should give notice to trademark owners and an opportunity to object to the gTLD application. During this process, trademark owners could submit an opposition to the new gTLD on trademark infringement grounds and the applicant could respond by identifying any legitimate interests it has in the use of the name.

II. THE IRT'S TOP LEVEL PROTECTION STANDARDS WOULD BE PROBLEMATIC IF TAKEN LITERALLY.

The IRT proposes rights protection standards at the top level that would be highly problematic if taken literally. If trademark interests are protected only if consumer confusion or deception is "probable," and if a domain applicant can overcome a trademark owner's rights by the mere incantation of a "legitimate interest," the new gTLD regime will stand as an open invitation for cybersquatting and the process will become bogged down in extensive litigation. To avoid that prospect and to give adequate protection to trademark owners and domain applicants alike, ICANN should adopt standards more in line with the UDRP and the ACPA, which are designed for cases that require a careful weighing of important interests on both the trademark owner's and the domain applicant's side of the balance.[7]

A. The Probability of Confusion or Deception Standard is Inconsistent with Settled Law and Should Be Replaced with a "Confusingly Similar" Standard.

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[7] For reasons explained above, the trademark protection standards adopted by ICANN should not be limited to GPMs, but should extend on equal terms to all trademark owners. This would not mean that all trademark owners would have equal rights to preclude the use of their marks in the new gTLD space. Some marks would by their nature need to leave room for third-party usage in the new domains; as noted above, those marks would include marks with concurrent registrations in different geographic regions or in different product lines and marks with descriptive or generic meaning when used in different contexts. But again, the inquiry into the strength and breadth of an opposing party's trademark rights should be evaluated on a case-by-case basis, not by an arbitrary cut-off based on the IRT's definition of "global protection."

At the top level, the IRT would allow GPM owners to block the registration of gTLDs that are an "identical match" to the mark, or that are "likely, as a matter of probability and not mere possibility, to deceive or cause confusion"—subject to a "reconsideration" request by the applicant (to a "specialist dispute resolution provider") establishing "that the applied-for TLD is not sufficiently similar" to be likely to cause confusion or that the applicant "has legitimate rights to use the applied-for TLD." [Report at 19] On the threshold issue, the likelihood of confusion standard is inconsistent with settled law and completely out of place in the internet domain context. The notion of being "likely, as a matter of probability and not mere possibility, to deceive or cause confusion," may make sense in a standard case of trademark infringement, but this is inconsistent with settled cybersquatting standards (under both the UDRP and the ACPA) and wholly inadequate in this context.

The UDRP simply inquires into whether a domain name is "identical or confusingly similar," a concept that recognizes the cognizability of "initial interest confusion" and renders irrelevant the actual content of a website, *see* WIPO Overview of Panel Views on Selected UDRP Questions, http://www.wipo.int/amc/en/domains/search/overview/index.html (citing cases for the "consensus view" under the UDRP that "[t]he content of a website (whether it is similar or different to the business of a trademark owner) is irrelevant in the finding of confusing similarity"). Under the ACPA's "confusingly similar" standard, the courts likewise consider it "irrelevant … that confusion about a Web site's source or sponsorship could be resolved by visiting the Web site identified by the accused domain name," and find that even "typosquatting" by "slight spelling variation[s] will not prevent a finding of confusing similarity." [*McCarthy on Trademarks and Unfair Competition* § 25:78 (citing *Shields v. Zuccarini*, 254 F.3d 476 (3d Cir. 2001) ("A reasonable interpretation of conduct covered by the phrase ' confusingly similar' is the intentional registration of domain names that are misspellings of distinctive or famous names, causing an Internet user who makes a slight spelling or typing error to reach an unintended site.").] Thus, the threshold standard in cybersquatting cases "is a truncated one compared to the usual likelihood of confusion analysis of the typical trademark dispute, which factors in differences between the goods or services of the disputing parties." [*Id.*]

The IRT's proposed standard should be rejected in favor of the UDRP/ACPA inquiry into confusing similarity. If a "probability" of deception or confusion were the standard, cybersquatters could take advantage of the new gTLD regime with impunity, so long as they were savvy enough to differentiate themselves on their websites from the owners of the trademarks they misappropriate. ICANN should adopt a threshold standard that addresses the harm that can flow from typosquatting and other "confusingly similar" uses of trademarks that may be resolved after online investigation by consumers.

B. A Top Level Applicant's Showing of a "Legitimate Interest" Should Not Be Interpreted to Foreclose a Balancing of the Parties' Rights Under a "Bad Faith" Standard.

The IRT's framework is also problematic in its proposed standard for "reconsideration" requests by the applicant, which would allow a new gTLD applicant to defeat a trademark owner's rights upon a showing that it "has legitimate rights to use the applied-for gTLD." [Report at 20] On this point, the IRT Report does not incorporate the UDRP expressly, but it does so elsewhere and presumably the "legitimate rights" notion implicates the UDRP ¶ 4(c) standard of "rights to and legitimate interests in the domain name."[8] In a footnote, the IRT asserts that the applicant could carry this burden by demonstrating "that it has common law rights in the word of which the applied-for gTLD consists" or that the mark is "a generic word for goods and/or services other than those the GPM identifies" and the applicant commits "that it will only use the gTLD in the generic sense of the word." [Report at 20, n. 18]

These examples seem appropriate as far as they go, but the general "legitimate right" notion would be problematic if taken to its literal extreme. The mere incantation of a "legitimate right" should not be read to defeat a trademark owner's rights without a careful balance of the competing interests at stake. Instead, those rights should be balanced under a "bad faith" inquiry like that prescribed in the ACPA.

Some UDRP panels have endorsed broad notions of "legitimate" interests that should not be transferred literally to the top level gTLD context. One example is the notion that a "reseller" can be deemed to be "making a bona fide offering of goods and services and thus have a legitimate interest in the domain name if the use fits certain requirements." [WIPO Overview of Panel Views on Selected UDRP Questions § 2.3] This principle is subject to certain caveats and limitations in the second level domain context (e.g., the "actual offering of goods and services at issue, the use of the site to sell only the trademarked goods and the site accurately disclosing the registrant's relationship with the trademark owner," and the condition that the registrant "not try to corner the market in domain names that reflect the trademark") [*id*. (citing cases)], but these provisos do not translate well at the top level. An applicant for a gTLD incorporating a trademark presumably could always (and plausibly) claim that it intends to use the new domain only for the resale of trademarked goods and that it has disclosed its relationship with the trademark owner. But the applicant's real purpose could be to cash in on the domain's apparent connection to the trademark holder (in hopes of selling the gTLD to the trademark owner), and under such circumstances the application would be an act of cybersquatting that should be condemned by ICANN.

The sporting goods giant Nike, for example, might decide against applying for the ".nike" gTLD on the ground that the nike.com domain is a sufficient, established internet portal and the $185,000 price tag is too steep. Under these circumstances, a third-party reseller of Nike products could submit an application for the ".nike" gTLD while offering a plausible argument

[8] This paragraph is cited expressly in the IRT Report's discussion of parallel protections at the second level (discussed below), but not in its treatment of the first level issue.

that it intends to use the domain only for those involved in reselling genuine Nike sporting goods and has disclaimed any connection to the trademark owner. But the applicant's real intent may be to squat on the perceived value of a domain that appears to be connected to the owner of the NIKE trademark. Eventually, if numerous resellers and other third parties register second level domains in the ".nike" top level, Nike may be faced with the dilemma of either (a) leaving a third party in control of an online domain that flies under the flag of its world-famous trademark or (b) forking over the extortive price the third party demands for transfer of the domain. With the prospect of this future dilemma in mind, the trademark owner may initially feel pressed to simply register the ".trademark" gTLD at the outset—despite the fact that it has no real business interest in doing so, but simply as a defense against this prospective dilemma. For the same reasons, potential applicants may be tempted to register ".trademark" gTLDs in a high stakes cybersquatting bid to cash in on the trademark owner's eventual dilemma.

If the IRT standard were interpreted to allow such registrations, it would stand as an open invitation for abusive registrations—and an unfortunate incentive for wasteful, defensive gTLD registration by trademark owners. ICANN should adopt standards that protect the rights of trademark owners and that allow them to avoid this dilemma. Instead of endorsing any new gTLD registration upon mere assertion of a "legitimate interest" in resale, ICANN should adopt a mechanism for a careful weighing of the parties' competing interests and evaluation of the applicant's real intent. After all, the UDRP standards were not designed to "cover domain name disputes where each of the parties has some legitimate legal claim to the use of the domain name"; "ICANN intentionally chose to relegate to the courts all domain name disputes between 'legitimate' claimants." [*McCarthy* § 25:74.75]

The core flaw in the IRT's top level domain standard is its sweeping foreclosure of trademark rights under a standard designed for straightforward cases where there is no "legitimate interest" on the registrant's side of the balance. The perfunctory UDRP approach may be appropriate in the high volume, low-priced context of second level domains, but at the top level the stakes are too high (and, presumably, the volume too low) to justify such an approach. On an issue as important as the registration of a new top level domain where the stakes are so significant and the risk of harm to the trademark owner is so substantial, ICANN should adopt standards that are designed to "cover domain name disputes where each of the parties has some legitimate legal claim to the use of the domain name."

The appropriate standard should look like that set forth in the ACPA, which is expressly "'designed to balance the property interests of trademark owners with the legitimate interests of Internet users and others who seek to make lawful uses of others' marks.'" [*McCarthy* § 25:78 (quoting House Judiciary Committee Report on H.R. 3028, H.R. Rep. No. 106-412 p. 10 (October 25, 1999))] Under the ACPA, a domain name registration infringes a trademark owner's rights where four elements are established: (1) the defendant has registered, trafficked in or used a domain name; (2) which is identical to or confusingly similar to a mark owned by the plaintiff; (3) the mark was distinctive at the time of the defendant's registration of the domain name; and (4) the defendant has committed the acts with a bad faith intent to profit from the plaintiff's mark. 15 U.S.C. § 1125(c).

The "most critical and difficult issue" is the fourth element of "bad faith intent," which is evaluated under "a list of nine nonexhaustive factors" that are "'designed to balance the property interests of trademark owners with the legitimate interests of Internet users and others who seek to make lawful uses of others' marks, including for purposes such as comparative advertising, comment, criticism, parody, news reporting, fair use, etc.'" [*McCarthy* § 25:78 (quoting House Judiciary Committee Report on H.R. 3028, H.R. Rep. No. 106-412 p. 10 (October 25, 1999))] "The first four factors suggest circumstances tending to indicate an absence of bad faith intent to profit from the goodwill of the mark, the next four tend to indicate that such bad faith does exist and the last factor points in either direction, depending on the degree of distinctiveness and fame of the mark."[9] [*Id.*] These factors are a better, more careful mechanism for weighing the competing parties' rights than the approach proposed by the IRT, which gives short shrift to the rights of trademark owners.

If ICANN fails to adopt a standard that calls for careful weighing of the competing parties' interests under a bad faith standard, the gTLD process will inevitably become mired down in litigation. The ACPA's expansive definition of "domain name"— "any alphanumeric

[9] The nine factors, which will not be addressed in detail here, are: the trademark or other intellectual property rights of the person, if any, in the domain name; the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person; the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services; the person's bona fide noncommercial or fair use of the mark in a site accessible under the domain name; the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site; the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services, or the person's prior conduct indicating a pattern of such conduct; the person's provision of material and misleading false contact information when applying for the registration of the domain name, the person's intentional failure to maintain accurate contact information, or the person's prior conduct indicating a pattern of such conduct; the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of the parties; and the extent to which the mark incorporated in the person's domain name registration is or is not distinctive and famous within the meaning of subsection (c)(1) of this section. 15 U.S.C. § 1125(d)(1)(B)(i).

designation which is registered with or assigned by any domain name registrar, domain name registry, or other domain name registration authority as part of an electronic address on the Internet"[10]—is easily broad enough to encompass a new gTLD. Thus, owners of trademarks protected under the ACPA can and will sue to protect their rights if forced to do so. ICANN should seek to forestall the likelihood of such litigation by adopting more balanced rights-protection mechanisms at the registration stage.

III. THE IRT'S SECOND LEVEL RIGHTS MECHANISMS ARE INADEQUATE.

The second level issue is admittedly more difficult. In light of the low cost and high volume of second level registrations, it may not be feasible to propose the implementation of a standard that calls for careful weighing or balancing of competing rights in all cases at the time of registration. Thus, we understand the basis for the IRT's adoption of UDRP-like standards at the second level, which appear in the standards for (a) "blocking" of second-level registrations that are identical to GPMs; (b) notice through the IP Claims Service for second-level registrations that are identical to non-GPMs; and (c) the URS system. The IRT's proposed standards are a move in the right direction, in that they will minimize the incentive for registrants to monetize the goodwill and value in trademarks by creating more effective enforcement mechanisms for trademark owners. However, the standards proposed by the IRT are problematic in a number of respects. A registration-phase blocking mechanism should be available to all trademark owners, subject to a response by the registrant upon any credible, *prima facie* showing of any right or legitimate interest in the domain. The IP Claims Service and URS procedures are not an adequate substitute for this essential mechanism.

A. The "Blocking" Standard Should Be Modified and Extended to All Trademarks.

For second-level domains that are "identical" to trademarks, the IRT proposes a two-part standard that gives GPM owners a right to block registrations and non-GPM owners a right to notice through the IP Claims Service and certain representations and warranties from the registrant. Specifically, a GPM owner is entitled to "block[] the registration of second-level domain names that are an identical match to the GPM," while an applicant can undo the block by "demonstrat[ing] to a dispute resolution provider that its registration would be consistent with generally accepted trademark laws; namely, that its use of the domain name would not infringe the legal rights of the GPM owner." [Report at 21] The IRT Report goes on to explain that "[t]o overcome the block, the applicant must show that it has a right or legitimate interest in the initially blocked name" and states that "the criteria in Paragraph 4(c) of the UDRP should be used." [*Id.*]

Non-GPM owners would have no blocking rights under the IRT's approach. Instead, for marks that fall short of the GPML that are "identical" to a second-level domain, the IRT calls for

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[10] 15 U.S.C. § 1127.

a notice by the new gTLD registry to both "(a) potential registrants of domain names that identically match trademarks contained within the IP Clearinghouse; and (b) owners of trademarks contained within the IP Clearinghouse of the registration of domain names that identically match its trademark(s)." [Report at 22] In addition, each registrant who receives a notice under the IP Claims Service must" (i) affirmatively opt[] into the registration of the domain name after receiving notice; (ii) represent[] and warrant[] that it has a right or legitimate interest in that domain name; (iii) represent[] and warrant[] that it will not use the domain name in bad faith as described in the UDRP; (iv) acknowledge[] that the registration or use of the domain name in bad faith may result in suspension under the URS, a UDRP proceeding, and/or judicial action by the appropriate trademark owner; and (v) represent[] and warrant[] that the registrant contact information provided in support of the domain name registration is valid and accurate, and acknowledge[] that provision of false information may result in cancellation of the registration." [*Id.*]

A threshold problem with the IRT's approach is its treatment of non-GPMs. For all of the reasons explained above, the geographic scope of a mark's protection is a poor proxy for the extent of any legitimate third-party rights in using the mark in a domain name. Thus, if blocking is an important mechanism, and we believe that it is for reasons explained below, there is no reason to limit the blocking right to GPMs. The owner of any trademark should be entitled to an initial block of a domain name in a new gTLD, subject to a showing of any of a broad range of "rights or legitimate interests" in the domain name by the registrant.

The standards in UDRP ¶ 4(c) provide ready, ample grounds on which a registrant could quickly rebut a trademark owner's block of a second level domain name registration. Those grounds include any showing that:

> (i) before any notice to you of the dispute, your use of, or demonstrable preparations to use, the domain name or a name corresponding to the domain name in connection with a bona fide offering of goods or services; or (ii) you (as an individual, business, or other organization) have been commonly known by the domain name, even if you have acquired no trademark or service mark rights; or (iii) you are making a legitimate noncommercial or fair use of the domain name, without intent for commercial gain to misleadingly divert consumers or to tarnish the trademark or service mark at issue.

As noted above, the UDRP establishes streamlined administrative standards that do not impose liability where the registrant is able to identify any legitimate interest in registration of the domain. Thus, the registrant's burden of rebutting the block would be minimal; any credible, *prima facie* showing of any of the ¶ 4(c) rights or interests would suffice.[11] Such rights and

[11] The IRT's articulation of the registrant's rebuttal showing is confusing and problematic. We do not think it makes sense in the blocking process to require the registrant to show "that its registration would be consistent with generally accepted trademark laws," or "that its use of the

interests would encompass all of those identified by the IRT on the registrant's side of the balance, including use by a reseller of trademarked goods, fair use criticism or commentary, and non-trademark uses of a word in its descriptive or generic sense. A *prima facie* showing of such a right or legitimate interest could be made in a simple, straightforward fashion, facilitating a quick and streamlined registration process while protecting important trademark rights.[12]

Notably, the registrant's "rights and legitimate interests" would not encompass prototypical cybersquatting or typosquatting, under which the registrant's only goal is in capitalizing on the goodwill and drawing power in a mark resulting from longstanding investments by its owner. If the registrant is unable to make a credible *prima facie* showing of any interest beyond this illegitimate one, the domain name should be blocked at the outset. The blocking right, moreover, should not be limited to marks that clear the arbitrary hurdle of being "globally protected." Non-GPMs are broadly susceptible to cybersquatting and typosquatting, and their more limited geographic scope (or the fact that they are not identical to the owner's "principal online presence") should not facilitate their use for such illegitimate and harmful purposes.

For the same reasons, the IRT's definition of "identical" should be modified to encompass minor spelling variations and other obvious attempts at cybersquatting or typosquatting. Such uses are patently illegitimate and economically wasteful, in that they create incentives for defensive registrations and costly enforcement actions by trademark owners while also diverting traffic on the internet. Trademark owners should have a threshold right to block typosquatting uses of their marks in the same way that they block identical domains.

B. The IP Clearinghouse and Claims Service, URS, and Sunrise Registration Process Are Inadequate Substitutes for a Blocking Right.

The IRT seeks to protect the rights of non-GPM owners through its IP Clearinghouse and Claims Service, Standard Sunrise Registration Process, and URS procedure. These mechanisms are inadequate substitutes for a threshold blocking right, however.

The IP Clearinghouse should be jointly funded and its data of limited use.

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domain name would not infringe the legal rights of the GPM owner." [Report at 21] Taken literally, this standard would turn the blocking process into a full-blown evidentiary proceeding to determine whether the trademark owner's "legal rights" have been violated. If the blocking process is to work, it must be designed only to resolve the obvious cases of abuse, leaving to resolution of competing rights to UDRP or litigation.

[12] Conceivably, any concerns about abuse of the blocking system could be addressed by means of a "loser pays" standard like the one proposed elsewhere by the IRT.

The IP Clearinghouse is a potentially important mechanism, but its utility requires some important adjustments. First, its funding should be shared by stakeholders on both sides, a point on which we agree wholeheartedly with WIPO (in its recent comments dated June 18, 2009). This is a point of enormous theoretical and practical significance. Although (as noted above) a careful economic analysis of the new gTLD regime is notably absent, it is patently clear that its principal beneficiaries include new registries and registrars. If ICANN proceeds with this regime, the costs of monitoring and enforcement must at least be shared by these beneficiaries. Such an approach will inevitably distort the new gTLD regime. If ICANN's registries and registrars reap all of the benefits of a ".trademark" registration while externalizing the costs on third-party trademark owners, registration decisions will proceed even where the costs substantially outweigh the benefits. The net impact of these inefficiencies ultimately will be felt by consumers, who eventually will feel the brunt of the costs externalized by ICANN onto trademark owners.

WIPO's recent comments highlight another important concern: "There should be safeguards to ensure that any data submitted is used for the purpose clearly defined for the Clearinghouse, and only for the duration of its contract." The IRT's failure to adopt such a safeguard adds insult to the trademark owner's injury, who not only would be required to carry the costs of the Clearinghouse but would have no guarantee that their data would be limited to carefully agreed-to purposes. This process is untenable.

The IP Claims Service's notices are an inadequate substitute for a blocking right.

The notices contemplated by the IP Claims Service are a small step in the right direction, in that they would give trademark owners a jump on nipping cybersquatting in the bud at earlier stages. But the representations and warranties add little or nothing of use to the trademark owner, as they are merely a restatement of rights already protected elsewhere. A registrant in the business of cybersquatting or typosquatting will hardly be deterred by the requirement of making representations and warranties. In cases of blatant and obvious cybersquatting, where the registrant cannot even articulate a *prima facie* "legitimate interest" in the domain, only a blocking right will give adequate protection to the trademark owner.

Sunrise registration cannot be an alternative RPM; it is a profit-centered churning mechanism requiring defensive registrations.

The proposed availability of a "standard sunrise registration process" to be offered "in lieu of" this IP Claims Service [Report 22] makes this regime even more troubling. If a new gTLD registry so chooses, the IRT would allow it to discard even the minimalist IP Claims Service protections (of notice, representation, and warranty) by simply electing the standard sunrise process. This is an expedient and entirely empty alternative. To be sure, the sunrise process would allow trademark owners an advance opportunity for defensive registration of domains incorporating their trademarks. But this is no substitute—and certainly not an adequate one—for actual rights-protection mechanisms. It is an empty process that enables the registry to hold valuable domains hostage until trademark owners pony up defensive registration fees that are paid not out of any legitimate interest in the name, but in a wasteful attempt at self-preservation.

This is not rights protection; it is domain name churning, whose only beneficiaries are the registries. Past experience with other new registries has shown that this problem is magnified where the registry charges premium prices for sunrise registrations. With these problems in mind, the IRT's sunrise registration procedure should be in addition—and not an alternative to—other RPMs (a point on which we agree wholeheartedly with WIPO's comments). Sunrise registrations, moreover, should be cost-based; premium fees should be prohibited.

The URS is not sufficiently streamlined, particularly in the absence of a transfer remedy.

As for the URS, it is well-intentioned, but also falls short. We applaud the idea of a streamlined procedure for identifying "clear cases of trademark abuse" [Report at 26], but that result would not be effectively achieved under the framework proposed by the IRT. The proposed timing and standards for the URS are inadequate to deter blatant trademark abuse; a blocking procedure at the registration phase is a far superior mechanism.

As the IRT recognizes, cybersquatting is a problem that is "already insidious and enormous in scale," and it "will continue to spiral out of control with the introduction of an unlimited number of new gTLDs unless addressed." [Report at 26] The allure of a trademark with substantial goodwill and drawing power is often irresistible to domain name registrants, who see the registration fee as a minimal price to pay for the value they can acquire in luring consumers to their websites or in holding a mark for eventual auction or sale. In "obvious cases" of blatant trademark abuse, "registrants often either fail to respond or simply agree to transfer the domain name after initiation of a UDRP," a result that causes "brand owners [to] spend large amounts of money to build up portfolios of domain names they do not want, simply to prevent fraud on their consumers and misuse of their brands." [*Id.* at 25]

This unfortunate scenario will continue so long as domain registrants can maintain an initial period in which they can monetize the value of their abusive registrations. So long as trademark owners have the burden of "taking down infringing domain name registrations" [*id.* at 26], some of the allure of abusive registration will remain. The URS commendably seeks to streamline the take-down timeframe, but the process still has loopholes that would prove irresistible to abusive registrants.

First, the IRT's timeline is simply too long to be effective. The registrant is given fourteen days to submit an initial Answer to the URS complaint, but may subsequently file a Default Answer "at any time during the life of the domain name registration," which is at no additional cost if filed within thirty days of the default. Although default would result in "takedown" of the domain name, the takedown is "immediately revoked" upon filing of a Default Answer.[13] Upon filing of the Answer / Default Answer or upon default, the case proceeds to final evaluation by a "qualified legal expert." Throughout this timeframe, the registrant's "website will still resolve and the domain name will remain active in the zone file." [*Id.* at 29]

The delay inherent in the "rapid suspension" system is exacerbated by the inexplicable requirement of substantive examination even in cases of "default." We know of no precedent for a system that gives a party in an adversary proceeding a right to openly default without incurring the downside risk of a default judgment. The incentives for the parties in such a system will be terribly skewed, and the system seems destined to get bogged down in a requirement of substantive examination even in default cases. No expedited system can remain so if all cases have to be decided on their merits.

There is no telling how long this process typically will take, but there is no question that in many cases the period will be long enough to preserve an incentive for abusive registration. A valuable domain name incorporating a famous trademark (or variation thereof) can bring significant value through schemes aimed at phishing, malware distribution, online advertising, provision of adult content to the unwary, etc. If the registration truly involves an obvious case of trademark abuse with "no genuine contestable issue," a "takedown" mechanism is inadequate even if it is accomplished within a few weeks; only a registration-phase block will suffice.

Second, the remedy envisioned by the IRT is also inadequate. If the trademark owner's only remedy is a freeze on the domain name for the "duration of the registration period," the harms from blatant trademark abuse will remain unaddressed. Abusive domain names drive internet traffic away from the trademark owner onto the websites of the abuser. In order to redress that harm, it is often essential to allow the trademark owner to recapture that traffic by giving it the option to point the infringing domain name to the trademark owner's own website.

The IRT's rejection of this remedy is puzzling. In a footnote, the IRT states that it would keep "the remedy of the URS to 1) locking of the domain registration and 2) taking down the associated harmful use" so that "the URS can remain quick while still balancing the right of the registrant by not transferring the property during an expedited process." [Report at 35] If the URS decision is reserved for cases of clear and obvious trademark abuse where there is "no genuine contestable issue" on the registrant's side, however, there is no good reason to "balanc[e] the right of the registrant," who is a blatant abuser. Nor would a transfer remedy in any way interfere with the goal of a "quick" result. Once the registration is found to be clearly

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[13] The Default Answer is also problematic in that it would introduce substantial uncertainty and a potential for gamesmanship. If a registrant perpetually retains the right to reopen the URS proceeding upon payment of a small fee, the trademark owner will be forced to continually monitor the domain name even after pursuing the initial URS complaint.

abusive, the trademark owner can simply be given the option of a transfer, a result that would add nothing to the timeframe for decision.

The absence of a transfer remedy may also facilitate a cycle of trademark abuse. The URS "takedown" remains only for the duration of the registration period [Report at 35], a result that may encourage other abusers to await the availability of once-frozen abusive domains, registering them anew and requiring trademark owners to pursue a second cycle of URS proceedings.

For all of these reasons, a blocking mechanism at the registration phase is essential to protect the rights of trademark owners. That mechanism should be available to all trademark owners (not just GPMs), and should operate only against obviously abusive domains.

Sincerely,

Thomas Lee

Thomas R. Lee, Of Counsel

Gregory D. Phillips

cc: Clients
Honorable Orrin G. Hatch
U.S. Department of Justice
U.S. Department of Commerce