



April 8, 2009

VIA E-MAIL

Mr. Peter Dengate Thrush
Chairman of the Board of Directors
Dr. Paul Twomey
President and CEO
ICANN
4676 Admiralty Way, Suite 330
Marina del Ray, CA 90292

Re: Comments of the International Trademark Association on the
Second Draft of the New gTLD Draft Applicant Guidebook

Dear Mr. Dengate Thrush and Dr. Twomey:

The International Trademark Association (<http://www.inta.org>)(INTA) welcomes this opportunity to provide comments to the Internet Corporation for Assigned Names and Numbers (ICANN) on the second draft of the new gTLD Draft Applicant Guidebook (DAG V2).

INTA is a 130-year-old not-for-profit membership association of more than 5,500 corporations, law firms, and other trademark-related businesses from more than 190 countries. INTA is headquartered in New York with offices in Brussels and Shanghai. Its membership crosses all industry lines, from manufacturers to retailers to service firms, and is united in the goal of supporting the essential role trademarks play in promoting effective national and international commerce, protecting the interest of consumers, and encouraging free and fair competition. INTA has served as a leading voice for trademark owners on the future of the Internet DNS, including as a founding member of the Intellectual Property Constituency (IPC).

INTA is pleased that ICANN has recognized that the issues of security and stability, malicious conduct, trademark protection, and demand/economic analysis require further examination, discussion, and resolution and, accordingly, were not addressed in DAG V2. INTA has grave concerns about the threat to the security and stability of the Internet posed by the planned, virtually simultaneous introduction into the root zone of IPv6, DNSSEC, IDNs, and the new gTLDs. INTA advised ICANN in its first draft of the new gTLD Draft Applicant Guidebook (DAG V1) of its apprehension about the sweeping new opportunities for malicious conduct that

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new gTLDs present. Because INTA views malicious conduct as a threat to the security and stability of the Internet as a commercial marketplace, INTA believes that addressing the malicious conduct issue must be afforded equal weight with the technical security and stability issue.

With regard to the trademark issue, INTA applauds the Board of Directors' creation of the Implementation Recommendation Team (IRT) to develop and propose solutions to the overarching issue of trademark protection in connection with the introduction of new gTLDs. INTA believes the IRT initiative is a necessary and important step towards ensuring the protection of trademark rights in the introduction of new gTLDs. INTA stands ready to support the IRT, either through comments on any drafts or as a resource during its work, and will also prepare a set of suggested solutions for Rights Protection Mechanisms and their various implementations.

While INTA is pleased to provide its specific comments on DAG V2 below by module, INTA reiterates that it does not in any way endorse the process to introduce new gTLDs as envisioned in the Draft Applicant Guidebook.

INTA's comments on the Explanatory Memoranda are included in each corresponding module, and INTA incorporates by reference its December 15, 2008 comments to ICANN on DAG V1.

Module 1 – Introduction to the New gTLD Process

Evaluators. INTA recommended in its comments on DAG V1 that ICANN identify in DAG 2 the criteria for the selection and qualifications of the Evaluators. DAG V2 contains no criteria or qualifications. Instead, ICANN has chosen to include the criteria and qualifications in its February 25, 2009 "New gTLDs: Call for Applicant Evaluation Panel Expressions of Interest," which is likely to be read by a significantly smaller population than read the DAGs.

Consideration of Applicant's Ethical and Legal Conduct. The initial evaluation process in 1.1.2.3 includes a determination of the technical, operational, and financial capability of the applicant, but omits any consideration of whether the applicant meets minimum standards of ethical and legal conduct. Such standards must be considered and met. For example, an applicant that has a demonstrated pattern or practice of, or has been found liable for, cybersquatting, breach of registrar or registry agreements, domain-related abuses, or other fraudulent conduct should be ineligible to operate a registry. Because the applicant's pattern, practice, or liability or unethical, unlawful or fraudulent conduct is not an enumerated basis for filing an objection, this criterion should be included here and as a ground to be explicitly considered during the evaluation of public comments under section 1.1.3. (In its DAG 1 comments, INTA suggested that ICANN should require applicants to submit information relating to legal proceedings against the applicant). An application submitted by an applicant that fails to meet minimum standards of ethical and lawful conduct should fail the Initial Evaluation, with no possibility of Extended Evaluation.

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Open or Community gTLD. ICANN should clarify if a community-based gTLD may include a “branded” gTLD applied for by the brand owner. INTA recognizes that community-based applications are intended to be a narrow category, for applications where there is a distinct association between the applicant, the community served, and the applied-for gTLD string. INTA believes that “branded” gTLDs meet these narrow criteria. Brand-owner applicants should be able to designate their applications as community-based, particularly where there will be only one second-level registration or where second-level domains would be registered to the brand owner’s customers, licensees, distributors, or suppliers. As INTA stated in its public comments on DAG V1, if ICANN does not intend to consider such a “branded” gTLD within the scope of community-based gTLDs, it should specifically state that conclusion and its reasoning.

Required Documents. INTA is pleased that DAG V2 clarifies how newly-formed applicant entities may comply with the financial statement requirements.

Cost Considerations.

- Registration Fee. While INTA assumes there will only be one \$100 fee per applicant, not per application, ICANN should clarify that issue. If that is not the case, then ICANN should state its reasoning as to why not.
- gTLD Evaluation Fee. ICANN should state its reasoning as to why proof-of-concept applicants from the year 2000 would be offered an \$86,000 credit, thereby giving them a discount over other applicants for a given gTLD. There is no obvious connection between the to-be-launched gTLD application process and the 2000 gTLD application process.
- Registry Services Review Fee. ICANN should establish a fee range for the registry services review fee and identify the ceiling on those fees. The guidelines should clarify the circumstances under which a 5-person panel would be required instead of a 3-person panel. If ICANN determines that the registry services review fee could exceed \$50,000 for a particular application, ICANN should provide a clear justification for such a high fee.
- Comparative Evaluation Fee. There should be a set fee range for this, with an upper limit set.
- Withdrawals and Refunds. While INTA acknowledges that a refund schedule is appropriate, INTA believes the current schedule requires two modifications to discourage abuses of the refund process. First, the percentage amount of evaluation fee refunded after posting of initial applications should be reduced to 50%. Second, the percentage of evaluation fee refunded should be 35% for those applications withdrawn

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after objections are filed against them – regardless of whether the application has undergone Initial Evaluation.

- Annual Fees to ICANN. INTA applauds the reduction of the annual registry fee payable to ICANN from not less than \$75,000 to not less than \$25,000. However, ICANN has still failed to provide any acceptable rationale for the imposition of an annual registry fee of not less than \$25,000 when one considers that one registry currently pays ICANN only \$500. The reality that a number of successful new gTLD applicants – especially community-based applicants – could operate registries with relatively low numbers of registrants underscores this problem. It is therefore reasonable to expect that the next draft of the DAG will reflect a further reduction in the annual fee payable to ICANN.

Module 2 – Evaluation Procedures

INTA incorporates its prior comments on DAG V1, Module 2. Additional comments relating to the new issues arising from DAG V2, Module 2 are below.

Limitations on Evaluators’ Ability to Request Further Information. Section 2.1.2.2 states that the evaluators may make only one request for further information or evidence from an applicant. DAG V2 at footnote 6 provides the rationale for such a limitation as a compromise between bottlenecking the process with open dialogue and providing one opportunity to applicants for clarification. Again, providing only one opportunity for clarification (and only upon the evaluator’s request) conflicts with the goal of allowing evaluators to obtain sufficient information to decide applications on their merits.

Geographical Names Process (GNP)

There should be an opportunity to challenge the decisions of the GNP (preferably within an ADR). This appears necessary to address those situations in which the decision of the GNP may be that the application for the new TLD is NOT a geographical name.

Reserved Names Review

INTA reiterates its support for a trademark reserved names list, and encourages the efforts of the IRT in this regard.

In the Analysis of Public Comment document, ICANN refers to the several objections to including ICANN names on a “Reserved Names” List but does not address the common theme among those objections, which is to be fair and include a “Trademark Reserved Names” List as well. ICANN merely states in a footnote (FN2) that it is taking a “conservative approach” by including only those names already on a reserved names list for second-level TLD strings and references, but does not address the trademark concerns.

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At the very least, the Initial Evaluation period should include more than visual similarity, as INTA noted in its comments to DAG V1. While INTA appreciates the reference to the fact that after the application is approved and during the dispute resolution procedure a trademark owner can object based on other forms of similarity (aural, visual, or similarity in meaning) (DAG V2 at 2-4), including those types of similarity during the Initial Evaluation period would cut down on the number of times a trademark owner has to initiate a high-cost dispute resolution procedure that could have been avoided during the initial review. Given the advent of gTLDs in multiple character sets, the string similarity analysis should also encompass trademarks and other reserved names that are the equivalent of the TLD in a foreign language or character set, both in terms of literal meaning (translation) and phonetic or visual similarity (transliteration).

Evaluation Criteria

As part of the initial round (questions 1-16) of the “Evaluation Questions,” a question should be added that requires the applicant to disclose whether it has been involved in any administrative or other legal proceeding, as plaintiff or defendant, in which allegations of trademark infringement of a domain name or cybersquatting (made by or against applicant) has been made, and the applicant should provide an explanation relating to each such instance (similar to SEC reporting requirements of litigation in the United States).

Module 3 – Dispute Resolution Procedures

General. In the Analysis of Public Comment, ICANN states that while the expert determination entered by a Dispute Resolution Service Provider (DRSP) panel will not be “legally binding,” ICANN “will follow the advice of the panel.” (Analysis of Public Comment, p. 86.) INTA appreciates this clarification from DAG V1. However, insofar as this language does explicitly require ICANN to follow the advice of the expert panel, it could be construed as reserving to ICANN the right not to follow that expert determination in certain circumstances. If ICANN intends to reserve such rights to itself, ICANN should clarify any circumstances in which ICANN would not follow the advice of the panel.

INTA continues to support a robust post-delegation dispute resolution process to address post-launch issues, including post-launch infringement, and will provide its comments on WIPO’s working draft of the Post-Delegation Procedure for New gTLD Registries communicated to ICANN on February 5, 2009 in due course.

Legal Rights Objection. INTA appreciates that Section 3.1.2.2 has been amended to reference registered and unregistered marks, but believes that ICANN should allow both owners of collective marks and certification marks to have standing to file Legal Rights Objections. Moreover, as noted in its comments on DAG V1, INTA continues to believe that an exclusive licensee of qualified marks also should have standing to raise a Legal Rights Objection.

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Options in the Event of Objection. INTA believes that the DAG should specify the preclusive effect of the withdrawal of an application after an objection has been filed against it. More specifically, an applicant should not be permitted to re-file an application for the same gTLD string if its initial application was withdrawn after an objection has been filed.

Independent Objector. The new Independent Objector role raises a number of questions. First, neither the DAG nor the Description of the Independent Objector for the New gTLD Dispute Resolution Process (the "Independent Objector Explanatory Memorandum") specifies the type of review the Independent Objector will undertake to determine if an application merits an objection, or if there will be a mechanism whereby a third party can call an applied-for gTLD string to the attention of the Independent Objector. Furthermore, while the Independent Objector Explanatory Memorandum suggests that the Independent Objector should be allowed to consider public comments in determining whether to file an objection, no mechanism has been identified for the submission of such comments. ICANN should clarify how and when public comments would be solicited by the Independent Objector.

INTA appreciates that the Independent Objector Explanatory Memorandum specifies that the Independent Objector may only lodge Morality and Public Order Objections and Community Objections, and provides two examples of the situations in which the Independent Objector would be expected to act (e.g., when a proposed string would be interpreted in all jurisdictions as inciting violent lawless action, and when a government chooses not to file an objection within the new gTLD process to attempt to block the application through the courts or an outside agency). If the scope of anticipated objection bases is broader than what is identified in the DAG, ICANN should identify with particularity those additional circumstances.

Finally, the Independent Objector Explanatory Memorandum does not provide sufficient detail about the proposed qualifications for the Independent Objector, or how ICANN will ensure the independence of the individual Independent Objectors and the institution itself. INTA recommends that ICANN adopt and implement safeguards (including accountability and transparency mechanisms) to ensure that the Independent Objector remains independent and is not inappropriately subject to external influences. INTA further recommends that the process for selecting the Independent Objector be open and transparent. In addition, ICANN should specify the type and breadth of experience in the Internet and legal communities that will be required of successful Independent Objector candidates. INTA also strongly recommends term limits for the Independent Objector position and a regular review process to evaluate the performance of the Independent Objector during her or his term.

Filing Procedures. INTA is encouraged to see that ICANN has raised the word limit for objections and responses to 5,000 words, which is consistent with the word limit for Uniform Dispute Resolution Policy (UDRP) complaints and better permit objectors and respondents to fully present their arguments. However, a number of issues relating to filing procedures remain and should be addressed by ICANN in subsequent drafts of the DAG.

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First, the New gTLD Dispute Resolution Procedure ("Procedure") should provide that the dispute resolution filing fee would be returned to the objector in exceptional circumstances, such as when an objection is properly filed and inadvertently not processed by the relevant DRSP. INTA appreciates that DAG V2 provides that dispute resolution adjudication fees ultimately will be refunded to the prevailing party, and believes that this should limit the number of parties acting in bad faith and reduce the number of disputes. INTA requests further flexibility enabling a DRSP to return fees in exceptional situations.

Second, in order to allow entities to manage their costs, INTA requests that the DAG and Procedure specify when and under what conditions filing and adjudication fees may increase.

Third, as it currently stands, the filing procedure poses a significant and unnecessary administrative burden to trademark owners that may be forced to file multiple objections to protect their legal rights. Given the regularity with which some entities may find they are required to submit objections, ICANN should require each DRSP to provide a mechanism for parties to set up an account from which dispute resolution filing and adjudication fees may be deducted.

Fourth, with respect to untimely objections, INTA believes that the DAG and Procedure should provide flexibility and include a principled "good cause" exception to allow for filing objections past the deadline in exceptional cases. Because all objections must be filed electronically, this "good cause" exception should include technically-related, unforeseeable circumstances that would prevent an objector from timely filing its objection. Any "Acts of God" such as flood, storm, earthquake or sudden death would also be included within the exception.

Fifth, the DAG and Procedure should specify which time zone will be used to establish the deadline for filing an objection. While Article 6 of the Procedure provides that an objection must be filed electronically, it does not specify which time zone shall take precedence.

Finally, INTA continues to be concerned that ICANN has not yet finalized its contracts with each of the DRSPs, and that each DRSP has not yet made public its proposed final procedures and standards. In view of the fact that Article 4 of the Procedure provides that "all proceedings before the Panel shall be governed also by the DRSP Rules of the relevant DRSP," INTA reserves its right to provide further comments on these issues once WIPO and ICDR have published their respective Rules for New gTLD Dispute Resolution.

Objection Processing Overview. The Legal Rights Objection dispute resolution procedures should be consistent with the UDRP and the Rules within the finalized framework of the DAG and Procedure. In light of the success of the UDRP process, its adoption would provide brand owners a system that is known, workable, and proven. A market in which entities will own entire generic TLDs vastly multiplies the dangers of misappropriation by third parties. Trademark owners likely will need to expend even greater resources to monitor and fight abusive

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practices, far above current expenditures relating to second-level and other domain name registration abuses.

Administrative Review. DRSPs should allow objectors a short cure period to amend objections dismissed on procedural grounds to cure the procedural defect and avoid the burden of formally re-filing an objection that can be corrected easily.

Consolidation of Objections. INTA supports the possibility of consolidation of objections. However, INTA requests confirmation that, notwithstanding any procedural consolidation, the bases and arguments in support of each individual objection will be considered and decided separately and on its own substantive merits.

Negotiation and Mediation. INTA believes there should be an automatic cooling off period if the parties mutually agree that it would benefit the potential for mediation.

Selection of Expert Panels. INTA welcomes the option to have three intellectual property experts on a Legal Rights Objection panel, if the parties agree. However, the appointment of expert panelists, without setting a minimum level of expertise, runs counter to the policy of empanelling real "experts." Thus, INTA renews its recommendation that panelists for Legal Rights Objection proceedings should have a minimum of five years of experience in dispute resolution.

Adjudication. Parties should have the right to submit arguments supporting why a panel should require an opposing party to submit particular documents or answer particular questions, if it reasonably would clarify facts helpful in deciding the outcome. To maintain an open and transparent process, any hearings requested by a panel should be public. Consistent with worldwide practice for similar proceedings, new gTLD dispute proceedings should be conducted in English.

Expert Determination. Expert determinations should not preclude either the applicant or the objector from initiating a judicial action under existing statutes in courts of competent jurisdiction. ICANN explains in the Analysis of Public Comment that, by accepting the applicability of the gTLD Dispute Resolution Process, "an objector does not waive its right to defend its legal rights (e.g. trademark) before a court of competent jurisdiction." (Analysis of Public Comment, at p. 86.) INTA does not believe that this principle is clear in the text of the DAG. The next draft of the DAG should explicitly state that expert determinations do not preclude any party from initiating a judicial action in a court of competent jurisdiction. INTA recognizes ICANN's effort to promote transparency by providing that "unless the panel decides otherwise, each DRSP will publish all decisions rendered by its panels in full on its website." To the extent that this language is intended to reserve the right to refrain from publishing certain types of decisions, INTA believes that the DAG and/or the Procedure should specify any circumstances under which expert determinations will not be published on the applicable DRSP's web site.

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Dispute Resolution Costs. To achieve the goal of containing and limiting costs for new gTLD disputes, costs for Morality and Public Order and Community Objections should have fixed rates, similar to String Contention and Legal Rights Objections. There is an inherent financial conflict if expert panelists, who receive remuneration from the payments of parties, are paid on an hourly basis in proceedings that, with respect to length and final costs, are open-ended. Further, ICANN has not provided any policy justification for such cost disparities. The likely contentious nature of disputes arising from Morality and Public Order and Community Objections underscores the need for a reasonable, pre-set timeframe and expectation regarding resolution and costs. ICANN should provide not only a written explanation concerning the reasons to justify such cost disparities, but also set reasonable cost ceilings for all proceedings.

Dispute Resolution Principles. INTA continues to believe that it would be helpful for the DAG and for Article 20 of the Procedure to state clearly the burden of proof that will be employed in the objection process, i.e., whether the civil law standard of “on balance of probabilities” or the stricter “beyond all reasonable doubt” standard used, for example, in U.S. criminal proceedings will apply. In addition, INTA renews its recommendation that the burden of proof in Legal Rights Objection proceedings should shift to the applicant to show why the application should not be refused if the applicant has unsuccessfully defended more than a given number of UDRP or gTLD claims in a rolling 12 month period.

With respect to the standards relating to String Contention Objections and Legal Rights Objections, INTA renews its comments on DAG V1.

INTA appreciates ICANN’s attempt to further develop the standards for Morality and Public Order Objections in DAG V2. However, greater specificity is required for the fourth ground upon which an applied-for gTLD string may be considered contrary to morality and public order. The current formulation – that “the applied-for gTLD string would be contrary to generally accepted identified legal norms relating to morality and public order that are recognized under general principles of international law” – provides little guidance. At a minimum, ICANN should identify a non-exhaustive list of such “generally accepted identified legal norms relating to morality and public order that are recognized under general principles of international law.”

Module 4 – String Contention Procedures

INTA’s comments on DAG V1 noted a number of concerns and suggested a number of recommendations regarding the String Contention Procedures outlined in DAG V1. These concerns/recommendations can be summarized as follows:

- 1) Recommendations that the strings be translated and that a thorough, frequently-updated database be created for use and consideration by the “String Similarity Examiners” in evaluating strings;

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- 2) Concerns regarding the Comparative Evaluation process based in great part on the subjective nature and application of the Comparative Evaluation criteria;
- 3) Concerns that two (or more) “clear winners” can cancel each other out under the Comparative Evaluation procedure if neither “represents a much larger share of the relevant community,” thus subjecting both to an auction that may include a third applicant that is not community based; and
- 4) Concerns regarding the appropriateness of using auctions to award strings sought by community-based applicants who do not garner enough points to be “clear winners”.

INTA commends ICANN for addressing issue number 3 above by specifying that any auction between more than one “winner” of the Comparative Evaluation process will exclude all other applicants. *See* Section 4.2.2. There is one possible ambiguity in the revised language of Section 4.2.2, however, that should be corrected. The revised draft makes clear in the third bullet point on page 4-8 that an auction between “winning” community applicants naming *different* communities “will be resolved through an auction *among these applicants.*” (emphasis added). The corresponding language in the prior bullet point regarding “winning” community applicants naming the *same* community, however, merely states that “the applicants will proceed to an auction.” This language might be misinterpreted to mean that all applicants – even those not taking part in the Comparative Evaluation – are free to take part in the auction. To avoid this potential problem, the language of the second bullet point relating to community applicants naming the *same* community should be revised to mimic the language of the third bullet point relating to community applicants naming a *different* community.

DAG V2 does not, however, address the other concerns raised in INTA’s comments on DAG V1. We reference and incorporate those comments herein to stress these concerns. Most importantly, relying on auctions between community-based applicants, many of whom may be non-profit or charitable organizations, and general applicants seems contrary to the general preference for community-based applications. Moreover, while the changes to the criteria and new point system are a slight improvement, the inherent problems with subjectivity remain.

In addition to the foregoing, our review of the revised Module 4 has raised the following additional concerns relating to the Comparative Evaluation Process and the Auction Procedure.

Comparative Evaluation Process. INTA believes ICANN should further refine the Comparative Evaluation Process to avoid manipulation of the process. In particular, the current process structure may have the unintentional result of inviting applicants to manipulate submissions to garner points without a bona fide intention to abide by the representations and criteria once entered into the root. Thus, it is entirely possible that an applicant could, after being delegated the applied-for string, change its business plan in such a way that it would no longer meet the four criteria. This is especially true for the first two criteria. Accordingly, ICANN should consider requiring community-based applicants that elect comparative evaluation to demonstrate

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not only how they currently meet the criteria, but also how they intend to comply with the criteria post-delegation.

Auctions. INTA has several concerns regarding the Auction Procedures set forth in DAG V2. As a preliminary matter, INTA questions if an auction procedure is truly the most efficient and equitable way to resolve string contention – even as a last resort, since such a process inherently will favor the most financially capable applicant. This result seems contrary to ICANN’s mission to foster competition and ensure internet security because preferring the most financially capable applicant would not necessarily support either criterion.

Furthermore, INTA is concerned about ICANN’s admission that it may possibly collect “significant funds” via the auction process. Collection of excess funds as a result of string contention resolution procedures also seems inconsistent with ICANN’s mission and goals. We note that the revised DAG, Section 4.3 includes notes pertaining to how these funds might be allocated. At a minimum, more thought and definition should be given to the acquisition and proposed use of these funds to ensure that ICANN’s mission and goals and those of its constituencies are best served.

The Auction Procedure seems destined to be heavily utilized. Although cast as a resolution process of last resort, it seems unlikely that many parties will resolve their contention sets through mutual agreement. Accordingly, ICANN should allocate resources sufficient to ensure that the auction systems are robust.

Certain aspects of the Auction Procedure may be difficult to implement. For instance, the module states “[t]he auctions will generally be conducted to conclude quickly, ideally in a single day” and that the rounds are expected to be 20-45 minutes long. The short duration of the rounds and the auctions themselves does not seem to take in account that bidders and their representatives will be in different time zones around the world. Also, such short rounds do not allow for sufficient time for internal discussions regarding the next appropriate bid, obtaining internal approval and the like, especially for large enterprises and publicly traded companies. At the other extreme, allowing 4 business days for the winning bid to be paid seems overly long -- especially when one considers that ICANN can delay a declaration of default for some undefined “brief period.”

Finally, the default penalties for failure to timely pay the winning bid on an awarded string should be further refined. It is unclear how ICANN anticipates collecting the default penalties (at least the amount that exceeds the deposit), so further definition in this section would be helpful.

In addition, the rationale for using the alternative penalty amount of 10% of the bid as the default penalty is unclear. This alternative amount could be quite significant in some cases and may result in a disproportionate penalty for some bidders. Moreover, collecting an unduly large penalty seems unnecessary given that the monetary loss to ICANN by the default should be

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relatively small if, as expected, the next highest bidder acquires the string. The penalty must, of course, be sufficient to deter false bidding. A middle approach might be to suggest a maximum threshold penalty that could not be exceeded under either alternative. For example, the penalty would be the greater of the difference between the bids, or 10% of the defaulting bid, but not to exceed a specific sum. That "sum" might be the projected average transaction cost to ICANN for conducting the auction process.

Finally, ICANN should make clearer that the default penalties apply to both the initial "winner" and the second, third, etc in line that confirm they want the TLD after the initial default and then also themselves default.

Module 5 – Transition to Delegation

In addition to new comments on DAG V2, INTA references its comments on DAG V1 and requests that ICANN consider them. Based on the Analysis of Public Comment, this does not seem to have happened.

Pre-contract review. Given the potential delay between initial application and Transition to Delegation, ICANN should conduct a pre-contract review of each applicant to confirm that all eligibility criteria continue to be met. If that pre-contract review uncovers material changes to the applicant's eligibility, ICANN should have the ability to refuse to enter into the Registry Agreement. Such a pre-contract review is not burdensome and is consistent with the practice in many other endeavors such as regulatory filings by public companies.

Information re-certification. In addition, ICANN should require that applicants re-certify the information they have provided in their initial application, in particular the information required in Section 1.2.3 of Module 1. As currently proposed Section 1.2.3 (5) confirms the absence of any requirement for updated information in stating: "All documents must be valid at the time of submission." If an applicant is unable to certify that all those documents are still accurate, it should be required to so state and provide updated supporting documentation. The language of Section 5.1 places a burden of notification to ICANN on the applicants, but does not impose an affirmative duty to re-certify or set forth the consequences of failing to do so. The proposed changes to Article 1.3 appear to lessen the importance of providing accurate application information and updating such information, and the proposed changes to Article 4 appear to remove the possibility of non-renewal or termination based upon breach of the limited representations and warranties in Article 1.3. ICANN should correct these deficiencies in the next draft of the DAG.

Identify Transition Evaluators. Module 5 is silent as to what person(s) are responsible for conducting the pre-contract review and the pre-delegation technical check. This should be stated for all stages.

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Audits. The technical check questions 3, 7, 8, 9 under Section 5.2.1 require only self-certification with possible audit by ICANN. Audits by ICANN should be mandatory and transparent so that results can be evaluated and confirmed. One alternative to self-certification is a third-party technical audit. ICANN should establish the terms and conditions of all audits before the first application round opens.

Registration Data Publication Specs. ICANN should require that all new gTLDs function as “thick” Whois registries. In addition to other benefits, by doing so, information about miscreants will be more accessible to make it easier to police misconduct and protect the interests of victims of phishing and fraud using bogus or infringing marks.

Define funding obligation. The requirement of continued ability to fund operations for five to seven years is not specifically contained in the Registry agreement, but should be. ICANN should also require annual submission of specific evidence of funding sufficient to cover service, not only to “then existing registrants” but to projected growth in the number of registrants as well.

Registry Services and Continuity. ICANN should provide more information on the role of the “Registry Services Continuity Provider” and how it will interact with the Registry Operator under normal circumstances.

Renewal of Registry Agreement. The proposed revisions to Article 4 will cause the agreement to automatically renew and will limit ICANN’s ability to terminate the agreement, unless the Registry Operator materially breaches Article 2 or Article 6. This change appears to eliminate the possibility that a breach of Article 1 (or other sections of the Agreement) could provide a basis for non-renewal or termination. Eliminating this possibility does not seem prudent.

Use of Registrars (Paragraph 2.8 in Registry Agreement). The registry agreement proposes that ICANN-accredited registrars affiliated with the Registry Operator may register 100,000 names in the TLD. Instead, INTA recommends that, in almost all cases, ICANN maintain the vertical separation and equal access requirements that have been in place heretofore. As mentioned in the Comments of the IPC on the CRA International Report “Revisiting Vertical Separation of Registries and Registrars,”¹ the hybrid model where registrars affiliated with a given registry may only register names in other registries (or, in this case, have caps on the number of names registered) is deeply flawed and would require additional levels of infrastructure for ICANN to monitor and enforce. By contrast, strict vertical separation requirements preserve competition in the registrar market and are attractive because they are relatively easy to enforce, which is an issue given ICANN’s long-term track record in monitoring and enforcing compliance with its existing contracts with registrars and registries. Moreover, because several registrars own vast

¹ <http://forum.icann.org/lists/crai-report/msg00013.html>

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domain portfolios, the registrar-registry equal access and vertical separation requirements have the positive effect of preventing particular *registrants* from having privileged access to domains in particular registries. Relaxing the requirements could inhibit competition in the market for domain names. Moreover, INTA recommends that ICANN define "Affiliates" for purposes of clarity and certainty. \

Only in very specific circumstances should the Registry Operator be permitted to act as an authorized registrar for the TLD through the same entity that provides registry services, namely, where the number of domain names registered in the TLD is 100 or fewer and where the TLD corresponds to a trademark owned by the Registry Operator and the Registry Operator declares an intention to use the TLD as a source identifier. In similar circumstances where the TLD corresponds to a trademark owned by the Registry Operator, the number of domains registered is more than 100, and highly restrictive registration requirements apply (such as that all registrants are licensees of the trademark, members entitled to use a collective membership mark, or certificants entitled to use a certification mark), it may be appropriate to allow the registry to control the registrar, or (perhaps preferably) to allow the registry to designate an exclusive, non-affiliated, accredited registrar to administer the registration restrictions.

Price Caps (Paragraph 2.9 in Registry Agreement). INTA is concerned that the DAG V2 fails to address the issue of price controls (price caps) for the new gTLDs operators. INTA is concerned that new TLD registries could use price discrimination as tool to harm trademark owners and consumers. The absence of price caps will not only affect the costs for trademark owners to register in the new gTLDs, but may affect existing TLD operators ability to invoke the "equal treatment" clause in their registry agreements with ICANN.

If new TLD registries were permitted to operate without price caps, existing registries might well claim that such disparate treatment is not "justified by substantial and reasonable cause." Registries should not be able to increase (either dramatically or incrementally over time) the costs for renewing domain names, particularly those of trademark owners, some of whom have thousands of domain names in their portfolios, whose domain name addresses are the equivalent of their online identities. Their online identities are well inscribed in the minds of consumers as the first place to find their goods and services on the Internet. Nor should registries be allowed to speculate in new domains by charging costs based on the fame of the trademark or on discriminatory determinations of what they believe the market could bear.

Module 6 – Application Terms and Conditions.

None of the matters INTA raised in its comments on Module 6 of DAG V1 have been acted upon in DAG V2, and most were not referenced in the Analysis of Public Comments. INTA incorporates by reference its comments on Module 6 of DAG V1 in their entirety and requests that ICANN afford them consideration.

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Paragraph 1. Any oral statements that are considered in accepting, rejecting or reviewing an application for a new gTLD should have to be confirmed in writing or else they cannot be considered. Ideally there should be a clear process for recording or documenting any discussions outside the written application process. The phrase "reflect negatively" needs to be clarified or defined; its meaning is unclear.

Paragraph 2. The applicant must make full disclosure of all corporate relationships (parent, subsidiaries, etc.) as well as disclose any other applications that the applicant and related corporations have for gTLDs. A corporate entity (including its subsidiaries) should not be allowed to submit more than one application at a time for a particular gTLD. This prohibition would prevent a well financed entity from overwhelming ICANN with many applications for the same gTLD.

Paragraph 3. ICANN should have the ability to reject an application where the applicant intentionally submitted or provided fraudulent information in connection with its application, the review of that application, or the defense of an objection to that application. No application fee refund should issue for any application rejected on this basis.

Paragraph 4. There should be a notice and cure provision in the case where an applicant's fees are not received in a timely manner and that simply because a fee is late should not, without proper notice and cure provisions, be grounds for the cancellation of the application.

Paragraph 6. ICANN has failed to provide any explanation for the overly broad, unduly burdensome, and commercially unrealistic requirement that an applicant release ICANN from all claims, covenant not to sue, and waive any rights to judicial action and review. This paragraph should be deleted and re-written with appropriate limits on the release of ICANN from liability.

Paragraph 7. Before ICANN treats as "non-confidential" information submitted by an applicant as "confidential", the applicant should be notified and provided with an opportunity to justify the confidentiality designation.

Paragraph 8. ICANN should require that the applicant keep all of its "personal identifying information" current and up-to-date. Applicants should be required to update their personal information within a reasonable period of time (perhaps as long as 60 days) after the information has changed.

Paragraph 9. ICANN should not have perpetual, unlimited rights to use an applicant's name and/or logo in ICANN public announcements. Such right to use should be limited to those announcements relating exclusively to the applicant's application.

Protecting Rights of Others

INTA is pleased that ICANN intends to require TLD applicants to identify in their applications the Rights Protection Mechanism ("RPM") that they intend to use, to require contractually that registry operators provide RPMs, and to develop a post-delegation dispute resolution process to address post-delegation infringements.

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RPMs. While INTA applauds ICANN's intention to require applicants to identify the RPM that they intend to use, we believe ICANN is obligated to take reasonable steps now to develop robust RPM models that will be low-cost, administratively efficient, and will scale into the anticipated scheme to unleash hundreds of new TLDs into the root. If these mechanisms are not developed before new TLDs are launched, large and small business owners will likely be unfairly prejudiced or burdened when the root is expanded and they are called upon to protect their rights amid hundreds of new registrations across multiple TLDs. While there are many routes ICANN could take in RPM implementation, some options for further consideration include:

- Providing for the development of a robust "Reserved Trademark List" with the goal of making that list (i) open to as many trademark owners as possible, and (ii) subject to challenge.
- Designing a handful of basic RPM models from which applicants could choose, which would benefit the entire community by: (i) providing business owners with certainty regarding what the mechanisms will be; (ii) not requiring registries or registrars to write new code every time a new TLD is launched; and (iii) otherwise providing scalable solutions that would provide economic and administrative efficiencies for the entire community.
- Creating a database of cleared rights, whereby a trademark owner would submit evidence of all rights and documents upon which it may rely and those rights and documents would be authenticated, allowing the owner to participate in RPM with all rights pre-authenticated.
- Creating a centralized access point interface within each TLD allowing trademark owners to choose which RPMs to participate in, and providing for direct billing for such participation.

INTA is committed to working with ICANN to develop more concrete suggestions for RPM models in the coming months, and urges ICANN to make this process a priority.

Additional Information from Applicants. ICANN should require applicants to disclose the several additional pieces of key information. First, applicants should be required to disclose whether they or any of their funders, either individually or through their respective corporate affiliations, have been the subject of UDRP or national court proceedings where they have been enjoined from cybersquatting or found to have violated the trademark rights of others. In addition, ICANN should require applicants to answer the same series of questions and provide the same follow up information as is required under the Sponsoring Organization's Fitness Disclosure, namely, whether (i) the applicant or any of its (ii) officers, (iii) directors, or (iv) managers:

- (a) within the past ten years, has been convicted of a felony or of a misdemeanor related to financial activities, or has been judged by a court to have committed fraud or breach of fiduciary duty, or has been the subject of a judicial determination that is similar or related to any of these;

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(b) within the past ten years, has been disciplined by the government of its, her, or his domicile for conduct involving dishonesty or misuse of funds of others;

(c) is currently involved in any judicial or regulatory proceeding that could result in a conviction, judgment, determination, or discipline of the type specified in (a) or (b); or

(d) is the subject of a disqualification imposed by ICANN and in effect at the time of this application.

Thank you for the opportunity to express our views on this important issue. Should you have any questions regarding our submission, please contact Claudio DiGangi, Manager, External Relations, Internet & Judiciary, at: cdigangi@inta.org

Respectfully submitted,

