

## VeriSign Comments on the Initial Report of the Vertical Integration Working Group

VeriSign appreciates the opportunity to comment on the Initial Report of the Vertical Integration Working Group (VI-WG).

As an active participant in the VI-WG, VeriSign regrets that a consensus recommendation was not reached in time for the Initial Report. We remain committed to continued efforts to reach consensus for later rounds of new TLDs, but recognize that the VI-WG is unlikely to do so in time for the first round. The following position statement was submitted by VeriSign to the VI-WG on July 15, 2010 in an effort to reach a compromise and consensus recommendation that would maximize consumer benefits while minimizing potential harms from a vertically integrated or cross-owned entity:

VeriSign welcomes the addition of new TLDs and the resulting increase in gTLD marketplace competition. VeriSign believes that the current model, under which multiple registrars offer retail registrations in different gTLDs on equal footing, with separation of functionality and ownership, has served the community well and facilitates a wide variety of product offerings, responsive customer service, and competitive pricing.

However, with the likely introduction of hundreds of new TLDs, we recognize there may be situations where allowing a greater degree of vertical integration could be important in promoting the growth of new entrants, which will in turn stimulate competition and better serve the public.

In exceptional cases where a new gTLD is targeted at a narrow community, or the applicant is a single-registrant, single user (SRSU) or .brand, or the TLD is unable to gain support and distribution from existing registrars, a limited exception could enhance competition, guarantee distribution, and serve the public interest. Similarly, allowing a registry to also be a registrar, provided it does not externally distribute its own TLD, may also stimulate innovation and enhance competition.

We believe any changes to the current policy should be targeted and focused so that they accomplish the purpose of promoting the growth of new entrants that otherwise might find it difficult to gain traction in the market, without inadvertently creating barriers to competition or loopholes for gaming that could negatively impact new or existing market participants, including registrants. In the case of any exception, we believe numerical registration caps should exist and the criteria for exceptions should be applied equally to all potential applicants.

In summary, for the first round of new TLDs, VeriSign supports the following:

- 100% cross-ownership allowed without self-distribution;
- Self distribution allowed with de minimus (10% to 15%) cross-ownership;
- Contractual language that restricts “control” beyond de minimus ownership percentages;
- Contracts and enforcement primarily focused on structural separation, ownership restrictions, and restrictions on sharing of sensitive registry data;
- Clearly defined exceptions process for SRSU and orphaned TLDs (all with numerical registration caps);
- Independent, 3<sup>rd</sup>-party audits (funded by ICANN) for cross-owned exceptions above the de minimus percentage;

- Restrictions on ownership, self-distribution, data-sharing, and control should also apply to Registry Service Providers (RSPs);
- Short-term results of the VI-WG should apply to the first round of new TLDs, but its work should continue for later rounds.

VeriSign encourages the VI-WG to continue its work and, in time for the next version of the Initial Report (to be submitted prior to the next GNSO Council meeting on August 26, 2010) incorporate a comprehensive list of potential harms from vertical integration and/or cross-ownership. To be most helpful to the GNSO Council and the ICANN Board, the list should include the range of potential consumer harms that might result from both allowing and prohibiting vertical integration and/or cross-ownership.

VeriSign recognizes that the ICANN Board, absent a consensus recommendation from the VI-WG, will likely draw its own conclusions and make its own decisions regarding the market structure for the first round of new TLDs. VeriSign believes our recommendation to the VI-WG represents a compromise position that will welcome new entrants, increase competition, benefit consumers, and maximize the likelihood for success of small or underserved TLDs, while also minimizing potential consumer harms from a vertically integrated or cross-owned entity.