

## **Comments on “An Economic Framework for the Analysis of the Expansion of Generic Top-Level Domain Names”**

The Coalition Against Domain Name Abuse (CADNA) welcomes the opportunity to provide comments on the recently published report, “An Economic Framework for the Analysis of the Expansion of Generic Top-Level Domain Names”.

At first, CADNA was pleased to see that ICANN appeared to have commissioned individuals outside of its own organization to conduct this analysis, particularly Professors Katz and Rosston. However, it was quite disappointed to discover that the third author, Theresa Sullivan, is affiliated with Compass Lexecon, the same organization behind Dennis Carlton’s report regarding the competition and pricing of new gTLDs, which CADNA and others dismissed for its lack of any practical knowledge of the domain name system. Many have questioned Compass Lexecon, including the U.S. Department of Justice, for questionable methodologies and flawed analyses. Far too much of the process to introduce new gTLDs has taken place within the ICANN organization without adequate input from outside parties and stakeholders, and to see ICANN turn to an incompetent firm for this analysis is frustrating.

As with the Carlton Report, CADNA feels that this analysis could have been improved had the authors consulted with an expert more familiar with the way both domain name registrants and Internet users utilize the domain name system on a daily basis. While it is useful to consider the impact gTLDs will have from an economic standpoint, the report seems to focus too heavily on theory at times, such as when it makes the assumption that all gTLD registry operators will behave in an economically rational manner. CADNA knows that this may not necessarily be the case, and that it is likely that some parties may apply for gTLDs simply to avoid being beaten out by others.

In the case that applicants do not behave completely rationally, the authors posit that either too many or too few gTLDs will be applied for, but the baseline against which “too many” or “too few” is measured is ambiguous. According to the authors, it is derived from the point where the benefits to the new gTLD operators equal the benefits to society. Earlier in the report, they assert that one of the biggest benefits new gTLDs will provide users will arise from innovative new business models that are very different from those already offered by existing gTLD registry operators. The problem is, those benefits will not become clear until after the application process begins. At that point it will be too late, because ICANN will have had to establish an approval process for applications.

Two more connected benefits of new gTLDs that the authors point to are the increased competition for and the relief of congestion problems in existing gTLDs. .COM immediately comes to mind, considering that it is the most popular gTLD currently in existence. The authors recommend looking back at past gTLD launches to assess whether or not new gTLDs will

actually be able to increase competition and relieve congestion. If one looks to .BIZ and .INFO, as the authors suggest, then there is no indication whatsoever that new gTLDs will actually accomplish either of those goals. Neither .BIZ nor .INFO has managed to decrease user and registrant demand for .COM or other existing gTLDs: registrants continue to pursue .COM domain names, and users continue to turn to .COM when seeking content online.

While the theoretical benefits of new gTLDs that the report proposes are largely uncorroborated by real events, the costs outlined in the report are much more tangible and are backed by concrete evidence from past gTLD launches. One of the biggest costs new gTLDs will pose will be in the form of cybersquatting, or as the report calls it, “second-level domain name misappropriation”. As the domain name space expands to include new gTLDs, there will be many more opportunities for cybersquatting, which will mean that domain name registrants, especially brand owners, will have to defensively register domain names across various gTLDs or risk brand dilution or damage. It stands to reason that registrants will do the same with defensively registered domain names in new gTLDs as they often do with those in existing gTLDs, which is point them to their primary websites. If that happens, and it is likely that it will, can it really be said that new gTLDs will meaningfully increase competition and innovation?

The authors of the report also make the valid point that new gTLDs could create a great deal of consumer confusion. If consumers find new gTLDs confusing and have a difficult time navigating the Internet as a result of new gTLDs, it is likely that many will turn to search engines instead of directly navigating to websites. Such a shift could drive up the cost of paid search fees for domain name registrants who want users to be able to easily access their websites and online content.

The report recommends looking to past gTLD launches, specifically .BIZ and .INFO, for lessons about what to expect for the rollout of new gTLDs. Neither .BIZ nor .INFO provided meaningful competition for .COM. Each did, however, increase the number of defensive registrations that brand owners needed in order to protect their trademarks. In simpler terms, the costs outweighed the benefit.

Above all, CADNA agrees with the report’s emphasis on caution and prudence on ICANN’s part before moving forward with the rollout of new gTLDs. Even this 64-page analysis could not fully address all of the issues surrounding new gTLDs, therefore CADNA urges ICANN to slow the process down until it can ensure that the costs of new gTLDs to registrants and Internet users do not surpass the benefits.