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Internet Corporation for Assigned Names and Numbers ('ICANN')

Dear Sirs

LOVELLS LLP COMMENTS TO ICANN ON THE NEW GTLD DRAFT APPLICANT GUIDEBOOK

INTRODUCTION

There has clearly been a considerable amount of work put into the Applicant Guidebook and associated documents for the new gTLD process. ICANN and all those involved deserve to be congratulated on the detailed work to date. We are now in a period where wider input is invited and it appears that there will be one or two iterations before the documents are adopted by the ICANN board.

After considering the Applicant Guidebook and associated documents as well as the input from various actors within the Internet community, Lovells LLP would like to make the following comments on the proposed new gTLD initiative. Lovells LLP is an international law firm with over 1800 legal staff worldwide. Lovells LLP acts for numerous brand owners and Internet players.

1. **THE NEED FOR CLARIFICATION ON THE EXACT NATURE OF COMMUNITY-BASED APPLICATIONS**

One aspect of the application process which requires clarification is the exact nature of the community-based application. The current draft leaves uncertainty as to whether a community-based application may gain precedence over an open application in the event

of a contention between applications. It may thus be preferable to apply for a community-based application as opposed to an open one and as such brand owners need clarification on their ability to file a community-based application rather than an open one. Corporations arguably represent communities consisting of a restricted population, for instance their customers or employees.

It therefore follows from this point that it is unclear whether a corporate entity could be considered an "established institution" for the purpose of paragraph 1.2.2.1 of the Applicant Guidebook whereby it may endorse in writing a community-based application.

ICANN should also clarify whether a corporation can be considered as an "established institution" with sufficient standing to file a community objection with a potentially broader scope of protection than a Legal Rights Objection (LRO).

Finally we believe that ICANN should provide guidance on the possibility for a new gTLD operator to apply for a variation of its contractual terms with ICANN (for instance, a variation of the eligibility criteria or a change from community status to open status).

2. CREATION OF A THIRD CATEGORY APPLICATION: '.BRAND'

We are of the view that ICANN should consider creating a third category of applications for trade mark owners wishing to register their trade mark as a new gTLD string. This would enable applications that are based on registered trade marks to be distinguished from open and community-based applications. Including new gTLD applications based on registered trade marks in the category of community-based or open applications may be trying to fit a square peg into a round hole.

We thus recommend that ICANN create a 'square hole', namely a third category specifically for new gTLD applications based on registered trade marks. The purpose of such a category would be to ensure that a new gTLD application based on registered trade marks in contention with an open application (not necessarily a community application) would prevail on the basis of the trade mark rights of the applicant. This would also dissuade speculators from attempting to file an open application for a trade marked string as they would lose money (the application fee) if their application came up against an application based on a registered trade mark.

3. RIGHTS PROTECTION

As it is crucial for the new gTLD initiative not to increase the cost and burden of defensive registrations for trade mark owners, we believe there should be ways for brand owners to have their trade marks placed on a reserved names list at the top level. We would recommend three different routes for a trade mark owner to be able to reserve its trade mark at the top level.

3.1 **Reserved Names - Globally famous trade marks**

We believe that ICANN should consider adding to the existing list of reserved names (existing TLDs and reserved names of paragraph 2.1.1.2 of the Draft RFP, such as 'ICANN') a reserved name list of globally famous trade marks. Whilst this has always been a difficult point, the unprecedented threat to trade mark rights attached to the potential creation of hundreds of new gTLDs is such that this solution should be revisited.

The exercise of determining which trade marks should appear on such a reserved name list might be rather complicated but considering the positive impact it could have on the protection of the trade mark rights, we are of the opinion that it would be a worthwhile exercise. The onus could be placed on each entity owning a trade mark which can arguably be considered as being globally famous to make a case before ICANN before the launch of the new gTLD applications during a dedicated period.

Thus ICANN would be seen as giving each entity an opportunity to have its trade mark reserved thus defeating any argument that any particular entity has been "discriminated" against. The determination of which trade marks are to be considered as globally famous is clearly difficult and complex task and WIPO could potentially assist ICANN in the process.

3.2 **Reserved Names - Trade marks for which consistent LROs were filed successfully**

The fate of TLDs successfully objected to on the grounds of legal rights is rather unclear. Are they to be thrown back into the pool of available gTLD strings or put on a reserved list? Does a brand owner who does not wish to run a TLD have to keep on objecting, until finally someone comes up with a way through such objections and obtains the new gTLD? Perhaps this may not be an issue in the first round, but it may crop up in future rounds, particularly if the application fee is reduced significantly and there are offers for commercial ‘run your own registry’ packages. If brand owners have to keep objecting, they may be finally forced to register to the right of the dot defensively as they have often done for names to the left of the dot. Perhaps rather than be dropped back into the pool, proposed gTLD strings that have been blocked by LRO actions could be reserved. Such reservation could perhaps be for a limited duration and not preclude owners of competing trade marks from unlocking said gTLD string from the reserved list.

3.3 **Reserved Names - Reservation Fee**

We recommend that ICANN allows for brand owners to apply to have their trade mark(s) placed on a reserved list for a fee (it could be an annual fee for example). Provided this is transparent and entities with competing rights are able to challenge such reservation this could serve the legitimate interests of trade mark owners.

3.4 Reserved Names at the second level

We would then recommend that the list of names reserved for the purpose of applications at the top level be mirrored into each agreement between ICANN and new gTLD operators and that compliance with such compulsory reserved name list be strictly monitored and implemented.

We are seeing reserved and premium names more and more (for instance, under .mobi and .me) so this may be the time to put an appropriate mechanism in place for trade mark owners. Sunrise periods are viewed by some as a way for registries to bring in funds early but are generally welcomed by brand owners and registries alike. However our clients are concerned in having to potentially deal with hundreds of varying sunrise periods in the future.

3.5 Long term right protection mechanism alternative

The current anticipated costs of applying for and operating a new gTLD are such that they are likely to significantly contribute to minimising cybersquatting at the top level. However, depending on a number of factors including the success of the new gTLD initiative, it is conceivable that such costs might be significantly reduced in the future. Should the costs associated with applying for and operating a new gTLD become very affordable then cybersquatting could reclaim territory and perhaps then ICANN should consider putting in place a 'sunrise' mechanism at the top level.

4. THE NEED FOR STRICTER ENFORCEMENT OF CONTRACTUAL OBLIGATIONS OF NEW GTLD OPERATORS

We believe that in any event there must be a clear burden on ICANN to enforce registrar and registry compliance with the applicable policies for each new gTLD, particularly in the following two areas.

4.1 WHOIS data accuracy

We believe that thick WHOIS should be favored over thin WHOIS. Only if this is the case can brand owners that do not wish to register defensively before the dot across all new gTLDs implement an alternative and viable enforcement strategy.

4.2 Eligibility requirements

We are of the opinion that sponsored Top Level Domains (sTLDs) are preferable, especially in terms of reducing the threat to trade mark owners. It is a concern that not all entities operating sTLDs may necessarily conduct sufficient upfront verification of domain name applicants eligibility as thoroughly as they should, which to some extent defeats the purpose of sTLDs. It is therefore crucial that a particular emphasis be placed on sTLD

operators to carry out verification of a domain name applicant's eligibility meticulously and to sanction any failure to act accordingly. We have come across a number of examples of recently launched sTLDs "opening up" to bring in more registrations and thus business.

This practice is objectionable in our opinion and detrimental to the integrity and the credibility of the Domain Name System (DNS). This clearly poses issues for brand owners who need certainty when considering future gTLDs. Therefore such practices should be prevented by ICANN and strictly enforced in relation to existing sTLD operators, and of course in relation to new TLD operators going forward.

5. **PROCEDURAL ASPECTS REGARDING LEGAL RIGHTS OBJECTIONS**

The potential negative impact on a trade mark owner is far greater in the event of the registration of a gTLD string detrimental to its trade mark than in the event of the registration of a second level domain name detrimental to its trade mark. Therefore we believe that the LRO proceedings call for more stringent measures than the UDRP on which LRO proceedings are modelled.

With this in mind and considering the importance of protecting trade mark rights, we would recommend a three-member panel rather than a single-member panel for LRO proceedings. We would also recommend an appeal procedure. Although this is probably a drafting ambiguity we would also seek confirmation that LRO proceedings would not preclude the objector from bringing court proceedings as this point is not clearly stipulated in the Applicant Guidebook.

6. **COSTS**

The costs associated with applying for ($185,000) and operating a new gTLD (including an annual fee of $75,000 or approximately 5% of registry transaction revenues, whichever is the greater) are significant and too high, especially for not-for profit community initiatives. The costs of defending trade mark rights both at the top and second levels in a new gTLD environment are likely to be significant too.

We are of the opinion that the applications fees could perhaps vary depending on the purpose of each proposed new gTLD. For instance, we consider that a community application with a charitable purpose or a '.brand' application restricted to employees of a company should be eligible for a lower fee than that currently suggested.

7. **INCONSISTENCY BETWEEN THE CHART IN MODULE 1 AND PARAGRAPH 3.1.2.1 OF THE APPLICANT GUIDEBOOK**

We have noticed an inconsistency between the global application chart on the last page of Module 1 of the Applicant Guidebook and paragraph 3.1.2.1 of the same document.

Indeed according to paragraph 3.1.2.1, where one applicant asserts string confusion with another applicant's gTLD string, either the objector is successful and both applicants are placed in a contention set or, if the objection is unsuccessful, both applicants may move forward in the process. However the chart suggests otherwise, that it to say that if string confusion proceedings are not cleared by an applicant, then the application will be denied.

CONCLUSION

One of the main issues at present is that a number of points remain rather vague and to be confirmed. The high volume of documents available does arguably reinforce the feeling that many issues are yet to be ascertained. It is very difficult to advise clients clearly at this stage when there is so much uncertainty. As such and until further consolidation of the new gTLD initiative, companies might find it too difficult to make a business call on whether to apply for a new gTLD.

It is therefore crucial for companies and organisations to have a clearer vision of the new gTLD initiative which is about to unfold, even if it means postponing the launch of the first round of applications.

We hope that Lovells comments will usefully contribute to the consolidation of the new gTLD initiative.

Yours faithfully,

David Taylor

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