



Comments of the Intellectual Property Constituency on the Trademark Clearinghouse “Strawman Solution” and the Proposal for Limited Preventative Registration Mechanism

The Intellectual Property Constituency (IPC) of the Generic Names Supporting Organization (GNSO) of ICANN appreciates this opportunity to comment on the Trademark Clearinghouse: Strawman Solution (“Strawman”), and the Proposal for Limited Preventative Registration Mechanism proposed by the IPC/BC.

Introduction

The proposals submitted by the joint IPC/BC on October 17, 2012, represent a minimalist proposal to incrementally improve the Rights Protection Mechanisms (RPMs) being introduced as part of ICANN’s new gTLD program that will be supported by the Trademark Clearinghouse (TMCH). They also seek to reduce the cost associated with defensive registrations. Without these protections, the interests of consumers, rights owners, other stakeholders and internet users in a secure and stable Internet will not be protected. At the same time, the proposals do not seek to and would not establish or be based on any new or different RPM policy. Rather, they seek to ensure that the RPMs being established as part of the Trademark Clearinghouse set of RPMs (e.g., Sunrise Period and Trademark Claims Services) are sufficient to meet the goals of the underlying policy.

The IPC generally supports the Strawman. However, we believe that certain proposals require additional or different elements in order to meet the dual goals of rights owner and consumer protection, and ensuring the stability and security of the internet and domain name system. These suggestions are included in the comments on the specific provisions of the Strawman.

In addition to the Strawman, the proposed LPR would protect the rights of all stakeholders and internet users. It is designed to ensure that reasonable and considered measures are in place from the beginning of the new gTLD roll-out that minimize the possibility of Internet user confusion, control the cost of protecting rights across hundreds of new gTLDs, and avoid creating a means for monopolizing or usurping generic or unprotected terms or rights. The LPR, which some elements of the community challenge as being too radical, is not “radical” at all: it is simply a modification of Sunrise.

We therefore call upon the Board to incorporate both the Strawman provisions (with the improvements suggested by the IPC) and the LPR as proposed by IPC/BC.

The Proposed Sunrise and Trademark Claims Service Periods

1. The IPC supports the requirement that all new gTLD registries provide at least a 30-day notice of the opening dates and eligibility requirements of their respective Sunrise

periods. The 30-day notice period is essential to ensure that trademark owners are able to fully participate in the over 1400 Sunrise periods expected over the next 12 months. Although the IPC/BC proposal called for extending the required Sunrise Periods to 60 days, the Strawman Solution addresses the IPC's fundamental concern that rights owners be given sufficient time before opening the Sunrise period to prepare to participate.

2. The IPC supports the 30-day extension of the current 60 day Trademark Claims service to 90 days (Claim 1) because it would extend the time during which applications for second level domain names in each new gTLD would receive notification of identical trademarks registered with the TMCH. This prophylactic service will help prevent innocent registration of domain names which could conflict with rights owners' trademarks before their registration creates actual confusion or conflict. While this minor extension of the Trademark Claims Claim 1 services should aid in the avoidance of conflicting domain names for early applicants, IPC remains concerned that imposing any time limit on this service may diminish the utility and effectiveness of the service's required notice and acknowledgement by applicants and notification of the rights owner. Despite the availability of Claims 2 extended Claims service – which we also support -- unscrupulous or speculative entities wishing to register second level domains can avoid the full requirements of Claim 1 simply by waiting for the 90 day period to expire before they apply for identical domain names.

3. While it is true that “something is better than nothing,” the IPC believes that the current Claims 2 proposal requires revision. In its current form, Claims 2 seems unlikely to provide sufficiently meaningful benefits to potential registrants and trademark owners. Under this Strawman proposal, the required Generic Notice would not inform the potential registrant of the specific matched trademark registration, identify its owner or the country in which the registration issued, or the goods and services for which it is registered. Providing only the fact that the identical mark has been registered in the TMCH, and no more, does not provide potential registrants with the information needed to make an informed decision about either proceeding with the registration, if the applicant believes the trademark inapplicable, or not continuing to registration if the potential registrant believes that the trademark is on point. Instead, while the applicant may be correct in speculating that the mark is relevant to the applicant's intended use of the domain, it may also be that the applicant will either ignore the cryptic notice and proceed, or be chilled—perhaps needlessly—into withdrawing the application. Furthermore, the absence of an acknowledgement requirement means that there would be no proof that the potential registrant received the notice. Finally, there is no requirement that applicants submit representations of non-infringement. Moreover, imposing different requirements for Claims 2 means that participating registrars must create and administer two somewhat different Claims systems. IPC is willing to support a reasonable fee for a Claims 2 period that provides meaningful benefits to potential registrants and trademark owners. However, such benefits can be best achieved through reinstatement of the Claims 1 notice and acknowledgement requirements as part of Claims 2.

4. The IPC supports the proposal that rights owners be able to add to a validated Trademark Clearinghouse record for a registered trademark up to 50 domain labels that have been previously determined to have been abusively registered or used (e.g., as a result of a UDRP or court proceeding). The ability to add these strings would be a valuable addition to the TMCH because potential cybersquatters do not limit themselves to registering identical matches

of trademarks. Adding a limited number of domain labels to a validated Trademark Clearinghouse record would be a measured, commensurate protection. This proposal is also appropriately limited because it would apply only to those domain labels that have been the subject of previous determinations of abusive registration or use. It will not create new trademark rights. In fact, including these labels would be more consistent with trademark rights than is excluding them. This proposed mechanism also provides only a notice and does so only for those labels that are the subject of formal, objective, third-party determinations that the domains at issue are confusingly similar to a trademark.

The proposals represent incremental, minor changes which should require neither a PDP nor extensive analysis and discussion. These changes are just implementation.

The Proposed Limited Preventative Registration Mechanism

The IPC strongly supports implementing the Limited Preventative Registrations mechanism (LPRs) as part of the Strawman. We believe that LPRs are necessary to ensure implementation of the ICANN new gTLD policy to help prevent infringement of rights and to reduce the financial and procedural burden on rights owners from the introduction of new open gTLDs. The LPRs are a critical piece of the IPC/BC proposal, and the IPC believes they should be an integral part of the Strawman solution. However, we are pleased to have the opportunity to comment on their importance.

The LPR proposal takes into account the cost in time and effort required for the protection of brands from misuse and the difficulty of defensive registrations, as well as the fact that defensive registrations alone are unworkable as protective mechanisms for consumers and brand owners across the hundreds of new gTLDs. We would far prefer that there were not such an enormous need for defensive registrations in the first place—and we support the efficacy of measures such as the URS that would make it more feasible for rights owners to take action on a domain only if it is actually registered. We understand that the URS will be addressed by ICANN on a separate track and that vendors have bid on implementing it as a low cost solution. Accordingly, the IPC agreed to defer temporarily discussion of how ICANN can "complete the URS as a low cost alternative and improve its usefulness - if necessary, ICANN could underwrite for an initial period." The IPC intends to comment further on the substance of the URS soon.

In addition to needing the URS as a meaningful, effective and low cost remedy, the LPR fills an important complementary role in making available what are essentially non-resolving, bulk sunrise registrations at least potentially cheaper and procedurally easier to obtain. Currently, defensive registrations pose a significant cost and procedural issue for brand owners. Brand owners use defensive registrations to keep domain names out of the hands of cybersquatters and others who want to exploit the brand's goodwill of brands for their own profit and to mislead consumers. In order to protect consumers and their brands' reputations, brand owners are forced to acquire registrations they don't really want, just to prevent third parties from abusing them. The costs for these registrations are passed on to consumers.

In addition to their cost, defensive registrations will become even more complicated in the context of new gTLDs. As we move from 22 gTLDs to hundreds, requiring brand owners to track and participate in hundreds of unique sunrise registration systems or otherwise attempt to

acquire strings across all eligible and relevant registries to protect internet users and brands will break budgets and eat up other resources, without any true benefit. However, the alternative is also unworkable -- brand owners cannot afford to allow unchecked acquisition of infringing domain names, since this would harm internet users, consumers, reputations and IP assets.

The IPC has consistently sought a solution to this problem and LPRs are a pragmatic, balanced way to implement a more workable form of defensive registration – one which meets the needs of all stakeholders. LPRs do not grant new rights to brand owners; they simply provide a more efficient and less costly way to exercise existing rights, while recognizing that a “defensive registration” is not used in the same way as a resolving domain name registration. Because LPRs would be limited to exact strings in the TMCH, are a form of domain name registration, and trump neither legitimate sunrise registrations nor prior ordinary registrations, no broad “blocking right” would be created by them. Because LPRs would only come into action after the sunrise period, those brand owners who have registered in the TMCH and want a resolving domain name can get one in the sunrise.

There has been criticism that LPRs harm “other legitimate potential registrants [including businesses who share the mark, or people with the same name as a mark] whose rights to a non-infringing registration after the sunrise phase would be completely eliminated”. However, LPRs do not give brand owners any new or additional rights. LPRs merely provide a lower cost path to protect the existing rights of brand owners. They are, in fact, merely lower-cost analogs to sunrise registrations, providing limited but necessary protection at a lower price. If brand owners do not have the LPR option, it is likely that some would opt for full-price defensive registrations, which would also “eliminate” the ability of others to register the domain name but cost brand owners, and eventually the public, money and erode confidence in the DNS. Furthermore, the rights of other legitimate potential registrants are protected by the application of new gTLD eligibility criteria to LPRs. Because eligibility requirements will still apply, LPRs will not be granted in gTLDs where “regular” registrations of the same string by the same applicant would not be permitted. In any event, LPRs address the most important goal of the IPC – internet users and consumers will be less likely to be confronted with misleading domain names.

Some have also criticized the LPR proposal on the grounds it would expand improperly upon existing trademark laws. However, as noted above, LPRs do not expand or create any new trademark rights. They would merely provide brand owners with a lesser form of precisely what they can already obtain – sunrise registrations in all gTLDs where they are eligible to register – in a much more efficient manner and at a much lower expense of time and money.

We note that there has been some criticism of the IPC/BC LPR on the grounds that it does not mention “other legitimate potential registrants [including businesses who share the same mark, or people with the same name as a mark] whose rights to a non-infringing registration after the sunrise phase would be completely eliminated.” Such third-party legitimate uses can (and certainly will) be accommodated by registries prior to LPR registration vis-a-vis eligibility criteria and separate sunrise phases for community members – similar to the ICM Registry .XXX Sunrise A for the adult entertainment industry.

Finally, another criticism of the LPRs is that they would create a potential cost to set up and administer the program without a clear cost recovery. An essential element of the IPC/BC

proposal is that the LPRs should be offered under a tiered pricing model, whereby trademark holders pay for LPRs a reasonable fee that represents cost recovery plus a reasonable rate of return for the relevant registries in which the trademark owner sought the LPR(s). Provided that the tiered pricing model represents a measurable discount from the cost of “regular” Sunrise registrations, we are confident that there will be ample demand for the LPRs. On the other hand, if LPRs are not priced competitively, an essential element of the proposal will be lost (and such LPRs are unlikely to sell in any significant numbers).

The IPC therefore reiterates its long-standing commitment to an alternative to defensive registrations and encourages ICANN to adopt LPRs for the benefit of the entire Internet community.

The Strawman Proposals and LPR Do Not Constitute Policy Issues for which PDP Is Required

Some groups and commentators have criticized the Strawman and LPR by labeling them as new policies (or changes to existing consensus policies), which should require a PDP, rather than viewing them as modifications to implementation details based on existing policies. A related criticism is that because adoption of the Strawman proposals (and the LPR) would require changes to the Applicant Guidebook, it is somehow “too late” for ICANN to make these changes in this new gTLD round.

We disagree. The Strawman and LPR are entirely consistent with the existing underlying policy that the new gTLDs should not infringe the legal rights of others. The Applicant Guidebook is not itself a policy document; rather, it reflects operational details and the implementation of policies underlying the new gTLD effort. None of the current RPMs went through a PDP, and the Applicant Guidebook is an evolving document, as evidenced by changes ICANN has already made to it, without PDP, in the last year.

The Strawman and LPR are Policy Implementation, Not Policy Determination

Discussion of both the Trademark Clearinghouse Strawman Solution and the LPR Proposal implicates only one PDP-developed consensus policy recommendation: “Strings must not infringe the existing legal rights of others that are recognized or enforceable under generally accepted and internationally recognized principles of law.” All work thus far on rights protection mechanisms has been designed to further implementation of this policy – starting with the Implementation Recommendation Team (IRT) and continuing with the Strawman. The Strawman extensions of time periods, availability of extensions of protection, and the LPR are all designed to implement this policy more successfully and effectively than the previously announced Sunrise and Trademark Claims Service programs the TMCH will support.

Indeed, key implementation aspects of the rights protection mechanisms in the current version of the Guidebook originated with the ICANN Board of Directors (often on the advice of the GAC), and not with the community – for example, the requirement that new gTLD registries offer both a Sunrise period and a Trademark Claims process, the duration of the Sunrise period and the Trademark Claims process, and requiring proof of use for Sunrise eligibility.

ICANN CEO Chehadé expressed his opinion that the LPR *may* exceed the usual scope of implementation, either because it is not expressly provided for in the AGB or TCI, or because it may be viewed as a newly proposed implementation program.

On the contrary, IPC believes that the LPR is merely an additional implementation program designed to carry out ICANN RPM policy. If there is some third, middle ground category of “significant implementation,” we can appreciate the need for the Board to consult GNSO for consideration and advice, plus public comment and review, but by the same token, such middle ground should not require the extensive and lengthy consideration of a PDP.

By way of comparison, the following major programs were instituted by the ICANN Board in the new gTLD program as implementation without returning to the GNSO for policy advice:

1. Digital archery, its Prioritization Draw replacement and the decision to give IDNs priority were all were accepted as implementation of ICANN policy for fair determination of the order of review of new gTLD applications without any PDP.
2. Revising the Objections deadline and failing to take into account the fact that Initial Evaluations will not be published prior to the deadline. Prior applicant guidance gave rights holders at least two weeks after Initial Evaluations are published in order to evaluate whether or not to file objections. But now they will be forced to file objections by March 2013, long before even the earliest applications receive approval.
3. Adopting a TMCH model without adequate description and public comment on how the TMCH will actually operate in practice.

On the other hand, both the Strawman and the LPR are pure implementation strategies which both honor the policy commitment to protect the “existing legal rights of others” and importantly, address and cure a significant pre-TMCH roll-out hurdle: ensuring that the RPMs related to the TMCH are sufficient to provide effective protection for consumers, rights owners and new applicants.

The Applicant Guidebook Can Itself Be Changed Without Invoking the PDP Process

As pointed out above, ICANN has already made substantial changes to the Applicant Guidebook without invoking the Policy Development Process (PDP), and without objection from those who now label the “strawman” and LPR proposals as “policy changes” because they would alter the AGB. For example, the Applicant Guidebook explicitly rules out any method where the order in which applications would be evaluated would “be established based on a random selection method.” A GB section 1.1.2.5. Nevertheless, when ICANN decided to conduct a prioritization draw (which was held on December 17), it unilaterally decided to use a “random selection method” to establish prioritization in the evaluation process: exactly the method ruled out in the AGB.

Not only was the prioritization draw put in place without going through a PDP, but there was only a brief public comment period on the plan to institute the “prioritization draw,” and no reply comment period was provided. This contrasts sharply with the extensive public input

ICANN has solicited for the Strawman and LPR proposals: an extended public comment period (including a reply comment period), and a request for input from the GNSO Council.

In fact, both paragraph 14 of the “Top-Level Domain Application Terms and Conditions” and the “Change Review Process”, which have been part of the Applicant Guidebook since May 2011 and September 2011, respectively, specifically and explicitly anticipate the possibility of substantive changes to the Applicant Guidebook that are not the result of “new policies.” By implementing the Strawman and LPR, ICANN would be acting entirely consistently with the Change Review Process that has been annexed to each version of the guidebook published since that date. See <http://archive.icann.org/en/topics/new-gtlds/change-review-applicant-guidebook-19sep11-en.pdf>. This document (which begins by stating that “the Applicant Guidebook is the implementation of Board-approved consensus policy concerning the introduction of new gTLDs,”) provides that the changes ICANN may make to the Guidebook include “material changes,” as defined in the document. Among the criteria that are to be used to determine whether a Guidebook change is material is whether it would “have a substantial effect on potential new gTLD applicants or objectors, or Internet users generally.” Even when a change would have such a substantial effect, ICANN retains the authority to make it, with the only requirement being that, “if required,” a public comment period of at least 30 days should be instituted regarding the change, and the comments received should be summarized and analyzed. “In some cases Board consideration will then be required, depending on the materiality of the proposed change.”

The Change Process Document makes clear that there is no plausible basis for any assertion that adoption of the Strawman proposal (or LPR) is impermissible because it changes the Guidebook provisions on which they may have relied in making their applications. Months before the new gTLD application window was even opened, ICANN put potential applicants (and the public at large) on notice, in a document annexed to the Guidebook itself, that even material changes to the Guidebook might be made in the future, subject only to a public comment opportunity “if required.” Such an opportunity is being amply provided in this instance.

The IPC contends that both the Strawman and the LPR are pure implementation, and necessary and desirable implementation at that. These proposals honor the policy commitment to protect the “existing legal rights of others” and address and cure a significant pre-TMCH roll-out hurdle: ensuring that the RPMs supported by the TMCH provide real protection for rights owners and new applicants, and aid in enhancing consumer trust in the new gTLDs.