

INTA Internet Committee Comments
Trademark Post-Delegation Dispute Resolution Procedure (Trademark PDDRP)
April 1, 2010

The Internet Committee of the International Trademark Association (INTA) appreciates this opportunity to comment on the February 2010 Trademark PDDRP.

I. Process Concerns

As of the April 1 due date of this submission, ICANN has issued nineteen separate topics for public comment, with nine topics closing for comment on the same day. This overload of information, especially under the short deadlines, has significantly curtailed the public's ability to provide meaningful evaluation and input on the issues under consideration. The Committee continues to strongly encourage ICANN to reassess and restructure its public comment process to enable it to adequately consult the public as it is required to under the Affirmation of Commitments.

II. Introduction

At the outset, the Committee notes that there are existing parallels between the Trademark PDDRP proposed procedures and those proposed in the Registry Restrictions Dispute Resolution Procedure (RRDRP) that need further examination, comparison and consideration as to whether these two proposals should be combined. In particular, improvements may be realized through economies of scale by combining the procedures, not to mention minimizing complexities and number of different rules for the different procedures (TC, PDDRP, RRDRP, URS, UDRP....) that must be integrated by the public.

The Committee believes that the objective of the PDDRP is to ensure that there is a strong mechanism in place which can be used, if necessary, against registries who do not adhere to their charter or who have acted in bad faith, thereby encouraging, allowing or wilfully ignoring systemic registration of infringing domain names (or systemic cybersquatting), or who have otherwise set out to use the gTLD for an improper purpose.

Ideally use of the PDDRP will be minimal, as it should act as an effective deterrent to help keep new registries in line and ensure that those good faith registries do not have to compete with others not adhering to their respective charter or who act in bad faith. Its effectiveness therefore may be measured more by its non-use than actual use, and with this in mind it is important that its potency is not diluted.

Although the PDDRP affords aggrieved parties remedies where ICANN is not able to act in a timely manner, the Committee hopes that ICANN's compliance program will soon be robust enough to be able to promptly handle any such post-delegation disputes without the need for third party intervention through a PDDRP or RRDRP process. In no way should the establishment of an RRDRP and PDDRP process be interpreted as absolving ICANN from

addressing certain situations that initially fall squarely within ICANN's compliance responsibilities.

In summary, while the Committee strongly supports the imperative need for a Trademark PDDRP, the Committee is concerned that, as proposed, the PDDRP remains unbalanced in its approach. The Committee's comments are therefore focused on suggested changes to the process that should bring about a clear, predictable and balanced procedure for addressing post-delegation disputes as they relate to trademark issues.

III. Communications and Time Limits

The proposal to use "on the day that it is transmitted" as the rule for determining when a notice or communication is sent and if a response is timely is clear and reasonable. However, ICANN should require the party transmitting the communication to either certify or to obtain some proof of the transmittal date, such as a mailing receipt or courier tracking sheet.

At the same time, using this same rule to determine the receipt date could be problematic for non-electronic transmissions because any receipt must necessarily be some time after the transmittal. ICANN should revise the proposal to state that receipt is deemed to have occurred within a set time period (i.e., three to five days).

More importantly, the proposed rule for calculating compliance with a time limit is that "such period will begin to run on the day following the date of receipt of a notice or other communication." Although this is not unreasonable, there is presently no provision or remedy to address any alleged non-receipt of the notice or communication. The sender must use some means of proving dates of mailing and receipt, such as a receipt from certified mail or a courier receipt. In addition, there should be a remedy if the recipient does not receive the notice or communication.

IV. Standing

The first draft paragraph confusingly refers to both a "third party" which "has filed a Complaint with a Provider" and a "Complainant." We suggest deleting "third party" and restoring the word "Complainant."

The second paragraph includes a preliminary draft of a "quick look" requirement that the Provider somehow ascertain that the Complainant has standing "before a Response is due." We agree that it is reasonable to require, and for the Provider to determine whether the Complainant has made a prima facie showing. However, the draft merely provides that the threshold requirement should be "that the Complainant is in fact a trademark holder." This is unclear and overly broad. We suggest providing that the Complainant must meet the "quick look" threshold by including with the Complaint a copy of a trademark registration certificate, a copy of the online status report of the relevant national trademark office record for the registered trademark, or other evidence sufficient to demonstrate the Complainant's ownership of rights in the registered trademark. The Committee believes that meeting this trademark registration ownership requirement is a reasonable threshold. Correlating the procedure with the Trademark Clearinghouse would streamline the process and keep costs down.

The Committee also suggests, however, that some provision should be included so that if the Provider's "quick look" determination identifies a deficiency in the Complainant's filing, the Complainant will have the opportunity to amend its Complaint to cure the claimed deficiency.

It is also unclear whether, if a deficiency is declared, the Complainant's fee will be returned. Since this is not mentioned in the draft, we presume that the fee would not be returned. As long as some clearer guidelines or requirements are established for filing the Complaint and provision is made to permit Complainants to correct deficiencies, we believe forfeiture of the fee would not be unfair. Otherwise, forfeiture of the fee would be a penalty, which could be exercised discriminatorily.

V. Standards: Top Level

The proposed rules require that in order to establish bad faith on the part of a registry, the Complainant must establish that the registry operator is guilty of "affirmative conduct in its operation or use of its gTLD string" which would either (a) take unfair advantage of the identical trademark's distinctive character or reputation, (b) unjustifiably impair that distinctive character or reputation, or (c) creates an impermissible likelihood of confusion with the Complainant's mark. The example given also entails two affirmative acts: one that the registry declares that it does not intend to infringe a similar mark; and the other that the registry holds itself out as the beneficiary or owner of the mark.

It is unclear why there should be such a high burden to establish that the registry has affirmatively acted in bad faith. The registry's passivity or inaction to enforce its registry charter could also lead to harm to a Complainant, especially where it becomes clear that although the registry did not initially intend to infringe the trademark or impair its distinctiveness when it adopted the gTLD string, upon being notified of a prevalence of registrations that play off the trademark, the registry refuses to take action to avoid the issue. As such it is our view that "affirmative conduct" should be defined to include "encouraging, allowing or wilfully ignoring systemic registration of infringing domain names."

VI. Standards: Second Level

As presently written, part (b) of the standard for proving infringing conduct at the second level appears to require showing a pattern of bad faith involving multiple domain names infringing a single mark owned by the Complainant. The Committee is concerned that formulating the standard in this way would fail to address instances of bad faith manifested by systemic registrations of domain names infringing multiple, non-repeating marks.

For example, consider a hypothetical gTLD ".best" having the domain names "pepsi.best," "toyota.best," and "kodak.best." Although common sense would indicate the existence of a pattern of bad faith here, no single owner of the affected marks could meet the standard for obtaining relief, because the pattern does not consist of multiple domain names which infringe a single mark. The same problem could affect a single brand owner who owns multiple marks, such as where the hypothetical gTLD described above had the domain names "cocacola.best," "dietcoke.best," and "sprite.best."

The Committee assumes that this potential gap in the standard for proving bad faith was inadvertent. ICANN should remedy it by replacing the phrase "the complainant's mark" with

the phrase “one or more marks, including the complainant’s mark” in part (b) and its subparts (i), (ii) and (iii). This change would preserve the substantive requirements of part (b), but would allow those requirements to apply to a pattern of domain name registrations infringing multiple, non-repeating marks.

VII. Reference to registry operator’s dispute position as a “claim”

In the last bullet point in the “Response to the Complaint” section, the Procedure indicates that the registry operator should “affirmatively plead in its Response the specific grounds for the claim.” Because the use of “claim” may be misinterpreted, the Committee suggests that the phrase “the claim” be changed to “its contention” or “that contention.”

VIII. Reply: limitation to addressing “without merit” statements

The proposed rules limit the subject matter of the Reply to responding to statements made in the Response that the Complaint is “without merit.” There should be no such restrictions on the content of the Reply. The Complainant should be allowed to respond freely to the Response, particularly since the page and word limits for the Complaint do not apply to the Response. The proposed rules require the Respondent to affirmatively plead claims that the Complaint is “without merit.” Therefore, the Respondent can prevent the Complainant from filing a Reply simply by avoiding an affirmative pleading that the Complaint is “without merit.”

IX. Expert Panel

The proposal that the Provider “will appoint a Panel, which shall consist of one Panel member, unless all parties agree that there should be three Panelists” should by default be a three member Panel as recommended by the Implementation Recommendation Team (“IRT”). Given the severity of some of the remedies afforded under this procedure, and in light of our recommendation that any decision of the Panel should be considered final (see Section XVI), the Committee believes such a requirement should provide the necessary checks and balances to ensure high quality decisions.

X. Costs: Estimated costs

The proposed rules allow the Provider to estimate costs without any guidelines other than that they are intended to be “reasonable” and to cover the unspecified “administrative fees” of the Provider and the Panel. We recommend that the rules impose a cap on such estimated costs and articulate more specific standards for such costs. This will provide predictability for all parties and prevent the Provider from imposing high fees in order to discourage the filing of Complaints.

XI. Costs: Initial Burden, fronting of costs

The initial imbalance in payment of estimated proceeding costs unfairly burdens the complainant i.e., the trademark owner. The complainant already takes on an initial burden in determining that an action is necessary to protect its mark and by payment of the initial filing fee. Requiring the complainant to also initially shoulder the full outlay for the estimated costs at the outset of the proceeding would apply an unfair, uneven and unnecessary burden on the complainant. In fact, it would place the highest burden on those entities least able to bear it, namely, small businesses

and non-profit organizations. The proposed shift lends itself to creating, inappropriately, an impression of Complainant wrongdoing.

While we appreciate that the registry operators may be facing multiple actions, the Committee recommends a more equitable solution. In particular, the Committee recommends that aside from the filing fee, no costs be assessed until after the “quick look examination.” At that time, if the proceeding is allowed to advance, the estimate would be provided and the complainant should have the opportunity to opt-out of the proceeding. Furthermore, the initial costs assessment should then be born equally by the parties from the outset, with each simply paying 50% up front, or each paying 50% up front plus the other 50% in a bond.

Any burden to the registry operator from facing nuisance suits is already alleviated by the initial quick look examination, the need of the Complainant to pay the filing fee, and the proposed sanctions for Complainants that abuse the system.

XII. Discovery

It remains unclear why discovery is necessary in this sort of proceeding. In particular, the Complainant must meet an initial burden and must present valid evidence in support of its claims, as must the registry operator in its response. The Panel’s unfettered discretion to request discovery at the expense of a party serves only to increase the uncertain nature of the process and, more importantly, its costs.

The additional cost of the discovery would add a particular burden to small businesses and non-profit organizations that are trying to protect their marks, not to mention to registry operators. Faced with the unknown discovery costs, it is unlikely that these entities could take the risk to protect their growing brands and businesses.

Possible solutions to this issue include defining and limiting the circumstances in which the Panel may require discovery. Similarly, the rule should also include appropriate circumstances for discovery at a party’s request - subject to the Panel’s approval - such as evidence-based suspicions of falsification). To further minimize the risk of unknown costs, the Committee also recommends a trigger point for a complainant to opt-out of the proceeding without prejudice.

These cost concerns are further exacerbated by the possibility of the Panel assigning its own independent experts. ICANN has failed to articulate why the Panel, which is supposed to be composed of independent experts in the field, would need further experts. The Panel should be able to determine confusion and intent issues to the same extent as an outside expert. Accordingly, if ICANN continues to grant the Panel this discretion, ICANN should identify the types of experts permitted, the reasons for the need for such experts, and when the Panel may engage experts. The Committee further suggests that opt-out procedures for the complainant be applied here as well, so that the complainant can re-calculate the costs and benefits in light of the additional cost.

XIII. Hearings

The Committee agrees that hearings should be the extraordinary exception and not the rule, and further appreciates the inclusion of a time limitation as well as use of technology for remote access hearings. The Committee is concerned, however, that this aspect will again lead to an

unpredictability of cost and possible unfettered escalation in costs. In light of this, the Committee suggests incorporating into the rules the circumstances under which a hearing could be required as well as set costs (possibly in ½ day increments) for the same.

Additionally, as with discovery, the Committee recommends a system with a greater predictability in cost, as a structure that allows the Panel to add burdens at the expense of the parties in an unfettered manner will disproportionately harm small businesses and non-profit organizations unable to bear these costs.

XIV. Burden of Proof

The Committee believes that one of the most important considerations should be a commitment to treating the participating parties in a fair, even and unbiased manner. Such fundamental fairness is incompatible with placing systemically greater burdens on any participant or class of participants. In the context of the Complainant's burden of proof, requiring the Complainant to prove its allegations by clear and convincing evidence would place a systemically higher burden on the Complainant than on the registry operator.

The current draft of the Registry Restrictions Dispute Resolution Procedure (RRDRP) specifies that the Complainant in that procedure must prove its allegations by a preponderance of the evidence. The Committee sees no reason to place a higher burden on the Complainant in the present procedure, as compared to the Complainant in the RRDRP. Both procedures are designed to resolve disputes of a civil, as opposed to criminal, nature involving registry misconduct. In the interest of fairness and consistency, the Committee believes that the Complainant's burden of proof should be to a preponderance of the evidence.

XV. Remedies: Deleting Domain Names

The proposed rules prohibit the Panel from recommending that registrations that violate the agreement restriction be deleted. This leaves the Complainant with, at best, a partial remedy. Since a finding in favor of the Complainant means, virtually by definition, that there are infringing domain names on the register, the Panel should be free to recommend that such registrations be deleted. If necessary, there should be a process for the owners of such names to contest the deletion of their particular domains. Furthermore, the Committee is aware that registry operators are also domain name registrants; indeed, the Committee has a significant concern that some registries may be operated by parties who intend to use the registry for wholesale registration of infringing or cybersquatting domain names. At a minimum, the Panel should be able to recommend the deletion of domain name registrations where the registrant is also the registry operator or an affiliate of the registry operator, or where there is some other substantial connection between the registrant and the registry operator.

XVI. Remedies: Sanctions for a Complaint determined to be “without merit”

The Committee believes that two of the sanctions a Panel can award if it determines a Complaint to have been filed without merit – imposition of the registry operator's costs and attorney fees, and imposition of “penalty fees” – should be eliminated. The availability of those sanctions violates the fundamental principles of fairness discussed above. The Panel has no authority to impose parallel sanctions on the registry operator if, for example, it files a frivolous Response or commits egregious violations of trademark rights. The imbalance in available sanctions suggests a prejudgment about which class of participants – namely the parties claiming to have trademark

rights – are going to abuse the system. Moreover, the remaining sanctions of temporary and then permanent bans from filing Complaints would be more than sufficient to deter abuse of the dispute procedure by Complainants.

XVII. Panel Determination

It appears from the current draft of the proposed rules that the decision of the Panel is merely advisory. Particularly given the extent to which the current draft includes provisions for discovery, experts and hearings, thus potentially high costs, the decision of the Panel should be considered final. The current compromise entitling ICANN to alter the decision does not add to the process and provides an additional avenue for unintended delay resulting from the additional administrative review. Earlier provisions allowing for appeal to a court of competent jurisdiction, thus shifting the appeal burden to the losing party and eliminating a step in the review process are far preferable. In addition, the Committee believes that its recommendation that all complaints should be determined by three Panelists should provide the necessary checks and balances to ensure high quality decisions (see Section VIII).

To the extent that ICANN is worried about the quality of the Provider panelists, perhaps a non-outcome determinative random audit procedure would be helpful.

Conclusion

The Committee strongly supports the imperative need for a Trademark PDDRP, but remains concerned that without the suggested changes and proposed revisions, the PDDRP remains unbalanced in its approach. We have provided specific proposals and changes to the process that should bring about a clear, predictable and balanced procedure for addressing post-delegation disputes as they relate to trademark issues and fair procedural concerns. There is a clear need for an effective and strong mechanism to be in place which can be used, if necessary, against registries who do not adhere to their charter or who have acted in bad faith, thereby encouraging, allowing or wilfully ignoring systemic registration of infringing domain names (or systemic cybersquatting) or who have otherwise set out to use the gTLD for an improper purpose. The PDDRP should act as an effective deterrent to help keep new registries in line and ensure that those good faith registries do not have to compete with others not adhering to their respective charter or who act in bad faith. Its effectiveness therefore may be measured more by its non use than actual use – and with this in mind it is important that its potency is not diluted.

Thank you for considering our views on these important issues. Should you have any questions regarding our submission, please contact INTA External Relations Manager, Claudio Digangi at: cdigangi@inta.org

About INTA & The Internet Committee

The International Trademark Association (INTA) is a more than 131-year-old global organization with members in over 190 countries. One of INTA's key goals is the promotion and protection of trademarks as a primary means for consumers to make informed choices regarding the products and services they purchase. During the last decade, INTA has served as a leading voice for trademark owners in the development of cyberspace, including as a founding member of ICANN's Intellectual Property Constituency (IPC).

INTA's Internet Committee is a group of over two hundred trademark owners and professionals from around the world charged with evaluating treaties, laws, regulations and procedures relating to domain name assignment, use of trademarks on the Internet, and unfair competition on the Internet, whose mission is to advance the balanced protection of trademarks on the Internet.