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The Internet Corporation for Assigned Names and Numbers
Rod Beckstrom, CEO
Peter Dengate Trush, Chairman
4676 Admiralty Way, Suite 330.
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USA

Dear Rod, dear Peter.

After careful consideration, EuroDNS SA (Registrar ID: 1050) is respectfully submitting the following comments on Initial Report on Vertical Integration Between Registrars and Registries (“VI”).

The following complements our existing comments on DAGv4 as they relate to Vertical Integration. Our position is identical but reinforced by an extra month within this working group.

I. Why the Default Position is inadequate and unnecessary

Having attended most ICANN meetings over the years, EuroDNS has witnessed several members of the Community repeatedly express their fear towards VI. This probably explains the radical nature of DAGv4’s “default position”, yet we believe this strict interpretation is not necessary and may ultimately be detrimental to the whole new gTLD process.

1) ccTLDs show us VI is not a bad thing and can benefit the market and consumers

Based in Luxembourg, EuroDNS – accredited Registrar for 200+ Country Code Top Level Domains (ccTLDs) – has a unique experience with European Registries, many of which have implemented some form of Vertical Integration¹ without noticeable harm to the Registrars’ market share or the Registrants’ rights. Rather, in many cases Registrants are comforted to retain a default choice with the Registry itself – either they don’t have a Registrar of choice or just need a basic domain name service – while Registrars can grow and maintain a steady business by offering more services or better prices.

Many *potential* “harms” have been discussed by the VI Working Group for future gTLDs, yet we must state that such harms have never happened in the many ccTLDs space which currently use VI principles in their respective business models.

¹ To name a few: .DE, .AT, .LU, .SE, .CH...

2) Strict separation will be detrimental to the new gTLD process

While separation may have been desirable to counter the effect of the de-facto monopoly of yore – such as .com or any of the first gTLDs – ICANN itself says that “diversity, choice and competition are essential”² to the new gTLD process.

Old models should not be relevant to this new era where cities, regions, interest groups and brands all want to be part of this expansion but have no interest in every the aspects of the DNS or quite simply lack the technical resources to launch a full-fledged Registry operation.

For years companies and individuals have relied on the expertise and accessibility of their Registrar(s) to deal with the complexity of the DNS, to use and benefit from the Internet without having to deal with its more technical aspects. Now that ICANN is “pushing the Internet to next level”, it seems counter productive – and borderline absurd – to ask of a Registrar to flatly refuse to help its existing or potential customers. Many projects will simply not happen if their promoters are left on their own, without the relevant expertise.

Lastly, looking at existing gTLDs such as .Coop, .Museum, .Aero or even .Tel, it is hard to dispute that those extensions, although serving a specific purpose, do not have the broad appeal many Registrars seek before investing significant marketing funds. Therefore, for projects such as these – and the upcoming expansion will probably see many more – the ability to distribute its own extension directly to end-customers would be a significant step towards success. Yet, it is impossible now and the default position in DAGv4 prevents it as well.

3) Harms – if any – should be dealt with by Compliance, not a “magic number”

The VI WG mailing list has gathered several thousands of emails. Nevertheless, when the interim report was ready for publication, a single definition of the “harms” the vertical integration was supposed to create *had yet to be offered*.

As a result, it seems at best premature to focus on a specific percentage of integration or cross-ownership to authorize or forbid. There is no valid model to determine that 2% integration is more protective of Registrants than 100%, or even that most of the issues could not happen irrespective of a VI situation. More generally, if a Registry or a Registrar misbehaves and puts Registrants or the overall stability of the DNS at risk, we believe should be held liable as stated by the relevant contractual provisions to be enforced by ICANN’s Compliance staff. It does not make much sense to forbid an entire stakeholder group from participating in the next evolution of this industry on the off-chance that some – unidentified as of yet – harm may result from one bad actor acting improperly.

² <http://www.icann.org/en/topics/new-gtld-program.htm>

For all the reasons above, EuroDNS firmly believes the VI issue should not be analyzed through one set of example (existing “major” gTLDs) or with one single type of Registrant in mind. If the community wants new gTLDs to succeed, exceptions must be the rule.

II. On the report

1) Working Group

EuroDNS has followed with great interest the numerous debates, online and face-to-face that were part of this working group. Having personally participated in smaller group discussions, we can vouch for the fact that some agreement on key principles was not that far off. Regrettably, strong opposition from selected members and the extremely limited amount of time in which this WG had to file its interim report did not allow for consensus to materialize.

While we were disappointed at this result we take comfort in the fact that the WG is still working at this time and that the numerous polls that were conducted internally have allowed to determine some level of support for key proposals.

The amount of dedication in this working group is amazing. EuroDNS truly hopes that the community will give its members time to work harder still towards a solution as it is (at least) clear that the DAGv4 vision is not shared by most.

2) Proposals

- JN2: not perfect, this proposal is still the one EuroDNS stands behind as it allows for 100% cross-ownership providing the Registrar elects not to distribute the TLD for which it acts as a Registry. The fact that this proposal is backed by several Registrars but also by Neustar and Verisign is also quite significant.
- Free Trade: while EuroDNS and others have long advocated 100% cross-ownership without restriction, we are afraid the so-called “Free Trade” proposal goes a step to far by doing away with the essential “equal Registrar access” requirement.
- CAM3: as stated above, EuroDNS would not support any proposal advocating strict separation. We do believe exceptions are necessary, however we do not think using Competition Authorities is practical as they may not be informed enough and the whole process would be extremely time consuming.
- RACK+: while proponents of this solution should be commended for their consistency, we do not believe the status quo to be an adequate solution to face the challenges that lie ahead.



III. An alternative: Open Registrar Proposal

Along with other key European Registrars Key-systems GmbH, Blacknight Internet Solutions Ltd and INDOM SA³ EuroDNS drafted the attached proposal as an alternative. While it could not be included in the interim report, we respectfully attach it to this document with a view to share our unique perspective on this issue and offer some practical solutions.

[See attached document Open Registrar Proposal.pdf]

In closing, EuroDNS welcomes the opportunity to be heard on the subject and would like to thank ICANN staff for the support they provided – and continue to provide – to the working group.

Sincerely,

Jean-Christophe Vignes
Executive Vice-President & General Counsel
EuroDNS SA

³ While these companies supported the annex attached, it shall not mean any endorsement of the rest of this document on their part.