



September 27, 2012

The Honorable Lawrence E. Strickling
Assistant Secretary for Communications and Information
1401 Constitution Avenue, NW
United States Department of Commerce
Washington, D.C. 20230

Dear Assistant Secretary Strickling:

The Association of National Advertisers (“ANA”) is pleased that your office and the Patent and Trademark Office (“PTO”) met with some new gTLD stakeholders on September 4th to discuss additional protections at the second level for all new gTLDs. Some significant events have occurred since this meeting, and we write to alert you of the changed circumstances. From our conversations with our members, the ICANN Business Constituency and participants in the September 18, 2012 Melbourne IT event,¹ brandholders are now beginning to appreciate the defensive registration costs, which are staggering and cost prohibitive. For a large multinational company with thousands of brands, defensive registration costs could be in the multi-millions per multinational company. Also, a number of commenters have raised allegations that some of the largest new gTLD applicants may have a history of cybersquatting and/or other criminal conduct, and this of course raises significant concerns that need to be resolved quickly and definitively. Nevertheless, the prohibitive defensive registration costs alone provide an impetus to consider a Do Not Sell list or any other proactive universal block list.

Defensive Registration: the Vast New gTLD Application Numbers Create an Unanticipated Wave of Risk

We appreciate your continued concern regarding the new gTLDs, as well as your letter of January 3, 2012 identifying brand concerns regarding defensive registrations at the top level.² But, as your team is well aware, the top level is only the tip of the iceberg.

¹ Trademarks and New gTLDs – Minimizing the Need for Defensive Registrations at the Second Level for New Generic Top Level Domains, Melbourne IT, Washington D.C., September 18, 2012.

² Letter from L. Strickling to S. Crocker, dated January 3, 2012 available at: http://www.ntia.doc.gov/files/ntia/publications/ntia_letter_on_gtld_program_jan_3_2012.pdf (in relevant part “We think, and I am sure ICANN and its stakeholders would agree, that it would not be healthy for the expansion program if

ICANN received more than 1900 applications for 1400-plus unique gTLD strings, and given the potential dramatic increase of the domain environment alone³, additional protections are warranted to prevent injury to both for-profit and non-profit brands on the second level domains.

Given these application numbers, we are on the verge of an Internet Top Level Domain tsunami. In the gTLD applications starting with A through D, for example, we identify 25 applications that will impact nearly all businesses and (ultimately) consumers trying to find these businesses (*i.e.*, .apps, .ads, .blackfriday, .business, .buy, .careers, .coupons, .cheap, .community, .cool, .cash, .click, .company, .corp, .career, .compare, .discount, .dot, .data, .deals, .digital, .docs, .download, .direct and .directory). This list is larger than the existing 22 gTLD space and we still must account for 22 more letters in the English alphabet, non-Latin character applied-for strings, and sector-specific proposed domain name strings. We cannot emphasize enough that consumers and businesses will be saddled with an exponentially increasing name space, and this will occur in the face of abundant evidence that cybersquatting and fraud is already out of control.⁴ We can only expect that those illegalities will expand substantially in a vastly larger TLD world without strong additional protective actions.

Defensive Registrations: the Existing and Proposed New gTLD Protections will not Meet the Challenges that Lie Ahead

Despite this need for consumer protections of major proportions and Kurt Pritz's testimony before the U.S. House of Representatives and the Senate last winter that the new gTLD program will usher in "significant protections,"⁵ ICANN has provided consumers and the business community with tentative, incomplete, and so far inadequate solutions. ICANN, for example, has strongly stated the need for a Uniform Rapid Suspension ("URS") domain name system that no present contractor will run,⁶ a

a large number of companies file defensive top-level applications. . . . I suggest that ICANN consider taking some measures well before the application window closes to mitigate against this possibility.").

³ Even if only **half** of the proposed new gTLDs receive delegation into the Internet root database, **the projected increase would be 3181%**.

⁴ See *e.g.*, Steven Bucci, CyberCrime Continues to Grow Out of Control, Security Debrief (June 24, 2010) available at: <http://securitydebrief.com/2010/06/24/cyber-crime-continues-to-grow-out-of-control/> and European Online Fraud Increases 60%, Dark Reading (April 25, 2012) available at: <http://www.darkreading.com/insider-threat/167801100/security/client-security/232900960/european-online-fraud-increases-60.html>.

⁵ See Testimony of Kurt Pritz before the U.S. House of Representatives Committee on Energy and Commerce, Subcommittee on Communications and Technology (December 14, 2011) at 2, available at: <http://www.news.dot-nxt.com/sites/news.dot-nxt.com/files/Pritz.pdf>.

⁶ See E-mail from K. Pritz to S. VanGelder (September 18, 2012) available at: <http://gnso.icann.org/mailing-lists/archives/council/msg13548.html> ("As you know, at a meeting in Prague we indicated that URS, as currently designed, did not appear to meet cost requirements.").

Trademark Clearinghouse that is not yet operating,⁷ and Trademark Clearinghouse notices that do not stop fraudulent or infringing names from being registered.⁸

Further, it appears that the only new gTLD second level protections formally identified for discussion on the agenda of the NTIA and PTO's September 4th meeting were derived from the June 11, 2012 self-termed "Brand Summit" held by leadership within the Intellectual Property Constituency ("IPC"). We applaud the IPC's efforts, and believe that this Summit (in which we participated) was a helpful and productive discussion. The Summit, however, was limited in scope, duration, and utilized "voting" by a show of hands for various remedies. Obviously, this process left little time for discussion or follow-up toward further development or explication of views, and the proposals put forward need to be supplemented and further delineated.

Given the oncoming new gTLD tsunami, the global community of stakeholders is in desperate need for the Governmental Advisory Committee ("GAC") of ICANN to come together and help the stakeholder community. The ANA is aware of at least three other new gTLD second level protection proposals under consideration within the various ICANN stakeholder communities, and there are others in progress from such organizations as the ICANN Business Constituency and additional organizations. Unfortunately, it appears that other critical dynamic protections, such as a universal Do Not Sell or Register solution at the second level, have so far failed to be given adequate focus. This dismissal of a highly credible solution has the business community concerned. A comprehensive approach to stakeholder Internet protections needs to be taken, but that does not appear to be the case.

There is agreement on some new second level gTLD protections. For example, there is significant agreement with extending the Trademark Clearinghouse for a period longer than 60 days (though ANA believes that extension should be substantially increased). Also, there is significant agreement that there should be a method to implement a TLD block list. ANA believes that a TLD-by-TLD block list is better than the current protections, but it will be wholly inadequate for the number of new gTLDs expected.

In order to address the volume and variety of proposed new second-level domain names, ANA believes that it is necessary to adopt a Do Not Sell list where for-profit and non-profit brands could register names to block prospective registrations across *all* gTLDs, rather than on a TLD-by-TLD basis. This is an extension of the existing consensus regarding the need to adopt a TLD specific block list, and would permit a brandholder to block registrations affecting its interests on a comprehensive basis. Imposing on a brandholder the obligation to assert its interests and file defensive registrations on an individual TLD-by-TLD basis for literally hundreds or even thousands of names will

⁷ See ICANNWiki, *Trademark Clearinghouse*, available at: http://icannwiki.com/index.php/Trademark_Clearinghouse ("ICANN estimates that the TMCH will become operational in October 2012"); however, we are doubtful that ICANN will adhere to this timeline.

⁸ See ICANN gTLD Applicant Guidebook (June 4, 2012), Module 5: Trademark Clearing House, available at: <http://newgtlds.icann.org/en/applicants/agb/guidebook-full-04jun12-en.pdf>.

impose enormous costs on the brandholder – even presuming that the holder could identify all of the instances where its brand was being registered, which is certainly not a foregone conclusion. Clearly, this type of system will be quite problematic for small and medium-sized companies that could face major damage from phishers and typosquatters. Even large companies will face immense new costs of monitoring this dramatically increased top level and second level universe.

Defensive Registration Costs: Daunting Given the Number of Expected Open gTLDs

The financial burdens of blocking registrations on a case-by-case basis could be overwhelming, even for large businesses with significant resources. Consider the following:

- **Registration Costs:** The registration costs alone in the sunrise periods would be significant; using the recent .XXX sunrise as an example, most registrars charged sunrise registration fees of \$150-\$400 per sunrise registration.⁹ Consider:
 - If all of the approximately 700 open TLDs have the same fee structure and a company had to register 100 brands, costs for the sunrise periods alone would range from \$10.5 million to \$28 million.
 - Because some large brands may have thousands of potential registrations and all product lines and typo variants that should be protected, costs could easily amount to hundreds of millions of dollars for registration fees alone.
- **Monitoring Costs:** In-house legal departments and trademark vendors would be required to monitor each of these open TLD registries as they come online and during open sunrise periods, so they can register appropriately.
- **Small Businesses and Start-ups:** These companies will be disproportionately harmed by the new gTLD defensive registration woes, as they will not have the funds or staffing to support such endeavors.
- These problems would be further magnified once a company considers third and fourth level domains (where a company cannot defensively register), and, of course, these issues will be further compounded if and when ICANN allows for further expansion of the TLD space in a second new gTLD application window.

Serious Allegations Have Been Made Regarding Some New gTLD Applicants and the Accuracy of the Allegations Cannot Readily Be Determined

ICANN's application rules, found at §1.2.1 of the gTLD Applicant Guidebook, expressly provide that, absent exceptional circumstances, "applications from any entity with or including any individual with convictions or decisions" constituting a pattern of activity including things such as "cybersquatting . . . reverse domain name hijacking . . . [or] bad faith" will be denied and the applicant barred from applying. On the application comment dockets, serious allegations have been made that applicants should be denied

⁹ <http://domainnamewire.com/2011/09/07/xxx-domain-sunrise-prices/>.

a gTLD based on the provisions of §1.2.1 of the gTLD Applicant Guidebook.¹⁰ ANA is concerned about the allegations that have been raised that a number of the high-volume gTLD applicants applied under various shell corporation names, which make it very difficult to understand comprehensively the corporate relationships, let alone any potential for wrongdoing. One example that has been put forward relates to Donuts Inc.'s 300 plus TLD applications for allegedly confusing shell corporation names.¹¹ ANA believes that ICANN must investigate these matters fully and explore, if these concerns prove accurate, any further necessary brand protective mechanisms.

Our Solution: the Do Not Sell List and Comprehensive Rights Protections Mechanisms

ANA's view of how a Do Not Sell List could be implemented is described in the attachment to this letter. As mentioned above, this proposal is merely a natural extension of existing procedures. We do not see how a TLD-by-TLD system would work while an across-the-board list would somehow be impractical.

Given the considerable agreement concerning TLD-by-TLD blocking and extending the Trademark Clearinghouse, as well as the fact that high-volume registries are now contemplating their own mini-Do Not Sell Lists across all of their proposed domains, we suggest that you consider the establishment of a Do Not Sell proposal. This does not exclude the Department's support for items contained in the IPC Brand Summit protection list, which we believe needs to be implemented as well if a truly effective and comprehensive protection system for trademark holders and consumers is to be developed.

We also respectfully request that the Department work within the Internet stakeholder processes, as the U.S. representative to the GAC, to advocate for the Brand Summit protections and the Do Not Sell proposal, as well as to work to ensure that any allegations of applicant wrongdoing are fully vetted and, if accurate, appropriately addressed. These combined solutions are eminently reasonable and can be implemented if Internet stakeholders speak with a unified voice in favor of swift and certain action. We also believe that ICANN should be called on to open a comment period on second level domains.

¹⁰ For example, Jeffrey M. Stoller drafted a letter to the ICANN Board asserting that Donuts Inc. is related to Demand Media (an entity with a number of rulings against various Demand Media shell companies by UDRP panels). Also, Elisa Giuliano drafted a comment regarding allegedly questionable business dealings and related-party transactions by Top-Level Domain Holdings Limited, which she terms, at worst, could be "outright fraud." See also Craig Timberg and James Ball, "Donuts Inc.'s Major Play for New Web Domain Names Raises Fears of Fraud", Washington Post (September 24, 2012) available at: http://www.washingtonpost.com/business/technology/donuts-incs-major-play-for-new-web-domain-names-raises-eyebrows/2012/09/24/c8745362-f782-11e1-8398-0327ab83ab91_story.html (The story cited concerns of the FBI, FTC and others regarding new gTLDs).

¹¹ It is alleged that Donuts Inc. utilized a computer to generate randomly shell corporation names for each new gTLD application, and this produced such whimsical names as: Spring Frostbite, Hidden Frostbite, Bitter Frostbite, Wild Frostbite, Binky Frostbite, Bitter Sunset, Half Sunset, Corn Sunset, Sand Sunset, Dog Edge, Atomic Maple, Atomic Madison, Extra Madison, Big Dynamite, Extra Dynamite, Fox Dynamite, Corn Dynamite, Pixie Station, Bitter McCook, Atomic McCook, Atomic Tigers, Sea Goodbye, Sea Corner, John Goodbye and Just Goodbye, among many, many others.

Under the Affirmation of Commitments that ICANN has signed with the Department, ICANN has the responsibility to promote Internet stability, consumer trust and consumer protection.¹² Do Not Sell is a consumer- and business- protective solution that is a logical extension of a consensus that brandholders cannot engage in a high number of cost-prohibitive defensive registrations at the second level. The sheer number of applications that companies face provides the changed circumstances to raise this issue through ICANN's processes. The time is ripe to ask ICANN to provide more protections to businesses and consumers. Without such actions, we fear that businesses may not be able to weather the oncoming storm.

We are on the verge of grave threats to the stability of the Internet, so now is the time to act. When the Internet Y2K problem arose, engineers were summoned from retirement and the appropriate resources were marshaled to ensure Internet stability. The same engineering prowess and public/private coordination is demanded and must occur within the ICANN community of stakeholders. ICANN must conduct the planning to minimize the problems involved, as innovation is not an inherent good if it creates substantial collateral damage.

ANA is glad to discuss this matter with you and/or your staff at your convenience, and appreciate the Department's efforts to assist global stakeholders regarding any potential TLD expansion.

Sincerely,



Daniel L. Jaffe
Group Executive Vice President, Government Relations
Association of National Advertisers

C:

- Steve Crocker, Chairman of the Board of Directors, Internet Corporation for Assigned Names and Numbers
- Fadi Chehadé, President & CEO, Internet Corporation for Assigned Names and Numbers
- Ms. Victoria Espinel, U.S. Intellectual Property Rights Enforcement Coordinator, The White House
- The Honorable Rebecca Blank, Acting Secretary and Deputy Secretary, U.S. Department of Commerce
- The Honorable Jon Leibowitz, Chairman of the Federal Trade Commission
- The Honorable Julie Brill, Commissioner of the Federal Trade Commission
- Shaundra Watson, Counsel for International Consumer Protection, Office of International Affairs, Federal Trade Commission
- The Honorable Robert S. Mueller, III, Director of the Federal Bureau of Investigation
- Cameron F. Kerry, General Counsel, U.S. Department of Commerce

¹² See Affirmation of Commitments by the United States Department of Commerce and the Internet Corporation for Assigned Names and Numbers (September 30, 2009), available at: <http://www.icann.org/en/about/agreements/aoc/affirmation-of-commitments-30sep09-en.htm>.

- Ms. Fiona M. Alexander, Associate Administrator, Office of International Affairs, National Telecommunications and Information Administration
- Ms. Suzanne Radell, Senior Policy Adviser, NTIA, U.S. Department of Commerce
- The Honorable John D. Rockefeller, Chairman, Committee on Commerce, Science and Transportation, U.S. Senate
- The Honorable Patrick J. Leahy, Chairman, Committee on the Judiciary, U.S. Senate
- The Honorable Thad Cochran, Ranking Member, Committee on Appropriations, U.S. Senate
- The Honorable Kay Bailey Hutchison, Ranking Member, Committee on Commerce, Science and Transportation, U.S. Senate
- The Honorable Charles E. Grassley, Ranking Member, Committee on the Judiciary, U.S. Senate
- The Honorable Barbara Mikulski, Chair, Subcommittee on Commerce, Justice, Science and Related Agencies, Committee on Appropriations, U.S. Senate
- The Honorable Al Franken, Chairman, Subcommittee on Privacy, Technology and the Law, Committee on the Judiciary, U.S. Senate
- The Honorable Tom Coburn, Ranking Member, Subcommittee on Privacy, Technology and the Law, Committee on the Judiciary, U.S. Senate
- The Honorable Ron Wyden, Chairman, Subcommittee on International Trade, Customs, and Global Competitiveness, Committee on Finance, U.S. Senate
- The Honorable Hal Rogers, Chairman, Committee on Appropriations, U.S. House of Representatives
- The Honorable Fred Upton, Chairman, Committee on Energy and Commerce, U.S. House of Representatives
- The Honorable Lamar Smith, Chairman, Committee on the Judiciary, U.S. House of Representatives
- The Honorable Norm Dicks, Ranking Member, Committee on Appropriations, U.S. House of Representatives
- The Honorable Henry A. Waxman, Ranking Member, Committee on Energy and Commerce, U.S. House of Representatives
- The Honorable John Conyers, Ranking Member, Committee on the Judiciary, U.S. House of Representatives
- The Honorable Bob Goodlatte, Chairman, Subcommittee on Intellectual Property, Competition and the Internet, Committee on the Judiciary, U.S. House of Representatives
- The Honorable Howard Berman, Ranking Member, House Committee on Foreign Affairs
- The Honorable Frank Wolf, Chairman, Subcommittee on Commerce, Justice, Science and Related Agencies, Committee on Appropriations, U.S. House of Representatives
- The Honorable Mel Watt, Ranking Member, Subcommittee on Intellectual Property, Competition and the Internet, Committee on the Judiciary, U.S. House of Representatives
- The Honorable Chaka Fattah, Ranking Member, Subcommittee on Commerce, Justice, Science and Related Agencies, Committee on Appropriations, U.S. House of Representatives
- The Honorable Gregory P. Walden, Chairman of the House Energy and Commerce Subcommittee on Communications and Technology
- The Honorable Anna G. Eshoo, Ranking Member, Communications Subcommittee of the House Energy and Commerce Committee

ATTACHMENT A: THE DO NOT SELL PROPOSAL

Enrollment on the List:

Any entity would be permitted to enroll on the “Do Not Sell” List any names, including that entity’s registered trademarks, as well as generic words used with the mark and common misspellings as identified by the registrars’ own domain name spinner algorithms (“Names”). Entities are already required to register protected names with the Trademark Clearinghouse, and so ICANN could simply utilize this already-proposed database. At the time of enrollment, enrollees would only need to provide valid contact information and the Names that they do not want to be sold. For name enrollment and database building, there is little additional work to be done that is not already contemplated under the Trademark Clearinghouse.

Enrollment Scope:

Entities would enroll Names to be initially blocked for registration across all new gTLDs. A universal list across all TLDs is simply an extension of the Trademark Clearinghouse that already will be serving registrants notice of a protected name for a period of 60 days. ANA proposes to make the notice a ‘name block’ and extend it until an entity on the Do Not Sell List requests removal of its name.

All parties, including CADNA, the IPC and Melbourne IT, have already exhibited support for variants of TLD-by-TLD “block lists.” Why shouldn’t brands simply remove this TLD-by-TLD inefficiency? Some high-volume prospective registry applicants like Donuts Inc., already have seen the wisdom of consolidating their block lists.¹³ Within the Donuts Inc. applications, the company has indicated that any name registered within its sunrise period could pay one fee and have the sunrise-registered name blocked across all Donuts Inc. registries. We only wish to enhance Donuts Inc.’s and other prospective registries’ ability to administer block lists effectively by providing one central database that is already in existence and for which we could decide a mutually-acceptable registration fee.

¹³ See Section 9.2 of the .ECO Application of Donuts Inc.

Domain Protected Marks List: The DPML is a rights protection mechanism to assist trademark holders in protecting their intellectual property against undesired registrations of strings containing their marks. The DPML prevents (blocks) registration of second level domains that contain a trademarked term (note: the standard for DPML is “contains”— the protected string must contain the trademarked term). DPML requests will be validated against the Trademark Clearinghouse and the process will be similar to registering a domain name so the process will not be onerous to trademark holders. An SLD subject to DPML will be protected at the second level across all Donuts TLDs (i.e. all TLDs for which this SLD is available for registration). Donuts may cooperate with other registries to extend DPML to TLDs that are not operated by Donuts. The cost of DPML to trademark owners is expected to be significantly less than the cost of actually registering a name.

Naming Conflicts Among Entities Enrolling on the Do Not Sell List and Registrants Applying for Second-Level Domains:

Under our proposal, registrants would not be without recourse if they had a legitimate, non-infringing registration (i.e., not one for the purpose of brand-ransom or other rent-seeking behavior). After receiving notice of the Do Not Sell name block, if the second-level domain registrant still wishes to register the name, domain name registrants could avail themselves of a dispute resolution system administered by WIPO or another trusted entity (and the perimeters of such a dispute resolution mechanism could be developed as part of the multistakeholder ICANN discussions in Toronto in October).

Admittedly, the naming conflict issue would require discussions within the stakeholder community. But, in practice, if many of the large volume registries are already going to block registrations (as Donuts Inc. plans to do under its new registries), inevitably the multistakeholder market must find a system for addressing naming conflicts. If this system is developed by the multistakeholder governance model, at least it will be centralized and uniform instead of being left to the discretion of individual TLDs and TLD groups. A centralized solution is technically feasible if prospective registries are willing to engage in such processes voluntarily. We believe the problem here is not technical feasibility; rather, it is the compensation that is due to the new registry and the ability for a fledgling registry to remain financially viable without defensive registrations (what many companies believe is only a form of brand ransom).

Name Removal is Possible:

Lastly, Do Not Sell List enrollees could remove themselves from the List at any time on a per-TLD or blanket basis to permit registrations.