



December 15, 2008

Dr. Paul Twomey
President and CEO
Internet Corporation for Assigned Names and Numbers (ICANN)
International Square
1875 I Street, NW, Suite 501
Washington DC, 20006

Re: USTelecom Comments on the New gTLDs Program and Process

Dear Dr. Twomey:

The United States Telecom Association (USTelecom)¹ appreciates the opportunity to submit comments regarding the Internet Corporation for Assigned Names and Numbers (ICANN) proposal to establish new generic top level domains (gTLDs).² In addition to providing the infrastructure and network services that make the Internet possible, many of USTelecom's member companies are holders of substantial intellectual property rights, including trademarks and brand names that are recognized around the globe. It is from this perspective that USTelecom offers its comments.

With the release of its "Draft Applicant Guidebook"³ on October 24, 2008, ICANN detailed the mechanics for its proposed introduction of new gTLDs into the Internet domain naming system. Among other things, ICANN's Draft Applicant Guidebook discusses the application process, application evaluation procedures and the mechanics for resolving disputes. After an extensive review and discussion with its membership, USTelecom finds that the ICANN proposal regarding new gTLDs raises numerous questions, and that many of its proposals are problematic.

USTelecom's comments address the most significant areas of concern. Given the significant nature of the concerns identified, USTelecom recommends that ICANN undertake substantial improvements in the proposed process before it continues with plans to introduce new gTLDs and Internationalized Domain Names (IDNs) and proposes some concrete changes that should also be undertaken.

¹ USTelecom is the premier trade association representing service providers and suppliers for the telecommunications industry. USTelecom members provide a full array of services, including broadband, voice, data and video over wireline and wireless networks.

² ICANN website, New gTLD Applicant Guidebook Public Comment Forum, (available at <http://www.icann.org/en/topics/new-gtlds/comments-en.htm>) (visited December 15, 2008).

³ ICANN, *New gTLD Program: Draft Applicant Guidebook*, October 24, 2008 (available at: <http://www.icann.org/en/topics/new-gtlds/draft-rfp-24oct08-en.pdf>) (visited December 15, 2008) (*ICANN gTLD Guidebook*).

First, there are legitimate questions regarding the need for any additional gTLDs. In June 2006, ICANN's Board tasked the President/CEO of ICANN to undertake an economic analysis of the impact of introduction of new gTLDs. This economic analysis is still pending. Until the completed analysis is provided to the community for consideration and response, it is premature to propose the introduction of any further gTLDs. Second, as proposed, the ICANN proposal will create a losing proposition for both users of the Internet and rights holders. Rights holders will face substantially greater costs to protect their brands while being exposed to increased instances of trademark abuse by bad actors. And these same bad actors will prey on unwary consumers who will be exposed to increased instances of cybersquatting, phishing and other associated scams. Finally, USTelecom has significant concerns regarding the inability of existing dispute resolution processes and other Rights Protection Mechanisms (RPMs) to protect the rights of USTelecom members in a low cost, efficient and practical manner.

I. There is No Substantiated Need for New gTLDs

ICANN's claim that there are "only 21 generic top-level domain names"⁴ vastly understates the universe of options for potential registrants. There are currently over 270 TLD names of varying types for possible registrants to choose from.⁵ Potential registrants have a wide range of naming options, including country code TLDs (ccTLDs, such as, .eu, .de, .uk), sponsored gTLDs (such as, travel; .mobi; .asia;) and finally unsponsored gTLDs, which include some of the more common top-level domains (e.g.; .com, .net, .info) and special categories of gTLDs (.org; and .biz).

Evidence also suggests that registrants are availing themselves of the wide range of available options. For example, much of the distribution of domain names is spread evenly across unsponsored gTLDs and ccTLDs. According to Verisign's September 2008 Domain Name Industry Brief, the "largest TLDs in terms of base size were .com, .de, .cn, .net, .uk, .org, .info, .nl (The Netherlands), .eu (European Union), and .biz."⁶

The same report also notes that many of the existing TLDs are vastly underutilized. ICANN has not yet provided the needed detailed support for its proposed increase in gTLDs, simply stating that its desire to expand is "driven by the demand for more innovation, choice and change to the Internet's addressing system."⁷ But ICANN's report to its own Board of Directors

⁴ *ICANN gTLD Guidebook*, p. 1.

⁵ See Verisign, *Domain Name Primer*, March 2008, p. 3 (reporting on the wealth of various TLDs in the internet space. For example, there are two letter – or country code – TLDs (e.g.; .uk, .de, .jp, etc) that correspond to the official two-letter abbreviations of over 250 countries and territories. In addition, there are sponsored generic TLDs that include domains such as: .edu, .gov, .mil, .aero, .coop, .museum, .jobs, .mobi, .travel, .tel, .cat, and .asia. Finally, there are unsponsored generic TLDs such as .com, .net, .org, .int, .arpa, .biz, .info, .name and .pro) (available at: <http://www.verisign.com/static/043398.pdf>) (visited December 15, 2008) (*Verisign Domain Name Primer*).

⁶ Verisign, *September 2008 Domain Name Industry Brief*, p. 2 (according to Verisign, "the composition of the domain name industry and rank order in terms of base size remained relatively constant with the largest TLDs remaining in the same rank order. The largest TLDs in terms of base size were .com, .de, .cn, .net, .uk, .org, .info, .nl (The Netherlands), .eu (European Union), and .biz.") (available at: <http://www.verisign.com/static/044191.pdf>) (visited December 15, 2008) (*Verisign September 2008 Domain Brief*).

⁷ *ICANN gTLD Guidebook*, p. 1.

in September, 2007 suggests otherwise. Referencing a June 2007 Domain Name Industry Brief from Verisign, ICANN states that an illustration in the report “shows how rapidly the number of domain names under registration has increased and one could expect that trend to continue with the introduction of new top-level domains.”⁸ But the most recent Domain Name Industry Brief⁹ released by Verisign demonstrates two important points that ICANN neglects to acknowledge today.

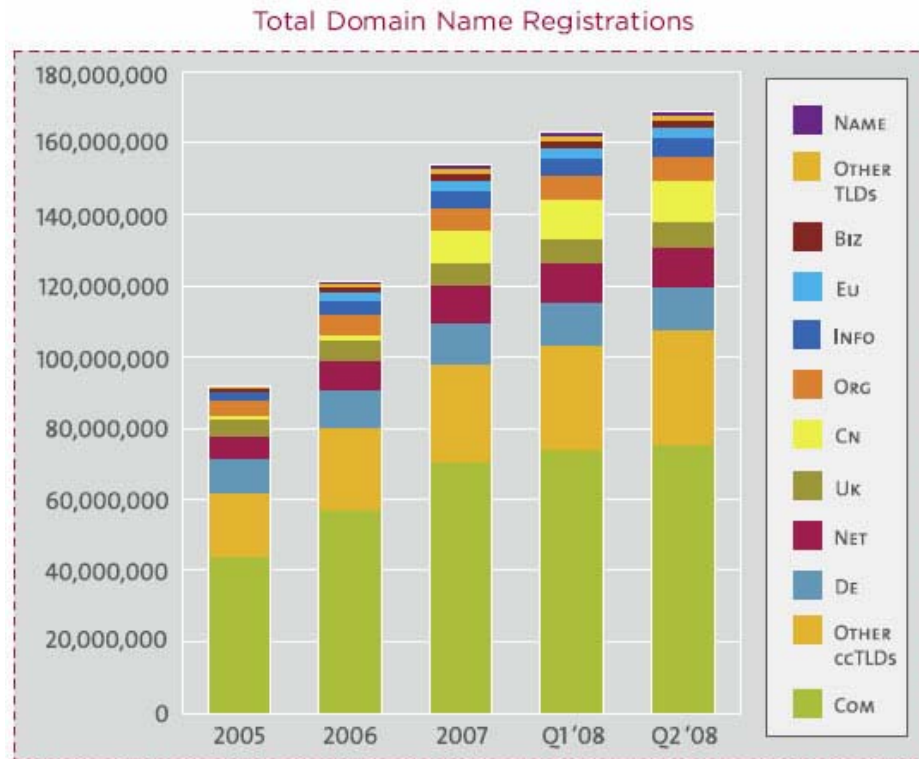
- After experiencing steady growth between 2005 and 2007, domain registrations in all manner of TLDs appear to be leveling off. Indeed, according to Verisign’s most recent report, there has actually been a *decline* of new registrations by 18 percent in the second quarter of 2008 across all TLDs.¹⁰ Although the decline could be attributable – in part – to ICANN’s recent actions on domain tasting, and possibly the slowing global economy, it nevertheless refutes ICANN’s assertion that increases in domain registrations is a trend that will continue.
- As the bar chart from Verisign’s own report suggests, there are numerous TLDs that are grossly underutilized in terms of domain registrations. These include some of the more widely known TLDs, such as .org, .biz and .info, as well as numerous ccTLDs. From the data available, it also appears that the growth rate in domain registrations in many of these TLDs is slowing.¹¹

⁸ ICANN Report, *ICANN Generic Names Supporting Organization, Board Report, Introduction of New Generic Top-Level Domains*, pp. 11 – 12, September 11, 2007 (available at: <http://gns0.icann.org/issues/new-gtlds/council-report-to-board-pdp-new-gtlds-11sep07.pdf>) (visited December 15, 2008) (*ICANN Board Report*).

⁹ *Verisign September 2008 Domain Brief*.

¹⁰ *Verisign September 2008 Domain Brief*, p. 2.

¹¹ Verisign acknowledged in its report that the growth rate for ccTLDs as a whole “slowed in the second quarter [and that] fifteen of the top 20 ccTLDs in terms of base size experienced a slower growth rate than in the first quarter of 2008.” *Verisign September 2008 Domain Brief*, p. 3.



In light of these two realities, USTelecom does not believe it makes sense to introduce new gTLDs in the face of decreasing demand and underutilized supply. USTelecom is concerned that if ICANN moves forward with its proposal, rights holders such as many USTelecom members companies will be forced to acquire top-level and secondary level domains in order to protect their valuable intellectual property rights.

II. Introduction of New gTLDs Will Substantially Increase Costs for Legitimate Rights Holders

USTelecom believes that if ICANN’s proposal is adopted, costs will substantially increase for companies with established brands, while creating no added benefits, and indeed often presenting new challenges for those all those who use the Internet, including consumers. USTelecom’s members recognize that IDNs are a different matter to both companies and to the new users of the Internet from countries where English is not the spoken or written language. Thus our comments are focused on the challenges associated with moving forward with introducing vast numbers of ASCII character gTLDs. USTelecom may offer further comments regarding the implications of IDNs at the top level at another time.

Under ICANN’s present proposal, brand holders will be faced with an impossible dilemma. On the one hand, companies can file costly applications for a gTLD similar to their brand name. However, this does not eliminate the need to engage in costly secondary level domain registrations for no other reason than to prevent misappropriation of their established brands by bad actors. In all events, the majority of global brand holders are faced with costly and endless

prospect of policing hundreds or eventually thousands of new TLD spaces for domain name abuse. In all cases, trademark owners will incur significant costs to secure a gTLD and/or secondary level domain names it does not want or need, while endlessly policing domains to ensure their brands have not been misappropriated.

If rights holders decide to file for a new gTLD, they will be faced with substantial costs. According to the recently released Draft Applicant Guidebook, ICANN will charge a basic fee of \$185,000.00 (USD) for registration of a new gTLD. But this fee is only the beginning of possible charges. In addition to the basic fee, a registrant could face a fee for use of the electronic application system (\$100), added charges for closer review to determine whether the applicant meets certain technical prerequisites (\$50,000), the cost of settling third party claims against an applicant (\$70,000 to \$122,000), and comparative evaluations of competitors for the same address zone (an amount yet-to-be-determined).

In addition, the cost of selecting or building the back engine to operate the registry is not yet factored into the discussion. Moreover, charging applicants \$60,000 (non-refundable) to cover possible litigation costs combined with a contractual provision prohibiting an applicant from suing ICANN is not cost-based and appears to be an unconscionable, duplicative penalty. In sum, for each gTLD deemed necessary and/or desirable, an applicant can expect to pay a *minimum* of \$500,000.

If this decision is made because there is a suitable business case for operating a market facing registry service, companies can determine whether these fees justify the wish to create a new market facing services. In most instances, however, it appears that companies are being forced into this decision purely for defensive purposes. There are legitimate questions as to whether the operation of a registry has any legitimate business potential for most rights holders. For most rights holders, any such new gTLDs would have a limited range of viable business opportunities. While a new gTLD – secured at great expense by a rights holder – could feasibly be used for internal employee or subscriber email services, it hardly makes a compelling business case for the rights holder. And, while such operational gTLDs represent a poor use of the DNS, the rights holder is given little choice in ICANN’s present model.

Furthermore, these expenditures noted to date do not include the defensive applications that companies will be forced to submit in order to protect the integrity of their established brands within hundreds of new gTLDs. As new gTLDs are registered by ICANN, companies with established brands will be forced – as they are now – to defensively register domains within these TLDs, continually police and enforce their rights in all these new spaces. These submissions can number in the hundreds for *each* current gTLD,¹² and at a huge cost (including

¹² For example, one company that specializes in helping companies protect their online identities recommends “only registering likely targets of domain abuse,” which can include the names of a company’s famous brands, registered trademarks, slogans, so-called “Sucks sites,” singular and plural iterations of the company name and/or names that possess a trademark, common misspellings (including Internationalized Domain Names), and finally famous Executives, Board of Directors members and domains registered by “Brand + Product type.” See, MarkMonitor White Paper, Elisa Cooper, Director of Product Management, MarkMonitor, *Seven Keys for Successful Domain Portfolio Management*, August 2007, p. 4 (available at: <http://www.markmonitor.com/download/wp/wp-sevenkeys.pdf>) (visited December 15, 2008) (*MarkMonitor Portfolio Management Report*).

exorbitant costs during the sunrise period) and create a significant and ongoing expense for companies. More often than not, because of the limited utility of these sites, companies choose to keep the sites inactive. ICANN's introduction of additional gTLDs will only add to this waste of time, money and resources.

III. Implementation of the Proposed gTLD Process Will Expose Rights Holders and Consumers to Significant Abuse

Regardless of whether the rights holders refrain from undertaking the costly top level registration process, they will also be faced with potential abusive registrations from various bad actors on separate fronts. First, there will be the risk that some bad actor will attempt to register a gTLD matching – or closely mirroring – a brand holder's legitimate intellectual property rights. Alternatively, as increasing numbers of legitimate gTLDs are registered, rights holders will be forced to monitor secondary domains registered within these gTLDs for similar abuses.

The likelihood that bad actors will be drawn to this process is inevitable. Instances of cybersquatting – which generally involve the practice of so-called “brandjacking” – have grown substantially in recent years. According to the most recent MarkMonitor® Brandjacking Index™,¹³ overall brand abuse continues to increase, and “[c]yber-squatting continues to be the most common method observed with more than 380,000 exploits in the last quarter of 2007,” representing a 33% increase for the year.¹⁴ According to this same report, the use of brand names as part of a domain name is “an easy way to drive traffic through search engines, and since most common dictionary words are already used for domains, fraudsters and criminals continue to turn to brand names and trademarks when they register domains.”¹⁵

During the worst economic period since the great depression, the proposed rollout of gTLDs will increase costs significantly for brand holders regardless of the size of their portfolios. One recent analysis of 30 top, global brands found cybersquatting incidents increased over 40% in the last year. According to this study, these globally recognized trademarks suffered as many as *15,000 incidents per brand*.¹⁶ At an estimated cost of over \$7,000 for each Uniform Dispute Resolution Process (UDRP) and supporting internal processes for such, the

¹³ According to MarkMonitor, its BrandJacking™ index “is an independent report that tracks the 30 leading brands as identified by Interbrand. The report measures the effect of online threats to brands and investigates trends, including drilled-down analysis of how the most popular brands are abused online and the industries in which abuse is causing the most damage.” (available at: http://www.markmonitor.com/resources/brand_jacking_index.php) (visited December 2, 2008).

¹⁴ MarkMonitor, *Winter 2007 Brandjacking™ Index*, p. 4 (available at: <http://www.markmonitor.com/download/bji/BrandjackingIndex-winter2007.pdf>) (visited December 15, 2008) (*MarkMonitor Report*).

¹⁵ *Id.*

¹⁶ Margie Milam, CircleID Internet Infrastructure, *Expansion of Top-Level Domain Names: Why Current Brand Protection Procedures Will Be Impractical*, October 29, 2008 (available at: http://www.circleid.com/posts/20081029_tld_expansion_brand_protection/) (visited December 2, 2008) (*Milam Article*).

total cost of remedying just these 30 brand infringements would be well in excess of \$3 billion.¹⁷ This same commentator believes the “total scale of the problem is much greater.”¹⁸

And this does not include the tangential costs associated with ensuring brand protection. Companies often incur additional costs that can include the formulation of proactive and constant Internet monitoring measures, legal consultations to determine the best course of action when instances of abuse are identified, and, in the most egregious instances, notifications to inform customers of potential scams and/or breaches. And while the cost to rights holders will be substantial, the cost to consumers could be even greater.

With the introduction of new gTLDs and accompanying cybersquatters, consumers will face an increasingly confusing and potentially dangerous environment. One industry report concluded that “[t]he digital world continues to be an unsafe place as criminals and hackers widen their targets and hijack well-known brands for their own profit.”¹⁹ By registering domain names emanating from famous brands, cybersquatters lure consumers into purchasing counterfeit products, cause them to reveal their personally identifiable information and expose themselves to spyware.

The steady increase in cybersquatting and domain name abuses that ICANN has acknowledged in recent years will likely turn into a torrent of abuse if ICANN’s proposal is implemented. Legitimate rights holders will incur increased costs in terms of defensive filings and/or enforcement activities, while consumers will be subjected to an increasing field of confusing and potentially deceptive domains residing in newly established gTLDs.

IV. Proposed Safety Mechanisms in the Application Process are Insufficient

Finally, although ICANN proposes some mechanisms to address potential intellectual property rights abuse, USTelecom maintains that these mechanisms are insufficient. Moreover, there are some potential safeguards which ICANN has chosen to ignore for rights holders.

A Reserved Names List Should be Implemented for Trademark Rights Holders

If ICANN moves forward with its gTLD registry plans, USTelecom believes that – at a minimum – ICANN should implement a reserved names list for trademark rights holders, using standard criteria that are neutrally applied. At both the gTLD level and the secondary level within each approved new TLD, such a mechanism would ensure that globally recognized trademarks are not misappropriated. Indeed, ICANN avails itself of just such a mechanism, and USTelecom believes that such protections should be afforded to all legitimate trademark holders.²⁰

¹⁷ Presumably, the author arrives at this conclusion based on 30 brand names each with 15,000 infringements (for a total of 450,000 infringements), times the associated UDRP cost for each (*i.e.*; \$7,000 each).

¹⁸ *Milam Article*.

¹⁹ *MarkMonitor Report*, p. 4.

²⁰ Specifically, Section 2.1.1.2 of the *ICANN gTLD Guidebook* establishes a “Reserved Names” list which is intended to ensure that “the applied for gTLD string does not appear on that list.” ICANN Draft Applicant

Any trademark owner should be afforded the opportunity to establish that their marks, which have been federally registered, exist in a variety of other TLD spaces and have been targets of past cybersquatting activities, be placed on such a reserved list so no third party can register them. Such a list would prevent misappropriation of established trademarks, while allowing ICANN to proceed with deployment of new gTLDs that do not infringe on the intellectual property rights of others. Moreover, such a list would be easy to administer and would avoid the substantial costs associated with ICANN's current proposal.

New gTLD Registrars Should be Subject to Notice and Takedown Procedures

With respect to registration of trademark rights at the TLD and secondary levels, ICANN's proposal falls short. Specifically, ICANN states that at the TLD level, it will implement "an objection based process for dispute resolution." At the secondary level, ICANN refrains from establishing any standards whatsoever, leaving it to potential registrars to describe their proposed RPMs. Although it suggests that a "Sunrise Mechanism"²¹ may be appropriate, ICANN's only requirement is that all second-level registrations must be subject to ICANN's UDRP.

At the TLD level, USTelecom has serious concerns regarding dispute resolution as a mechanism for resolving trademark disputes. Considering the flood of potential registrar applicants at the TLD level, rights holders will be consumed with monitoring the application process and identifying potentially infringing registrations. Such an approach will prove extremely costly and time consuming for companies holding established trademarks. In this regard, USTelecom's proposal for a Reserved Names List would help address this problematic issue.

In addition to the use of a Reserved Names List trademark owners will still face significant problems at the secondary level. In basic terms, the minimal protections that ICANN suggests – implementation of a UDRP and a Sunrise Mechanism – will simply not scale to the degree necessary under ICANN's proposed gTLD regime.

With respect to UDRP, businesses today are already overwhelmed with policing TLDs for infringing domains. According to statistics from the World Intellectual Property Organization, there have been 14,482 cases submitted to UDRP since its inception in 1999. Unfortunately, nearly half of these UDRP instances have occurred since 2006, and that trend appears to be growing.²² And even when infringing domains are identified, companies can expect to spend approximately \$10,000 for a UDRP.²³ Companies already spend millions of

Guidebook, Section 2.1.1.2. Among the names listed on the Reserved Names list is "ICANN." While the remaining names contained on the list address concerns to ensure the stability of the Domain Name System (e.g.; www), the inclusion of "ICANN" on the list can assumed to be limited solely to protection of ICANN's intellectual property rights.

²¹ Under a "Sunrise Mechanism" rights holders are afforded the opportunity to register domain names before opening up registration to the public.

²² World Intellectual Property Organization (WIPO) website, *Arbitration and Mediation Center, Domain Names, Statistics*, (available at: <http://www.wipo.int/amc/en/domains/statistics/cases.jsp>) (visited December 15, 2008).

²³ *MarkMonitor Portfolio Management Report*, p. 10.

dollars and countless man-hours to avail themselves of the current UDRP process and these expenditures will likely increase substantially if even more gTLDs are introduced as ICANN proposes.

In addition, Sunrise Mechanisms implemented at the secondary level will fail for the same reason. In the current universe of TLDs, rights holders must already defensively register hundreds – if not thousands – of domains for no other purpose than to ensure that domain is not exploited. The costs to register during the sunrise period are expensive and do not scale when the proposal is to launch 500 new TLDs in the first round alone. The economics of defensive registrations in the realm of hundreds of new gTLDs that ICANN proposes are simply not viable.

USTelecom supports the creation of a form of reserved name registry at the second level, with standard terms and conditions across all gTLDs for the sunrise process. In addition, USTelecom proposes a form of notice and takedown procedure similar to that employed in the Digital Millennium Copyright Act (DMCA). Such a mechanism is easy to implement, sufficiently protects the intellectual property rights of companies with established brands, and provides an adequate means of recourse for domain registrants who wish to maintain that a contested take down request is in error. ICANN's supporting documents for its Draft Applicant Guidebook suggests that such an approach could be implemented.

Specifically, in Section 2.7 of the Draft Base Registry Agreement for New gTLDs which addresses RPMs, ICANN states that a registry operator must “specify a process and procedures” that addresses “ongoing protection of the legal rights of third parties.”²⁴ USTelecom maintains that ICANN's use of the phrase “and ongoing protection” is ideally suited for a notice and take down mechanism. Such a mechanism would substantially reduce the potential threat of abusive registrations.

Even with the introduction of the nature of safeguards that USTelecom has proposed, USTelecom remains unconvinced that the introduction of numbers of new gTLDs can be justified. Therefore, USTelecom recommends that ICANN only proceed with sponsored and/or community supported TLDs and with the fast track country code IDNs. Before moving further toward implementation of additional names, ICANN must undertake an extensive analysis of the risks and benefits of introducing new gTLDs, including an economic analysis of the implications of new gTLDs on all stakeholders, and the development of effective safeguard mechanisms.

²⁴ See, Comparison between gTLD Agreements from 2005-2007 and Draft Base Registry Agreement for New gTLDs, December 3, 2008 (available at: <http://www.icann.org/en/topics/new-gtlds/draft-agreement-annotated-comparison-03dec08-en.pdf>) (visited December 15, 2008).

* * *

USTelecom welcomes this opportunity to comment on the ICANN proposals. We understand the complexity of this issue, and would be pleased to work more closely with ICANN to incorporate the proposed remedies. Should you have any questions, please feel free to contact the undersigned.

Sincerely,

A handwritten signature in blue ink that reads "Jonathan Banks". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Jonathan Banks
Senior Vice President, Law & Policy