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HOGAN LOVELLS COMMENTS TO ICANN ON THE NEW GTLD FOURTH DRAFT APPLICANT GUIDEBOOK

INTRODUCTION

Following publication by ICANN of a fourth Draft Applicant Guidebook on 31 May 2010 and the 38th ICANN Meeting in Brussels, Hogan Lovells would like to make the following comments on the revised new gTLD proposal. Hogan Lovells is an international law firm with over 2,500 lawyers and more than 40 offices worldwide, and acts for numerous brand owners and Internet players.

Whilst we acknowledge that the fourth Draft Applicant Guidebook ('DAG v.4') is a more complete document than its predecessors and several areas of ambiguity in the proposed application process have been revised and clarified, we consider that a number of important issues are outstanding particularly in relation to the overarching issue of Rights Protection Mechanisms. In our view there is a risk that at this late stage of the policy development process, ICANN has undermined the commissioned work of the IRT and subsequent consideration by the STI by so many iterations and to such an extent that the intellectual property community will be largely dissatisfied with the final mechanisms proposed if they are not suitably adapted in this final iteration to ensure their efficiency and effectiveness.

Whilst there have clearly been attempts to deal with the issue of trade mark eligibility for the RPMs, and the current draft allows for the eligibility of European trade marks to an extent, the current wording, in our view, is overly complex. There is no universally accepted definition of "substantive examination" under trade mark law, thus as per our previous comments, all trade mark registrations recognized by their country of origin should be accepted as it should not be for ICANN to discriminate against particular national trade mark registrations.

We remain concerned at a sudden opening of the floodgates so to speak as we have commented upon in previous responses. This is now underlined by the study published on 16 June 2010 "*An Economic Framework for the Analysis of the Expansion of Generic Top-Level Domain Names*" (http://www.icann.org/en/topics/new-gtlds/economic-analysis-of-new-gtlds-16jun10-en.pdf) which itself cautions against such an opening. It also underlines that the greatest benefit to the community, rather than the industry itself is likely to come from a more measured approach, a

concentration on new gTLDs that have business models that are very different from those of existing TLDs, represent and serve communities and expand gTLDs to include IDNs.

Thus we would like to reiterate some of the comments and recommendations previously submitted to ICANN by Lovells LLP (prior to its merger with Hogan and Hartson LLP on 1 may 2010). Comments previously submitted by us can be found on ICANN website at the URLs below:

http://forum.icann.org/lists/tm-clear-15feb10/msg00017.html

http://forum.icann.org/lists/urs-15feb10/msg00015.html

http://forum.icann.org/lists/ppdrp-15feb10/msg00002.html

http://forum.icann.org/lists/draft-eoi-model/msg00260.html

http://forum.icann.org/lists/sti-report-2009/msg00029.html

http://forum.icann.org/lists/3gtld-guide/msg00096.html

http://forum.icann.org/lists/2gtld-guide/msg00102.html

http://forum.icann.org/lists/gtld-guide/msg00133.html

In addition, we would like to submit the following comments on the general application and evaluation on the one hand and on the proposed Rights Protection Mechanisms on the other hand.

1. COMMENTS ON GENERAL APPLICATION AND EVALUATION

Having considered the new draft carefully we have noticed a number of additions for which we believe that the efforts made by ICANN and all those involved deserve to be acknowledged. For instance we welcome the fact that DAG v.4 has implemented an expanded background check for applicants whereby a number of circumstances could disqualify a person or entity from running a new gTLD, including 'intellectual property violations'. This clearly is a step in the right direction and mirrors a number of comments made on the previous versions of the Draft Applicant Guidebook.

Hogan Lovells also welcomes the introduction of a new gTLD Registry transition process model, which includes provisions for emergency transition in the case of prolonged Registry technical outages.

At the same time, there are a number of crucial outstanding issues on which we would particularly like to draw ICANN's attention.

Firstly, we are still of the view that the application fee is too high as it could result in a discrimination against new gTLD initiatives launched by certain categories of applicants such as charitable organisations or a '.brand' application restricted to employees of a company. We believe that such entities should be eligible for a lower fee than that currently suggested.

Secondly, it still seems unclear whether brand owners could qualify to file a community-based application and whether a corporation could be considered to represent a community consisting of a restricted population such as its customers or employees. In relation to this, Hogan Lovells re-iterates that the creation of a third category of applications for brand owners, as explained further in previous comments submitted by Lovells LLP to ICANN, would be beneficial.

Thirdly, Hogan Lovells would also like to see measures taken prior to the launch of new gTLDs to deal with the increased use of proxy and privacy registrations which is significant in the existing

domain name space, as identified by ICANN's recent 'Study on the Prevalence of Domain Names Registered Using a Privacy or Proxy Service among the Top 5 gTLDs' of 28 September 2009. Whilst it is clear that there can and is justifiable reasons for using a privacy or proxy service, their use by bad actors for unlawful purposes is becoming more and more prevalent and significantly hinders the identification of those bad actors and thus the prevention of intellectual property abuse, phishing and fraud. If this issue is not dealt with appropriately prior to the launch of new gTLDs the scale of use for unlawful purposes could spiral out of control.

Finally, as DAG v.4 stands, if a string contention set consists of one new gTLD application with a very high score on the basis of the scoring system set out in Attachment to Module 2 and a second one with a score just above average, it seems that both applicants would ultimately have to participate in an auction. We believe that such a situation would be unfair and that the highest scoring application should prevail or at least that if one application scores significantly more than the other application it finds itself in contention with, it should prevail. It would in our opinion be unfair for an applicant who ticks all the boxes to lose to another applicant as a result of its lesser financial capability. In addition, given the purpose of the new gTLD initiative to 'enhance competition and promote choice and innovation', it would seem coherent to give priority to the highest scoring applications in order to optimise the potential benefits of new gTLDs to the community.

2. RIGHTS PROTECTION MECHANISMS

Hogan Lovells would like to reinstate its support to the set of recommendations made by the IRT. These recommendations were an attempt to define solutions which whilst not perfect sought balance and workability and were themselves a result of reaching a consensus position. They were not a starting point for negotiation. Their dilution, particularly the URS and PDDRP are a cause for concern and they may well turn out to be both inefficient and ineffective.

2.1 Trademark Clearinghouse ('TC')

While we are of the opinion that the current version of the Draft Applicant Guidebook is an improvement on DAG v.3 we think that the distinction drawn over eligible marks is introducing an unjustified element of discrimination between applicants from different jurisdictions.

It is definitely good news that the TM claims services now recognize all marks in the Clearinghouse including nationally and multi-nationally registered marks, regardless of whether they are from a substantive review country or not.

However, according to the proposed model for sunrise periods, it will be possible to exclude registered trade marks that are from jurisdictions that do not perform substantive review prior to registration unless those marks have been subsequently validated by a Court or the Clearinghouse.

Hogan Lovells is concerned that there is not enough visibility on the scope of this category of trade marks which would need to be validated by a Court or the Clearinghouse. Indeed it is crucial that prior to launch of the first round of applications this gets clarified since as it stands DAG v.4 could potentially be interpreted as placing an unjustified extra burden on owners of trade marks registered in certain countries. For instance there still may need some clarification regarding Community Trade Marks and whether they are considered as being not subject to substantive review before acceptance and thus potentially excluded from sunrise mechanisms unless they satisfy additional validation requirements which could be disproportionately burdensome.

2.2 **Uniform Rapid Suspension system ('URS')**

Improvements to the URS now include extending the first limb to court validated marks, Clearinghouse validated marks and the new "statute or treaty" protected trade marks, whereas previously it only covered trade marks registered in jurisdictions with a substantive examination thus preventing a substantial number of trade mark owners (and potentially the owner of a CTM) from using the URS. In addition, we welcome the proposed review of usefulness and effectiveness after 1 year.

It seems that the expected fees will be around 300 USD compared to 1,500 USD with WIPO for example for an eUDRP, so yes it is cheaper, but that is perhaps the sole advantage that remains, and the disadvantages may well outweigh this.

The URS was designed to be a different mechanism to the UDRP, for clear cut abuse where there can be no doubt on the face of the registration that it is abusive and the goal for the trade mark owner is to prevent further abuse rather than acquire the domain name. The successive rounds of modification have served to dilute the original draft we are left with a mechanism that is too close to the existing UDRP, thus usefulness has been drastically reduced.

We have to question whether this new procedure is worth pursuing at all since it now appears significantly diluted in potency. It seems to have become a "poor man's UDRP".

There are a number of concerns which Hogan Lovells would like to highlight in relation to the UDRP, including the points below:

(1) - The elements of the URS are now very similar to the UDRP so is it really different from the UDRP?

(2) - There is a need for a higher burden of proof under the URS so it will be harder to establish. This is acceptable as a counterbalance to it being a fast track process, but now it has been diluted such a requirement merely makes the mechanism unattractive.

(3) - The scope of the URS does not cover 'any proceeding with an open question of fact'. In practice we believe that the vast majority of cases would include some issue of fact, however simple it might be. Does that mean that a URS complaint would be rejected in such instances?

(4) - Examiners need only 'a legal background'. How is this to be defined? If examiners are only paid 300 USD per case then many examiners may not want to take such cases anyway, see in particular (5) below re examiners having to consider what defenses might be available in the absence of a response.

(5) - We are concerned about the possibility of a dismissal if there is no response and the examiner thinks that a defense would have been possible. Is it really for an examiner to consider what defenses might be available where a respondent has failed to respond? For 300 USD?

(6) - There might be an issue with the rotation of examiners given the variety of jurisdictions and languages.

(7) - We believe that the 5,000 word limit for the complaint and response is too high. This is far too much scope for lawyers to prepare detailed complaints whilst the idea was something simple and easy, for those blatant cases where there is no need to develop arguments / quote case law etc. Thus preparation costs are likely to be similar to those of a UDRP and these often count for the bulk of the costs of bringing an action.

(8) - This word limit of 5000 words is also the same as that for the PDDRP and that is for a far more complex situation where the behaviour of a Registry Operator is at stake as opposed to what should be a clear cut case involving the suspension of a number of domain names.

(9) - The opportunity for a defaulting respondent to take up to two years to file for another panel review seems problematic and will leave brand owners in a position of uncertainty throughout the two year period.

(10) - Finally, will the URS really be faster? We HAVE assessed that it could potentially take 47 days from filing to decision, and then there is a possibility of an appeal. This seems rather too long since, AS AN EXAMPLE, we filed and won the first eUDRP with WIPO in 35 days, from filing to decision.

See http://www.wipo.int/amc/en/domains/decisions/word/2009/d2009-1665.doc

2.3 Post-Delegation Dispute Resolution Procedure ('PDDRP')

DAG v.4 has introduced a number of improvements including the fact that the PDDRP is now open to trade mark owners claiming that one or more of their trade marks have been infringed.

We also welcome the amendment made in relation to the possibility of appointing 3 panelists as opposed to just one so that it is now available if one party requires it (as opposed to both under DAG v.3).

The IRT had called for the involvement of ICANN in the PDDRP. DAG v.4 has taken a different approach and states that "ICANN shall not be a party". We support the idea that the PDDRP should be a mechanism to help ICANN deal with complex trade mark issues where a Registry Operator is potentially infringing. Unfortunately, it seems to have been passed completely to brand owners, along with the costs.

Finally we believe that to limit the scope of the PDDRP to affirmative conduct and thus to exclude wilful blindness will considerably reduce the benefit of the PDDRP and encourage situations where a party sticks its head in the sand to seek to avoid liability, as is too often the case.

CONCLUSION

Further progress has been made as a result of the fourth Draft Applicant Guidebook and the dialogue instigated between ICANN and the community has so far been productive.

Hogan Lovells is of the opinion that a number of crucial adjustments need to be adopted before ICANN finalises the Applicant Guidebook and prior to launching the first round of applications.

In terms of Rights Protection Mechanisms, the recommendations of the IRT were a tapestry of solutions which now seems to have been unravelled. In addition to this unweaving of the tapestry we have seen to date, we now also potentially have the rug being pulled from underneath us, namely regarding a PDP for the UDRP.

If new gTLDs are to be introduced, suitable RPMs must be a mandatory precondition and integral part of any new gTLD launch and measures need to be taken before the launch of new gTLDs to deal with the current and significantly increased use of proxy and privacy registrations in the existing domain name space, hindering the identification of bad actors and thus the prevention of intellectual property abuse, phishing and fraud against consumers.

Further dialogue between ICANN and the community is needed and will provide companies and organisations with a clearer vision of the new gTLD initiative so as to reinforce its public credibility and appeal.

The goal of us all is for technically feasible, fair and affordable solutions applicable globally to allow new gTLDs to flourish, not turn into havens for consumer abuse.

Yours faithfully,

David Taylor

Partner, Intellectual Property