COMMENTS OF INTELLECTUAL PROPERTY INTERESTS CONSTITUENCY

Re "Third Draft Applicant Guidebook" for New gTLDs

November 22, 2009

The Intellectual Property Constituency (IPC) of ICANN's Generic Names Supporting Organization (GNSO) appreciates this opportunity to comment on the "Third Draft Applicant Guidebook" materials (DAG v.3) and other documents released by ICANN with regard to the launch of new generic Top Level Domains (gTLDs).[1]

Introductory remarks

The introduction of new gTLDs, and the necessary minimum mandatory protections if any such introduction occurs, are matters of paramount interest to the IPC. Properly instituted rights protection mechanisms will help protect consumer health and safety, protect internet users from fraud and other DNS abuses in addition to protecting the economic interests of rights owners. We have been actively involved at all stages of the process, and have expressed concerns and proposed proactive solutions in our numerous detailed submissions, some of which will be referred to in this comment. We expect careful review and response to these comments and concerns, and adoption of mandatory rights protection mechanisms as a precondition for any new TLD launch, as part of the four overarching issues identified.

Of course, a central focus of IPC's review of the new gTLD process concerns the rights protection mechanisms to be employed in the new gTLDs to protect trademarks and other intellectual property rights. At the request of the ICANN Board, IPC convened the Implementation Recommendation Team (IRT) to address these issues. While a few of the topics addressed in the IRT recommendations are included in DAG v.3, most of them are currently under discussion, at the request of the Board, within the GNSO council, a process that is not scheduled to conclude until mid-December. Accordingly, IPC will withhold substantive comments on these topics until after the GNSO process has concluded.

Comments on Module 1

The IPC commends ICANN's decision to post all applications considered complete prior to formal evaluation. Among other things, this will give parties time to determine if their marks could potentially be infringed by a potential gTLD. However, the two-week period between the close of the evaluation phase and the deadline for filing formal objections is too short. Although potential objectors will have been on notice of all submitted complete applications prior to this date, many will prefer to wait until a problematic application has cleared the evaluation process

[1] Throughout this comment, we will refer to the Third Version of the Draft Applicant Guidebook (posted at http://www.icann.org/en/topics/new-gtlds/draft-rfp-clean-04oct09-en.pdf) as the "DAG v. 3," and will generally follow the pagination and section numbers provided in the various modules of that document. We will also refer to the "excerpts" of DAG v.3 that were released in May, and on which IPC commented on July 20, as "DAG v.3x."

before preparing a formal objection. The two-week window could thus lead to a lot of wasted effort in preparing objections to applications that do not survive evaluation. Extending this window to 30 days could minimize this problem while adding little to the overall timeline.

Section 1.1.2.7 does not refer to agreement between the contending parties as a way to resolve string contention, although this option is discussed elsewhere in the DAG v.3. This should be clarified.

Comments on Module 2

1. Examples of permutations and transpositions of geographical names provided

We appreciate that ICANN accepted our comments on DAG v.3x and provided examples of both permutations and transpositions of geographical names.

2. String similarity review – applied for gTLD string against strings requested as IDN ccTLDs

Under DAG v.3, if both the gTLD application and application for an IDN ccTLD which are in conflict regarding string similarity are still under process, the IDN ccTLD application will prevail if the gTLD application does not have an approval from a public authority. This could create problems unless the gTLD and ccTLD application periods are synchronized. If, for example, a later-submitted ccTLD application displaces a gTLD application filed earlier, the gTLD applicant will have wasted resources in preparing the application. To reduce the risk of this unfairness, and to increase transparency, ICANN should consider setting a deadline for IDN ccTLD applications at least one month before the deadline for gTLD applications.

3. Greater transparency in evaluation process

ICANN may receive better applications if the applicants have a possibility (which can be restricted by number of questions or time) to ask questions to the Evaluation Panels during the preparation of the applications. All the questions and answers should be published. We also reiterate our suggestion that evaluation contractors (and DRSPs) engage in dialogue with constituent groups within ICANN to outline draft procedures and receive feedback. Additionally, while IPC appreciates the inclusion in DAG v.3 of code of conduct and conflict of interest guidelines for evaluators, a further check against bias would be to disclose the identity of the evaluator to the applicant and permit the latter to challenge the former for cause shown on grounds of bias. This reiterates a suggestion made in our comments on DAG v.2.

4. No possibility of an Extended Evaluation for String Similarity?

It seems that there is no Extended Evaluation available for String Similarity issues. The reasons for this exclusion are unclear. Extended Evaluation (or some appeal mechanism) should be available also for string similarity for applicants that fail the string similarity review or whose applications are found at risk for string confusion.

5. Consistency of Extended Evaluation

ICANN should consider implementing measures to ensure consistency of the Extended Evaluation. It may be worthwhile to consider establishing a single Extended Evaluation Panel which would deal with all Extended Evaluation requests.

6. Evaluation questions for applicants (Attachment to Module 2)

ICANN should be commended for its establishment of eligibility requirements for potential applicants, and for expanding these in some areas as recommended by IPC in its comments on DAG v.3x. In particular, we welcome ICANN's decision to bar any applicant which had previously been involved in the practice of "acquiring domain names primarily for the purpose of selling, renting or otherwise transferring the domain name registrations for valuable consideration." The IPC would suggest that additionally that any new eligible applicant should declare that they will not engage in the same conduct in the future. Additionally, some of the disqualification factors should be clarified. In particular, evaluation question 11(f) should be rephrased to cover all "allegations of intellectual property infringement in connection with the registration or use of a domain name." For example, those who have used a domain name to engage in pervasive online copyright piracy should be barred from applying for a new gTLD.

The IPC reiterates its view that ICANN should provide incentives for the new registries to take on some of the responsibility for ensuring that the ICANN-accredited registrars which they employ to sponsor registrations live up to their obligations with regard to Whois. Registries should be encouraged to require that their registrars take proactive steps to improve the accuracy of Whois data; that they consistently cancel the registrations of those supplying false Whois data; and, if they provide proxy or private registration services (to the extent the registry allows them), that they include and implement a process enabling copyright or trademark owners who present reasonable evidence of actionable harm to obtain access to the actual contact data of registrants. Registries that commit to these policies should receive extra points in the evaluation process. These matters could be incorporated in revisions to question 33.

Comments on Module 3

1. Community Objection Procedure

IPC is disappointed that ICANN has chosen, in the community objection procedure, to retain the rule that an objector that fully satisfies all other criteria for standing does not benefit from any presumption that granting the gTLD string to the applicant to which it objects constitutes detriment. For the reasons discussed a length on page 3 of IPC's comments on DAG v.3x, we believe this fails to give adequate weight to the harm to the community that may result from granting another party exclusivity in the proposed string.

Furthermore, the "complete defense" provided for an applicant who could hypothetically satisfy the standing requirements is biased much too strongly toward granting the gTLD. The brief discussion of these issues in the October 2 summary of comments on pages 20-21 makes clear the ICANN staff's predisposition that the only effective means of defense for a

community in this situation is to incur the expense, time and bandwidth to apply for the TLD string itself, even if it does not believe this would be in the best interests of community members. This hardly squares with ICANN's newly reaffirmed commitment to decide these matters in the public interest. See Affirmation of Commitments by the United States Department of Commerce and the Internet Corporation for Assigned Names and Numbers, paragraph 3(a) (September 30, 2009) at http://www.icann.org/en/announcements/announcement-30sep09-en.htm.

The summary of comments (posted at http://www.icann.org/en/topics/new-gtlds/agve-analysis-public-comments-04oct09-en.pdf) also makes it clear that the staff misunderstands the concerns raised by the IPC and other commenters on this score. We hope that further dialogue, along with the growing recognition throughout the ICANN community that a more granular categorization of different gTLD applications would be in the best interests of all participants in the process, will lead to a more satisfactory resolution.

We also note that in Section 3.1.2.4, a list of factors is provided for evaluating the ongoing relationship with the community an objector purports to represent. It is unclear whether this is meant to be an exhaustive list. Indeed, the sentence before listing the factors reads: "*Factors that may be considered in making this determination include...*" while the sentence right after the list states that the "*panel will perform a balancing of the factors listed above in making its determination*". In addition, this paragraph goes on to state that "*it is not expected that an objector must demonstrate satisfaction of each and every factor considered in order to satisfy the standing requirements*". These passages seem to contradict each other. It should be made clear that the list should not be regarded as exhaustive, and it should be left open to provide for the possibility for objectors to submit additional factors for the consideration of the panel.

2. Other Specific Comments

Section 3.1 - Purpose and Overview of the Dispute Resolution Process (Page 3-1)

(i) Paragraph 1

The first sentence of this section states "*The independent dispute resolution process is designed to protect certain **limited** interests and rights*".

The word "limited" has been added in DAG v.3 to stress the fact that the interests and rights protected shall not expand to unexpected or disputable interests and rights. In this perspective, it could be clearer, rather than using the term "limited," to amend the passage to read that the "*process is designed to protect the interests and rights covered by the scope of the objection grounds set out below*". That way, without defining a scope which would be too narrow, we are still conveying the idea of a limited number of rights and interests but at the same time, we are linking this limitation to the objection grounds which are, in fact, the milestones which define the extent of the rights and interests protected.

(ii) Paragraph 2

This paragraph states that "*In filing an application for a gTLD, the applicant agrees to accept the applicability of this gTLD dispute resolution process*".

For the purpose of clarity and to avoid any potential contestation, the IPC suggests adding the following: "*and competence of the designated experts to issue decisions in this process*". Such a statement could also be added in section 3.3.4 - *Selection of Expert Panels*.

Section 3.1.2.1 - String Confusion Objection (Pages 3-2 and 3-3)

The second bullet point provides that "*Any gTLD applicant in this application round may file a string confusion objection to assert string confusion between an applied-for gTLD and the gTLD for which it has applied, where string confusion between the two applicants has not already been found. That is, an application does not have standing to object to another application with which it is already in a contention set.*"

The latter part of this sentence (underlined) has been added in DAG v.3. This wording seems rather unclear. Our understanding of this addition is that ICANN intends to avoid having parties raise a String Confusion Objection against a string for which ICANN has already found, during the Initial Evaluation, that it was similar to the objector's. The wording could be amended to read:

> *"... where string confusion between the two applicants has not already been found during the Initial Evaluation. That is, an application does not have standing to object to another application with which it is already in a contention set as a result of the Initial Evaluation."*

Section 3.1.2.3 - Morality and Public Order Objection (page 3-3)

The new paragraph inserted in this section provides for a "*"quick look" procedure designed to identify and eliminate frivolous and/or abusive objections*". The paragraph does not address the method for handling such "quick look" procedures and which entity would be in charge of conducting such reviews. It would be important to ensure that such procedures be handled in transparency. In this respect, it is unclear whether the "quick look" procedure would be managed prior to the designation of the expert, or if it could be handled directly by a case administrator, for instance.

Given this ambiguity, the IPC recommends that the scope and nature of the quick look procedure be clarified. As IPC noted in its comments on DAG v.3x, a sound process for screening out frivolous objections is indispensable in this area because of the high potential for abuse.

Section 3.1.3 - Dispute Resolution Service Providers (page 3-5)

The IPC also suggests specifying that each DRSP will have exclusive competence to handle the Objections for which it has been designated, unless ICANN appoints additional DRSPs for the same categories of objection.

In addition, ICANN should clarify what happens if an objector files an objection with the wrong DRSP. For example, it could be specified that such filing will not be regarded as having been filed before the deadline for objections and that the DRSP to which the filing was misdirected will not be under any obligation to transfer the objection to the competent DRSP (but will rather only dismiss the case), nor will the provider incur any liability if due to "late" dismissal for inappropriate forum the objector fails to submit to the appropriate DRSP prior to the deadline. While there could be other ways to treat misdirected objection filings, in any event the expectations should be made clear.

Section 3.1.5 - Independent Objector (page 3-6)

(i) in the "Mandate and Scope" part of this section, it is stated that the "*IO may file objections against "highly objectionable" gTLD applications...*".

While IPC has previously indicated that there is some value to empowering the Independent Objector to take action against "highly objectionable" gTLD strings (such as derogatory terms for ethnic groups), it must be made clear that the "highly objectionable" character of an application is in the IO's sole discretion and interpretation. In other words, an applicant could not defend against an objection brought by the IO on the ground that the proposed string was not "highly objectionable."

(ii) in the "Selection" part of the section, it is specified that the IO should be unaffiliated with any "gTLD applicant". This should be extended to cover existing gTLD operators.

(iii) in the "Budget and Funding" part, reference is made to the IO's potential appointment of an outside counsel. It should perhaps be specified that the outside counsel shall have a degree of independence similar to that of the IO.

Section 3.3.4 - Selection of Expert Panels (page 3-12)

In the last paragraph of this section, providing for exclusions of liability, it should be clarified that the liability will not be incurred whether individually or collectively by the persons mentioned. This would therefore allow the exclusion of the potential liability of a panel as a whole and not just the liability of experts individually.

Section 3.3.6 – Publication of Panel Decisions

With regard to dispute resolution procedures, IPC urges ICANN to require that all panel decisions be made public and published on the website of the DRSP. DAG v.3 still leaves this up to the discretion of the panel and provides no guidelines for exercising that discretion. Requiring the decisions to be publicly available will ensure transparency and assist in the goal of achieving consistency and fairness in these disputes.

Section 3.4.2.2. – Standards in LRO Proceeding

Regarding the likelihood of confusion standards for a LRO proceeding, IPC urges that the language in section 3.4.2.2 be clarified to read, "Whether the objector's acquisition of rights in the mark, and use of the mark, has been bona fide."

3. General Observation

The interplay between objections based on legal rights (Module 3) and string contentions between applicants (Module 4) is unclear at many stages of the process. Could a commercial brand owner applicant and a community-based applicant for the same or similar string advance past the legal objection stage into the string contention stage, if both have legitimate rights in the same or similar mark desired for use as a gTLD? Would a commercial brand owner's objection to a community-based application be considered a "relevant" objection in the community endorsement portion of the community evaluation? During evaluation of the "Eligibility," "Name Selection," and "Content and Use" categories of the Registration Procedures, would a lack of policies and procedures with specific guidelines to prevent domain name registrations and use that might create confusion with the commercial brand-owner cause the community applicant to lose the available points in those categories?

Comments on Module 4

1. Auctions

IPC reiterates its concerns that using **auctions** as an allocation mechanism is likely to result in strings being awarded to the applicant with the most cash on hand, not necessarily the applicant likely to best operate the registry. Indeed, in this regard we welcome the statement of the ICANN staff that "the ability to pay more in an auction isn't the indicator of eventual benefits to registrants." Summary of comments, page 31. IPC continues to believe that, notwithstanding ICANN's confidence in contentions being resolved before they reach the auction stage, a considerable number of contention sets will go to Auction. For the reasons stated below, this is very likely to be the case even when one or more of the contending applicants is community-based. This provides an incentive for applicants with the strongest financial backing to manipulate the criteria to drive a contention to auction where they can be sure to prevail.

The practical implication of the proposed Auction system has inherent difficulties – for example the short proposed time frame for Auctions given they may involve people around the world; the shortness of "rounds" not allowing for internal discussion by bidders, and the length of time allowed for payment for a successful bid.

IPC notes that that the implementation of Auction Rules will override the procedure set out in DAG v.3. Given the potential for significant change, it is difficult for any party that wishes to participate in public comment to fully assess and consider the practical implications of the proposed Auction system if it is potentially subject to such change. Nonetheless we offer the following comments on the proposed auction system as outlined in DAG v.3.

Section 4.3.3 indicates that "after a winning bidder is declared in default, the remaining bidders ***will receive*** an offer to have their applications accepted, one at a time, in descending order of their exit bids." This section also indicates that a winning bidder who does not execute the required registry agreement within 90 days will be considered in default. Section 4.4 indicates that if a winner of a contention resolution procedure "has not executed a contract within 90 days of the decision, ICANN ***has the right*** to extend an offer to the runner-up applicant," and mentions a runner up applicant in an auction as an example. In this section, it is stated that the runner-up applicant "***has no automatic right*** to the applied-for gTLD string if the first place winner does not execute a contract within a specified time." It is unclear when section 4.3.3 applies, and when section 4.4 applies – on their face, they seem inconsistent with one another. This should be clarified.

Section 4.3.3, which states that remaining bidders ***will receive an offer*** after default of a winning bidder, also indicates that each bidder will be given a specified period to respond as to whether it wants the gTLD, and if answered in the affirmative, will have 20 days to submit payment. This section also indicates the penalties for defaulting on a winning bid. If a runner-up is offered the gTLD after the initial winner defaults, will the runner up be considered in default and subject to penalties if it refuses the offer? This would seem unfair to a runner up who, after being informed that another applicant won the contention, may have made other plans for the funds originally earmarked for its gTLD bid. The policy should clarify that runners-up will not be considered in default if they do not accept an offer after default of the winning bidder.

IPC recommends that ICANN further refine the **default penalties** for failure to pay in a timely way for a winning bid. It is unclear how ICANN would collect default penalties (exceeding the deposit); the rationale of using the alternative penalty amount of 10% of the bid as the default penalty was unclear – and may be excessive and significant in some instances, and may not correlate to the corresponding loss to ICANN. A better alternative may be to set a maximum threshold penalty. We note that the default penalties provision has been amended. However, the amendments do not deal with the possibility of penalties being excessive in some circumstances. ICANN also needs to make it clearer that the default penalties apply to both the initial winner and those down the line should the initial winner default.

2. Community Priority Evaluation Procedure

IPC strongly supported the proposal in v.3x to reduce from 14 to 13 the number of points necessary for a community application to survive community priority evaluation procedure. We believed this would reduce the number of bona fide community applications which would find their fate determined by an auction. Accordingly, we are dismayed to see ICANN reversing course and restoring the threshold level of 14, even in cases in which there is only one community-based application being evaluated and the higher threshold is not needed in order to make a choice between competing community applicants. The explanations given in the materials for this about-face are unpersuasive – for instance, the reference to "empirical testing" is useless without any evidence that this testing, which we understand the staff has been carrying out throughout the development of the DAG, no longer indicates the satisfactory results with a 13-point threshold that it evidently produced prior to last May, when DAG v.3x proposed that threshold. Based on the information made publicly available, the conclusion will seem

inescapable to some that ICANN has simply conceded this point in the face of a vigorous pushback from one commercial entity that has a strong business interest in narrowing the applicability of the "community preference" as much as possible. IPC urges that this decision be re-examined.

DAG v.3 provides no avenue for appeal of the community priority evaluation procedure, for either the community applicant being evaluated or for other applicants affected by the outcome of a community priority evaluation. The policy also does not require the panel to issue a written opinion regarding the rationale for scores awarded during the determination. Given that the community priority evaluation may be determinative as to which applicant ultimately succeeds, ICANN should consider requiring the panel to document the basis for its scoring decisions and providing an avenue of appeal. Additionally, we note that, while ICANN has repeatedly stated that one of the primary reasons for expanding the DNS is "innovation," the scoring in the comparative evaluation gives no significant weight to an applicant that is bringing an innovative TLD to the DNS.

Comments on Modules 5 and 6

Most of the following comments deal with provisions of the draft base registry agreement annexed to Module 5 (see http://www.icann.org/en/topics/new-gtlds/draft-agreement-specs-clean-04oct09-en.pdf).

1. In its comments on DAG v.2, IPC stressed its concern that nothing in the registry agreement would prevent a successful applicant from "flipping" its new gTLD franchise to an unqualified or more questionable applicant at any time after delegation. We are glad to see that section 8.5 of the registry agreement now addresses this issue, but we question whether it will be effective. That provision now requires the new operator to affirm to ICANN its compliance with obligations under the Agreement, and with "the ICANN-adopted specification or policy on registry operator criteria then in effect." It also allows ICANN to request further information from the new operator and requires the new operator to respond. However, it does not give ICANN any role in approving the transfer. We understand that these provisions are modeled on those applicable to changes of control for accredited registrars. However, this is insufficient, because the risks of a bad actor assuming control of an entire gTLD registry are greater than those attending a similar change with regard to one of hundreds of accredited registrars; this justifies a more intensive level of vetting for potential registry operators, as reflected elsewhere in DAG v.3. We urge ICANN to re-examine this provision and consider whether it adequately protects the interests of registrants and of Internet users (and whether it adequately insulates ICANN itself from liability for injuries suffered by those parties after a registry passes to the control of a "bad actor").

2. Furthermore, as noted previously in these comments, as well as in the IPC's comments on v.3x, ICANN should encourage the new registries to require registrars to take proactive steps regarding the quality of the Whois data that the latter collect for registrations within the new TLD. This should be reflected in the base registry agreement.

3. Section 2.9 of the DAG v.3 version of the registry agreement offers several options with regard to registry/registrar separation. IPC is not in a position to comment on these

in detail at this time, beyond referencing the serious concerns that we expressed in our comments in December 2008 on the CRAI report regarding any relaxation of the current vertical separation requirements. See http://forum.icann.org/lists/crai-report/msg00013.html.

4. The audit provisions of the draft base agreement (Article 2.11) seem clearly deficient in two regards. First, the audit authority extends only to compliance with covenants in Article 2 of the agreement, not to the representation and warranty in Article 1.3(a) of the truthfulness of all material statements made by the registry operator in its application or in subsequent negotiations with ICANN. Second, the DAG v.3 version for the first time prevents ICANN from making any unannounced audits of registries. This limitation seems wholly unjustified and should be removed.

5. Under the v.3 version of the agreement (section 4.5), ICANN retains sole discretion about whether to redelegate a TLD after termination of the agreement. This presents serious problems for potential .brand TLDs. If ICANN really wishes to encourage companies to venture into the new gTLD space with registries focusing on their leading brand, it must provide a much clearer assurance that it will not simply award the string to a third party – perhaps even a competitor – if the company determines at any point that its venture is unproductive and should be brought to a close.

6. While IPC does not object to the greater procedural safeguards provided re ICANN-initiated contract amendments under Article 7 of the agreement, we are concerned that ICANN has no authority even to propose amendments regarding the scope of registry services, compliance with consensus policies, or the definition of consensus policies (section 7.1) Similarly, we urge that the contractual definition of "security and stability" be examined to make sure that it is not unduly restrictive.

Submitted on behalf of the Intellectual Property Constituency, 11/22/09