MarkMonitor

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VIA EMAIL

Mr. Rod Beckstrom
President and CEO, ICANN
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Mr. Peter Dengate-Thrush
Chairman of the Board of Directors, ICANN
4676 Admiralty Way, Suite 330
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December 8, 2010

Dear Mr. Beckstrom, Mr. Dengate-Thrush and the ICANN Board & Staff:

MarkMonitor Inc. appreciates the opportunity to submit its general comments to the Proposed Final Applicant Guidebook ("PF-AG").

At the outset, and as stated in our preliminary comments submitted on December 2, 2010, in each of the past comment periods MarkMonitor has had sufficient time in order to consult with its clients, stakeholder groups and various public and private institutions to ensure that its comments are representative of the interests it serves. Previous draft application guidebook comment periods were adequate to accommodate thorough consultation as well as adoption and endorsement of our comments by many of those who otherwise could not participate in this process due to lack of resources. With this iteration of the PF-AG the brief twenty (20) working-day comment period does not provide us with adequate time. MarkMonitor regrets that ICANN leadership has chosen to restrict community participation in this manner.

Timing notwithstanding and in light of the recently published economic report, the questions the report poses and the opportunities it presents, the PF-AG should not be finalized. Subsequently, new gTLDs should not be introduced until adequate consideration is given to the most recent economic report and action is taken to: (i) increase the benefits created by the new gTLD program, and, (ii) decrease the potential economic harm to consumers and businesses.

MarkMonitor appreciates the efforts of ICANN Board and Staff as well as the Internet community as a whole for their valuable efforts to expand the namespace through the introduction of new gTLDs. However, MarkMonitor believes that new gTLDs should also be introduced in a rational, controlled and informed manner. To that end, the ICANN Board should consider a limited and discrete introduction of new gTLDs in the first round in order to mitigate risks and maximize the economic and social benefits of the program.

Recent Economic Reports:

On June 16, 2010, ICANN posted an economic report called the "Economic Framework for the Analysis of the Expansion of Generic Top Level Domain Names" by Michael L. Katz, Gregory L. Rosston and Theresa Sullivan ("Economic Framework"). This Economic Framework document was commissioned by ICANN, and, specifically called for a group of economists to "consider and propose new empirical studies that could help assess costs and benefits of new gTLDs.[1] The Economic Framework document did just that; it called for further studies to measure the costs and benefits of the introduction of any new gTLDs. The Economic Framework document also recommended "[that] it may be wise to continue ICANN's practice of introducing new gTLDs in discrete, limited rounds." It also stated that …"is impossible to predict the costs and benefits of new gTLDs accurately. By proceeding with multiple rounds, the biggest likely costs—*consumer confusion and trademark protection*—can be evaluated in the earlier rounds to make more accurate predictions about later rounds". Notwithstanding this valuable recommendation, ICANN is continuing to forge ahead with a launch that could encompass up to 1000 new gTLDs in the first round. ICANN's plan for introducing new gTLDs is not rational, controlled nor informed and specifically ignores the recommendations of the economic studies commissioned.

On December 3, 2010, just before the Cartagena Meeting, ICANN posted its follow-up economic report entitled "Economic Considerations in the Expansion of Generic Top-Level Domain Names, Phase II Report: Case Studies" by Michael L. Katz, Gregory L. Rosston and Theresa Sullivan ("Economic Report Phase 2"). The Economic Report Phase 2 "proposed a set of empirical studies designed to provide evidence regarding the likely relative costs and benefits of new gTLDs based on experience from other TLDs and market behavior." Although there has been insufficient time to fully analyze the data and analysis presented in this document, a brief review of this report has been enlightening. The Economic Report Phase 2 analyzed several gTLDs including, .mobi[2], .aero[3] and .museum[4] and found little, if any, consumer benefit to any of these gTLDs. Though unfounded by any empirical data, the Economic Report Phase 2 suggests that despite the poor participation in and, lack of content on the studied gTLDs "it should also be noted that, if ICANN were to delegate hundreds or even thousands of gTLDs, then web site visitors might begin to think about and use gTLDs in a new way, placing greater reliance on them

[1] "[The Economic Framework report]…planned and structured to address open questions and to provide information about how best to structure rules for new gTLDs". See Page 1.

[2] Only 37% percent of registrants renewed their dotmobi domain names two years later. See Page 20.

[3] The Economic Report Phase 2 states that "registration data suggest that both the affirmative and defensive benefits of .aero registrations are low." See Page 36.

[4] The Economic Report Phase 2 states that only "…13 percent (15 domains) [of .museum registered domain names] had museum content that was not available on domains registered in other gTLDs." See Page 29.

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as certification and navigation tools."[5] This Pollyanna point of view relies on the "Field of Dreams" logic that if they build it, they will come. The conclusions also appear to diverge from the initial recommendations from this team of economists to introduce a limited number of gTLDs. This most recent report supports the notion that acting in this way could be both too expensive and too risky for the community, consumers, companies and the Internet to sustain.

The Economic Report Phase 2 also states that external costs to trademark owners "imposed by new gTLDs increase with the number of new gTLDs, the proportion that have a dangerous probability of leading to fraudulent uses of a company's protected intellectual property rights, and the cost per registration"[6] Moreover, the World Intellectual Property Organization ("WIPO") has recently reported that UDRP cases are at a record level[7] that stands as a strong indicator that brand abuse continues to grow. With the possible exception of Internationalized gTLDs, the economic report supports the conclusion that the introduction of new gTLDs introduces greater costs without creating significant benefits.

Decreasing Costs by Reducing Harm: Right Protection Mechanisms (RPMs):

The Economic Report Phase 2 states that "external costs to trademark owners imposed by new gTLDs increase with the number of new gTLDs".[8] Furthermore, the study shows that with the release of each new gTLD we can glean valuable information which, if implemented expeditiously, could reduce costs to companies and reduce consumer harm (separately from the abuse suffered by big brand holders and others). Thus, MarkMonitor renews its call for ICANN to strengthen the proposed trademark protection mechanisms now detailed in the current version of the PF-AG.[9] As we have repeatedly indicated, the current RPMs[10] still do not provide the proper protection to brand rights holders. Moreover, persistent calls from MarkMonitor for resolution of these issues in our previous comments have gone unaddressed. MarkMonitor supports and echoes the comments by WIPO as detailed in its posted comments and further elaborates on several concerns that are still plaguing the current RPMs.

First, the Trademark Clearinghouse (TC) does not provide any affirmative protections for brand

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[5] See Economic Report Phase 2, Page 37.

[6] See Economic Report Phase 2, Page 57.

[7] http://www.wipo.int/amc/en/domains/statistics/cases.jsp

[8] "The introduction of new gTLDs will trigger defensive registrations and impose associated costs on trademark owners if they feel the need to register in additional gTLDs to protect their intellectual property rights, or to prevent fraud or counterfeiting". See Economic Report Phase 2, Page 57.

[9] The GAC indicated in its 23 September 2010 letter to the ICANN Board that it "…urges ICANN to ensure that all new rights protection mechanisms complement the existing UDRP."

[10] With respect to the Post-Delegation Dispute Resolution Procedure (PDDRP) we agree with and incorporate the comments made by the World Intellectual Property Organization (WIPO) Arbitration and Mediation Center (http://forum.icann.org/lists/4gtld-guide/msg00003.html).

holders given that it is simply a database that is intended to make the existing Trademark Claims and Sunrise Period processes more efficient. MarkMonitor believes that both the Trademark Claims and the Sunrise Period processes should be required for pre-launch by every gTLD registry. The TC will also require an additional charge for brand holders and will not provide comprehensive coverage given that only identical marks can be registered within the TC. Moreover, common law marks are left out from any consideration. Also, the addition in the PF-AG of a use requirement, although ostensibly not problematic for US registrants, could have certain negative implications for international registrants.

In addition, the URS (as currently proposed) is neither efficient nor cost-effective. The URS was conceived to be a quick remedy for clear cases of cybersquatting. The original process was intended to be faster than the already existing UDRP. Yet, even with the modest reduction in days between filing and a required response (from 20 to 14 days) in the most recent version of the PF-AG, the URS continues to be a longer process than is practical. Moreover, the burden of proof is higher under the URS than the burden under the UDRP. Regardless, given that the ultimate remedy yields only the suspension of a name, it is likely that the majority of brand holders will be forced to buy a domain name in each gTLD corresponding to their trademarks or will be filing requisite UDRPs as opposed to relying on the equally time consuming and costly URS process.

Finally, the entire goal of the original recommendations of the Implementation Recommendation Team (IRT) was to provide for a "tapestry of rights protection mechanisms" that, working together, would give brand holders the necessary safeguards. By cherry picking (and modifying) the originally proposed RPMs, the PF-AG leaves brand holders in no better position than it was prior to the addition of new RPMs. In addition, the Economic Report Phase 2 seems to suggest that a trademark block has significant value for brand holders.[11] Thus, MarkMonitor again calls for the introduction of the Globally Protected Marks List as an additional and critical mechanism to protect brand holders (successfully employed in the recent .CO launch).

[11] There is value in giving trademark holders the ability to block the use of trademarked terms beyond a sunrise period. See Economic Report Phase 2, Page 74.

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Increasing Benefits While reducing Risk: Limited and Discrete Rollout

ICANN has indicated that there is uncertainty with respect to the potential benefits to the launch of new gTLDs. This uncertainty was also referenced in the Economic Report Phase 2 document[12]. MarkMonitor believes that the program can yield greater community benefit by introducing a limited and discrete number of gTLDs in a rational, controlled and informed manner. To that end, this initial rollout should be limited to only community-based gTLDs. With a small, managed roll-out, ICANN will be able to 1) test the unchartered and highly complex procedures and processes outlined in the PF_AG including extended evaluation, string contention, and other processes, 2) validate that the new rights protection mechanisms will function as expected, and, 3) ensure that technical and operational systems support expansion of the namespace. This will also resolve any potential issues that may arise relating to security and stability and satisfy the GAC's request for universal resolvability of the DNS[13]. Moreover, this limited and discrete roll-out will also allow ICANN to set up the necessary infrastructure to monitor the problems and progress of each of the gTLDs.

This position is receiving growing support in the ICANN community as follows:

- GAC letter dated September 23, 2010 advised ICANN to conduct "a small pilot programme" "to refine and improve the application rules for subsequent rounds."

- ICANN's recent Economic Framework document indicated that it might be wise for ICANN to continue its "practice of introducing new gTLDs in discrete, limited rounds"

- US Government (NTIA) letter dated December 2, 2010 which raises broad concerns about the introduction of new gTLDs and concerns about ICANN's Affirmation of Commitments.

There is a clear and growing call from with the Internet community for ICANN to consider limiting the scope and number of gTLDs that will be launched in the first round. As stated above, this, at a minimum, will allow ICANN to better assess and evaluate the potential costs and benefits to consumers and the Internet community as a whole.

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[12] The case studies also highlight the fact that, at the time an application for delegation of a new gTLD is submitted, the magnitudes of both incremental benefits and incremental costs will very likely be uncertain and will vary by application. See Economic Report Phase 2, Page 74

[13] "In the GAC's view, [straightforward, non-sensitive and uncontroversial proposals] could be considered as part of a fast track first round." Letter to ICANN Board by GAC, September 23, 2010

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Conclusion

There are many of issues that remain to be resolved before ICANN can continue with the introduction of gTLDs. These include making changes that are supported by the recent economic reports that would increase the likelihood of realizing greater benefits from the program as well as decrease the costs to impacted parties. Refining the rights protection mechanisms and limiting the scope of the first round of applications would allow the community to enjoy the net benefits of this program by releasing the new gTLDs in a rational, controlled and informed manner.

We look to forward to working with ICANN and the community to affect a successful launch of new gTLDs.

Respectfully submitted,

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