



EABC position paper on ICANN gTLDs, June 2009

NB: the views raised in this paper do not necessarily represent the position of each individual EABC member company.

The European-American Business Council represents 65 US and European-based global companies, united in promoting transatlantic investment, innovation and integration. The EABC supports ICANN and believes that it is the best mechanism for maintaining the DNS. However, our members have reservations regarding ICANN's specific proposal to expand the number of generic Top Level Domains (gTLDs) in its present form. While we recognize that increased flexibility in domain names may bring certain benefits, we have several serious concerns, centering around our members have several serious concerns regarding ICANN's proposal to expand the number of generic Top Level Domains (gTLDs). Our concerns centre around (1) the immense cost and efforts that will be required to register gTLDs defensively and to defend existing intellectual property rights against any new gTLD that infringes or harms those rights, (2) the risk of severe damage to the intellectual property rights of trademark and brand owners and the related consumer confusion that will result, and (3) the vaguely defined application and dispute resolution processes that place the burden on trademark owners to prevent the registration of new gTLD extensions that infringe on their marks and threaten to cause confusion detrimental to consumers and the public. Based on these concerns, EABC believes that the launch of new gTLDs as currently proposed by ICANN should be significantly reconsidered or re-evaluated.

General concerns for trademark holders

The EABC believes that the creation of new gTLDs that consist of trademarks or that may infringe existing trademarks will create significant risk and expense for trademark owners. Defending against, tracking and policing domain name infringers is a time consuming and hugely costly endeavor for trademark owners under the current system.

Under the proposed process, in order to protect its rights, a trademark owner will be required to invest hundreds of thousands of dollars preparing, applying for, establishing the infrastructure for, administering, and maintaining a gTLD consisting of that trademark. This expenditure will be multiplied several times over for owners

of multiple marks, not to mention the additional costs if that trademark owner finds itself engaged in a bidding war with another claimant, legitimate or not, for that same gTLD.

If a trademark owner fails to engage in this process, it faces the risk that another entity with inferior or no rights will apply for the same gTLD and use it to divert customers and brand value away from the legitimate rights-holder. Moreover, an environment of literally hundreds of new gTLDs will render effective trademark protection virtually impossible and create extensive confusion and potential loss of confidence in online commerce among consumers and the public. Even if a company does not feel compelled to apply for a new gTLD to protect their brand, they will incur substantial costs monitoring and policing for infringements that will occur for their exact brand and tens of thousands of misspellings of their brands across at least 500 new TLDs. The existing remedies available to trademark owners to police and enforce these rights do not scale to a scheme involving initially hundreds and then thousands of new TLDs.

2nd Version of the Draft Applicant Guidebook

The EABC has taken note of the 2nd Version of the Draft Applicant Guidebook released recently by ICANN, as well as the outcome of the meeting in Mexico City. The EABC realizes that some changes have been made, namely in relation to the costs and application and dispute resolution process. However, many of the concerns EABC has outlined have not been adequately addressed:

1. Some suggestions on trademark and intellectual property protection have been made by ICANN in the Analysis of Public Comment accompanying the 2nd Version of the Draft Applicant Guidebook. For example, ICANN acknowledged that trademark protection was a prime issue of concern among respondents and stated that the following actions will be undertaken: organize conferences and discussions with trademark holders and Intellectual Property organizations to propose additional trademark protection; conduct a study on anticipated online malicious behavior that would accompany the expanded TLD name space to counter potential infringers and cybersquatters; examine if there are implementable, practical mechanisms to avoid the need for purely defensive registrations at the second level; examine whether registry or registrar mechanisms can be put in place to avoid potential confusion among consumers and the public regarding new gTLDs. However, these promises of discussion and further study do not fundamentally provide answers or the robust and comprehensive forms of protection for IP rights

owners that will be needed to police and enforce trademarks to combat fraud and confusion in the new TLD rollout. Moreover, ICANN should not, as a procedural matter, be releasing any new version of the guidebook without first addressing the trademark, consumer confusion and related abuse issues and finding solutions that are acceptable to the business community (we acknowledge that an Implementation Recommendation Team was set up, and assess its report below).

2. Although ICANN made minimal changes to the cost scheme it still remains excessive. The only major change was the proposed reduction of annual registry fee to \$25,000 per year, \$6,250 per quarter. The gTLD application fee remains unchanged at \$185,000. These minor changes will do little to offset the significant burden imposed by the proposed system.
3. ICANN did make some changes concerning its inadequately defined application and dispute resolution processes that would place the burden on trademark owners to prevent registration of new gTLDs that infringe on their marks. For instance, ICANN proposed: a public comment process for every application with comments considered in each application's evaluation; an objection period commencing upon the application's publication and closing once ICANN publishes an initial evaluation report; the Arbitration and Mediation Center of the World Intellectual Property Organization (WIPO) has agreed in principle to administer disputes brought pursuant to legal rights objections. However, it is still unclear how the whole process will work and whether trademark owners will have priority over other registrants and what form that priority would take. Therefore, it would be useful for ICANN to include in the revised proposal that WIPO initiates consultation with the IP community as it develops its processes to take into account the needs of the users. In the absence of famous trademarks being added to the reserved name list, successful objections should have precedential value so trademark owners do not have to keep objecting.

Quadrupling the name space will only exacerbate the inadequacy of ICANN's existing resources to police the domain name space for problems. Administration of the internet and cyber security are inversely related – less oversight means more security issues for consumers and businesses.

Implementation Recommendation Team Report

Following the March meeting in Mexico City, the Board of Directors requested that ICANN's intellectual property constituency convene an Implementation Recommendation Team (IRT) to develop and propose recommendations to the trademark protection issues in connection with the introduction of new gTLDs. In view of these developments, the EABC made recommendations to see the following trademark concerns addressed in IRT's final report and ICANN's revised proposal:

- Sunrise period—the implementation of a detailed, objective, uniform and cost-based Sunrise Process for all new gTLDs, whereby trademark holders can register domain names before the registration process is opened up to the general public. In this case, trademark owners could be charged only a reasonable minimum fee to register their protected names.
- Protected Name Registry—an alternative to a sunrise period could be the creation of a Protected Name Registry, allowing brand owners to apply to have their trademark placed on a reserved list. This could be achieved through expanding the existing Top-Level Reserved Names List in Module 2 to include trademarks or creating a separate database of trademarked terms, specifically for the purpose of pre-registering IP rights in order then to protect these within the proposed new gTLDs.
- Brand Category Applications—other solutions include a separate process for applications from trademark owners wishing to register their trademark as a new gTLD string. ICANN can enable applications that are based on registered trademarks to be distinguished from open and community-based applications.

The IRT published its final report on 29th May. The IRT recommendations improve the new gTLD proposal from the perspective of trademark owners, by, for example, embracing EABC's recommendation for a sunrise period before second-level domains in new gTLDs go live. However, the following are some of the key areas of the IRT Final Report which EABC believes still merit clarification:

- The proposed IP Clearinghouse places the burden on trademark owners -- as opposed to ICANN -- to provide trademark data and validate it annually. Trademark owners are further required to monitor and correct errors in the IP

Clearinghouse database, regardless of the origin of the mistake. Trademark owners are subject to sanction for errors, while the IP Clearinghouse takes on no liability and makes no warranties for the quality of its work. EABC believes that the IP Clearinghouse should be liable for inaccuracies in the database, at least to the extent such inaccuracies result from the negligence of the IP Clearinghouse. The IP Clearinghouse should also be encouraged to make use of other data that may be available from existing sources, in the interest of compiling the most accurate and comprehensive database possible.

- The IRT Final Report envisions that trademark owners will pay undefined (but "reasonable") periodic fees to the IP Clearinghouse. EABC believes that a mechanism for sharing costs associated with an IP Clearinghouse should be discussed, so as not to unduly burden particular affected groups.
- Contrary to the IRT Final Report, we do not believe that trademarks need to be licensed to ICANN to enable the creation of an IP Clearinghouse database, particularly under the sweeping terms (non-exclusive, royalty-free, sub-licensable) stated in the IRT Report.
- The proposal for a Globally Protected Marks List (GPML) is promising, although the IRT failed to provide specific criteria for inclusion on this list. We are gratified that the IRT recognized the initial threshold was too high (minimum 200 registrations in 90 countries across five regions). Since the GPML provides the strongest protection for trademark owners, how one can get a trademark on the list remains a central question. In addition, while global brands could ultimately qualify for the proposed GPML, this proposal currently only allows the registration of one's exact brand (e.g. Verizon), but would not permit the inclusion of the other common extensions of that brand (e.g., Verizon Communications, Verizon Wireless, Verizon Business).
- It does not appear possible for new trademarks to become GPMLs, since applications for inclusion on the GPML must be based on a trademark registration applications filed on or before November 1, 2008. Since important new trademarks, deserving of the strongest protection, continue to be registered, this criteria should be dropped so that the GPML can be a dynamic and growing list.

- The proposal for a Sunrise Registration Process for second-level domain names is promising, although ambiguous in some of the details. For example, gTLD registrars are not required to provide a sunrise process.
- The EABC supports the idea of having a low cost mechanism to obtain a rapid suspension of infringing domain names. However, as part of any rapid suspension mechanism, trademark owners should be offered the ability to have transfers from suspended domain names to their legitimate websites.

Based on all the concerns we have expressed in this position paper, the EABC considers that ICANN should re-evaluate the current plan for new gTLDs, at least insofar as it involves the award of any new gTLDs that comprise trademarks. The IRT final report improves the new gTLD proposal from the perspective of trademark owners. However, IRT's recommendations do not go far enough. The EABC has outlined above the aspects of the IRT final report that should be clarified. Even if all of the IRT's recommendations are adopted by ICANN, the burden on the trademark owners would remain too high, particularly given the lack of need for a wholesale expansion of top level domains as demonstrated by a credible and rigorous economic study. ICANN's Board supported an empirical study in 2007, yet this kind of study was never undertaken. We believe that ICANN must complete an impartial and comprehensive economic study of the domain name marketplace to examine the potential unintended consequences and costs to businesses, consumers and the safety and stability of the Internet from a rapid expansion of the domain name system.

As a major transatlantic industry association, including companies across all major industrial sectors, the EABC asks to be included in all conferences and discussions addressing IP issues which ICANN has promised to convene. We will continue to make every effort to identify a solution that would better address the concerns of EABC members and other trademark owners. Any solution must avoid the unintended and undesirable consequences that we believe will result from the new gTLD plan, as currently proposed.

For more information, contact:

**Alexis Serfaty, Policy Director, Washington, DC: Alexis@eabc.org or
Jan Barnes, Europe Director, Brussels: jan.barnes@eabc.org**