COMMENTS OF THE ASSOCIATION OF NATIONAL ADVERTISERS (ANA) REGARDING THE TRADEMARK CLEARINGHOUSE "STRAWMAN" PROPOSAL AND LIMITED PREVENTATIVE REGISTRATIONS

ANA provides these comments regarding the Trademark Clearinghouse "Strawman" proposal and Limited Preventative Registrations for the guidance of the GNSO, Fadi Chehadé and ICANN generally.

We appreciate the efforts of Mr. Chehadé and the various stakeholder groups to address the dangerously inadequate rights protections mechanisms (RPMs) currently in place for new gTLDs.

However, we are gravely concerned that the most significant element of these proposals – Limited Preventative Registrations – was removed from the proposed RPM reforms crafted by the Intellectual Property Constituency and Business Constituency (IPC/BC). The IPC/BC identified Limited Preventative Registrations (LPRs) as the number one priority in this process, and with good reason: **an effective LPR mechanism is the only current or proposed RPM that addresses the critical problem of defensive registrations in the new Top Level Domain (gTLD) approach.** LPRs must be the key element of any meaningful proposal to fix RPMs. LPRs must be reinstated in the "Strawman" proposal and must be adopted by ICANN to provide credibility to the new gTLD universe.

The GNSO should not permit arguments about procedure and "policy vs. implementation" to stand in the way of resolving critical issues facing consumers and brandowners. Defensive registrations already are a huge burden on brandowners in the current Internet environment (where there are only 22 gTLDs). Brandowners constantly confront cybersquatters, phishers, spoofers, and other criminals on the Internet who attempt to use a company's good name and goodwill to mislead and steal from consumers. In order to protect consumers and their reputations, brandowners are forced to acquire unwanted "defensive registrations" solely to keep these registrations out of the hands of bad actors. The costs for defensive registrations are passed on to consumers in higher prices, employees in lower wages, and shareholders and business owners (large and small) in decreased earnings and profits. Registrars and registries are the only winners when it comes to defensive registrations.

As new gTLDs are introduced, the defensive registration approach – already a burden without a true benefit – will become unworkable, unmanageable and extraordinarily expensive. ICANN proposes to increase TLDs from 22 to nearly 1,000 – an almost 50 times increase. The cost to brandowners (and thus consumers and others) to acquire defensive registrations across all the new domains could easily reach $7 to $14 billion in Sunrise and land rush acquisitions alone, without calculating the staff and vendor resources involved in monitoring registration periods, registering in second-level domains, and maintaining any secured second-level registrations. These costs are exclusive of the major consumer harms and other rampant abuses

of trademarks that are thoroughly predictable. No reasonable budget can tolerate a 50 times increase in a single line item, yet this is what brandowners are facing.

Brandowners have consistently sought a solution to the defensive registration problem through ICANN, and the NTIA and other entities have supported this quest; but, so far, ICANN has not adopted a satisfactory solution. Most recently, the problem of defensive registrations was identified as one of the "eight points" for key RPM protection developed by the IPC/BC. LPR grew out of these eight points and was identified as the number one priority of the IPC/BC after the recent ICANN meeting in Toronto.

LPRs are needed to provide a reasonable alternative to defensive registrations. LPRs are a measured, conservative response to this problem, intended to balance the needs of all Internet stakeholders. LPRs will provide significant revenues to registrars and registries; this is an important change from similar proposals in the past. These revenues will more than offset any modest burden on registries and registrars from maintaining this variation on Sunrise (which will primarily be administered by the Trademark Clearinghouse (TMCH), in any case). Such revenues are not speculative; a properly priced LPR (i.e., one with a significant discount from the cost of a full, resolving registration) will be used by a great number of brandowners, given the alternatives, and will thus be revenue-generating. We also reject the argument that LPRs expand brandowner rights or the scope of protections, as LPRs are only available for exact matches for strings in the TMCH. Thus, LPRs will have no greater effect than Sunrise on the availability of domain names. Since LPRs will only register in a TLD after the close of Sunrise, LPRs will not block Sunrise registrations for resolving domain names from other legitimate registrants. Further, since LPRs must meet the same eligibility criteria as other registrations in domains with restrictive criteria, LPRs will not block "relevant" registrants in such TLDs. LPRs simply give brandowners a cost-effective method to implement domain name registrations that are needed for consumer and brand protection purposes, but not for marketing, communication or commerce purposes.

We recognize that the Strawman proposal contains some salutary improvements. In particular, Strawman Solution #4, the ability to add up to 50 previously-abused strings that are variations of a TMCH trademark, recognizes the reality of cybersquatting. Cybersquatters regularly "spin the wheel" and register multiple variations on a brand name (typos, combinations with product names, modifiers, etc.). The TMCH, as currently configured, only deals with the tip of the iceberg. In any event, this is a short-term protection that will evaporate along with the TMCH itself.

Indeed, the short duration of the TMCH claims notice period is another of its significant shortcomings. Strawman Solution #2 helps slightly, by increasing the notice period from 60 to 90 days. But this is just a drop in the bucket – trading a short, arbitrary 60-day period for a slightly longer, but still short, arbitrary 90-day period. Cybersquatting goes on forever, as exhibited by the rampant cybersquatting still prevalent in .com over a decade after its creation. The TMCH should be perpetual as well, with the full ("Claims 1") notice period in place at all times.

In that regard, Strawman Solution #3, the "Claims 2" notice, is actually quite troublesome. In its current incarnation, the weakened Claims 2 notice is wholly inadequate – and brandowners end up suffering doubly. Brandowners must pay for the Claims 2 notice, but that will only provide notice to the potential registrant, not to the brandowner. And this notice may not even provide the Claims data to the potential registrant. Thus, the Claims 2 notice will provide zero enforcement value to brandowners. It will also provide zero deterrent value to

potential registrants, other than those who unwittingly seek to register a domain that triggers a notice. Finally, Strawman Solution #1, the Sunrise period notification, is a modest assistance to brandowners in managing the multiple Sunrise processes. Not surprisingly, this seems to have the broadest support among registries and registrars, since it is essentially mandatory advertising for the new gTLDs.

Taken together, the Strawman proposal is a package of short-term solutions of limited value; and in regard to Claims 2 notice, the proposal is a "service" that is both costly and virtually useless. Without LPRs, the Strawman proposal is simply not sufficient to protect consumers and trademark owners. The LPR is the only long-term protection for consumers and brandowners presently being discussed and the only solution that deals directly with the scourge of defensive registrations; unfortunately, it does not yet appear to be receiving the serious consideration that it deserves and is being excluded from the "Strawman" proposal.

Some participants in the ICANN review process label LPRs "policy" rather than "implementation"; we strongly disagree. As noted above, LPRs do not broaden the scope of protection; the scope is identical to TMCH and Sunrise and no new strings are eligible for protection. LPRs merely provide a more reasonable alternative to defensive registrations for brandowners who do not want to use a domain name but also do not wish the domain to fall into the hands of cybersquatters.

Even if LPRs were to be labeled "policy," it is still not too late to implement action on such a critical issue. In fact, the Policy Process is mandated where consumer harm may occur. According to Section 9.3 of the Affirmation of Commitments, the following items must be "adequately addressed prior to implementation . . . competition, consumer protection, security, stability and resiliency, malicious abuse issues, sovereignty concerns and rights protections." Clearly, consumer protection and rights protections have not been adequately addressed. Consumer harm and abuse in the current domain environment is abundant, and it will only increase in the new, drastically expanded TLD environment, when the name space increases by over 6000%. The Affirmation of Commitments demands that ICANN pause and address the consumer, malicious abuse and trademark rights concerns we have raised in a policy process; only then should ICANN proceed to implementation. The current procedural tactic of labeling items as "policy" and "already settled" does not address the substance of these very real concerns.

At the heart of our concerns, without the LPR, consumers will be harmed – brandowners cannot feasibly acquire all the defensive registrations needed to avert cybersquatting (though registries and registrars would surely like brandowners to attempt to do so). As noted above, this would be too expensive, and virtually impossible to protect against without the LPR. The numbers will be enormous for the largest companies and likely prohibitive for smaller entities. Without an affordable way to protect registrations from fraud and abuse, there will be more cybersquatting, phishing and spoofing sites that use brand names to trap the unwary. A gTLD that does not offer brandowners a reasonable method of registering brand name strings for defensive purposes is risking its own credibility. In fact, some of the very same registrars that are now questioning the need for the LPR have previously proposed LPR-like solutions to address the problem of defensive registrations within their projected new domains.

Some gTLDs, of course, may adopt LPRs of their own accord, but the health of the Internet demands consistency on such a crucial issue. Without LPRs, to the extent companies do increase their budget for defensive registrations, these costs will be either passed on to

consumers as higher prices, passed on to employees in the form of lower wages or layoffs, and/or passed on to shareholders and other owners (large and small) in the form of lower dividends and/or lower stock prices. These results are not good for anybody, in the long run.

Finally, while the LPR is powerful, it is still a limited protective measure that is intended to operate best in conjunction with a strong interconnected series of ICANN protections. For consumer and brand protection to operate effectively on the web, stakeholders and the public interest need: (1) the LPR, (2) a WHOIS database that is reliable and accurate, (3) a more functional Uniform Rapid Suspension (URS) system with a lower burden of proof and a domain transfer right, and (4) a compliance department at ICANN that will diligently pursue wrongdoers without fear or favor. We understand that these other items are being addressed in separate proceedings, but it is important to emphasize that the LPR is a necessary aspect of a suite of protections throughout the life cycle of domains. It will work best if it is supported by other reforms that will protect consumers and improve brand policing on the web.

In closing, ANA submits that the RPMs will not be meaningful – even if the Strawman proposal is adopted – without the LPRs. We urge the GNSO, Mr. Chehadé and ICANN to adopt LPRs to protect consumers, brandowners and other stakeholders in a world where defensive registrations (which are extremely onerous in the best of circumstances) will no longer work, no matter how much money is spent pursuing them. Simply put, implementing an effective LPR mechanism is the right and essential thing to do – for consumers, for Internet users, for brandowners, and for the integrity of the Internet.