

Comments of the Registries Stakeholder Group
Post Delegation Dispute Resolution Process (PDDRP)
November 22, 2009

The Registries Stakeholder Group of the GNSO (RySG) appreciates the opportunity to provide these comments on the Post Delegation Dispute Resolution Process proposed by ICANN in the latest version of the Draft Applicant Guidebook v. 3. The comments that follow represent a consensus position of the RySG as further detailed at the end of the document.

Just as the gTLD Registries Stakeholder Group (then the gTLD Registries Constituency") stated on July 6, 2009 in response to the Implementation Recommendation Team ("IRT") Final Report, the biggest concern to the RySG in the proposed intellectual property rights protection mechanisms contained in DAG v. 3 relates to the Post-Delegation Dispute Resolution Process ("PDDRP"). In light of the multiple and overlapping new protection methods recommended in DAG v. 3, the RySG still believes that the PDDRP is at best, unnecessary.

1. The Removal of ICANN Investigation as a pre-requisite to the filing of a PDDRP is unacceptable

We continue to believe that the PDDRP arises from a lack of confidence that ICANN will enforce existing protections, and that the PDDRP is merely a method of shifting certain responsibility for enforcement to the registries and away from ICANN. This has become even more apparent in the proposed staff implementation of the PDDRP, which goes far beyond the IRT Final Report, in completely removing ICANN from the PDDRP process. At least the IRT Final Report recognized that *"the obligation for addressing post-delegation disputes between ICANN and the contracted registry properly rests with ICANN."*

Yet, in one parenthetical statement in the Proposed PDDRP (and without any support found in the public comments), ICANN's role in the process was virtually eliminated. In ICANN's Proposed PDDRP, ICANN states:

Although there has been some suggestion that prior to commencing such a procedure, that ICANN first be notified and asked to investigate, from a practical standpoint, it does not make sense to add this layer to the procedure. It would unnecessarily slow the process.

It is understandable that ICANN does not want to be in the middle of these types of disputes as it certainly would require more work, diligence, resources and enforcement by members of the ICANN staff. However, having ICANN not only involved, but integral to the process is vital because it provides a "check and balance" between (i) an IP owner that has truly been harmed by the systemic bad faith actions of an irresponsible registry operator and (ii) the overzealous trademark owner that sought remedies against the registry operator, when the appropriate party to go after is actually the owner of the infringing domain name registrations.

We agree with the IRT view that if the Registry were indeed engaging in the type of behavior addressed by the PDDRP, and such conduct was a violation of the Registry Agreement, that ICANN should enforce that agreement and apply the remedies it deemed appropriate (within the bounds of the Agreement). In addition, we believe that requiring an investigation by ICANN as a first step prior to the initiation of any PDDRP serves as a deterrent against an overzealous trademark attorney seeking to go after the registry simply because it has the deeper pockets or

it is easier to reach than the ultimate registrants causing the infringements. In other words, if ICANN finds no merit to a claim by an overzealous trademark attorney, it is quite possible that a trademark attorney may decide not go further and pursue the arbitration knowing there is a good probability that it will lose if it does so.

2. The Removal of ICANN's involvement in determining the Remedies is unacceptable and contrary to California Law.

Not only has ICANN removed its obligation to investigate potential breaches of the Registry Agreement, but it has taken itself out of the role of deciding what remedy is appropriate in cases where a panel does find that the Registry has breached its Registry Agreement by using its TLD to infringe the rights of IP owners (at the top-level) or engaging in a substantial pattern or practice of specific bad faith intent to profit from the same of trademark infringing domain names.

Even in the IRT proposal, although the panel could recommend sanctions to ICANN for the actions of a Registry, ultimately it was ICANN that could determine what the appropriate remedies were. Not only did this provide a check and balance against the possibility of having a Panelist (who is not experienced in contract enforcement between registries and ICANN) order a punishment that may not "fit the crime", but it also ensured that a Registry would have the right to appeal the decision and remedy under its agreement through the dispute resolution mechanisms provided therein and ultimately through the Independent Review Process.

Although ICANN states that "all determinations by a panel will be immediately appealable to a court..." how would that really be accomplished? If a panel decides that the registry engaged in this behavior and orders a termination of the registry agreement, how is that really appealable in a courtroom setting? (At the very least, if ICANN was to elect a remedy and enforce the requirements, the registry could challenge ICANN on a breach of contract ground.) If ICANN passes this off to the third party, then who does the Registry take to court – and on what grounds? In U.S. legal terms, what is the basis for either subject matter or personal jurisdiction?

As a matter of principle, the RySG submits that any process which could result in penalties or termination of the Registry Agreement must be appealable to the ICANN Board and subject to judicial review. To do otherwise would violate ICANN's Bylaws, the Board of Director's fiduciary Duty and California Law. California Corporations Code § 5210 provides that "the activities and affairs of a corporation shall be conducted and all corporate powers shall be exercised by or under the direction of the board." Further, "the board may delegate the management of the activities of the corporation to any person or persons, management company, or committee however composed, *provided that* the activities and affairs of the corporation shall be managed and all corporate powers shall be exercised *under the ultimate direction of the board.*" (Emphasis added.). A board of directors of a private corporation cannot delegate away its responsibility to govern the corporation. *Wells Fargo Bank v. Superior Court*, 53 Cal. 3d 1082, 1095 (1991); *Compton College Fed. Of Teachers, Local No. 3486 AFT, AFL-CIO v. Compton Comm'y College Dist.*, 132 Cal. App. 3d 704, 714 (1982). The PDDRP proposed by ICANN would violate § 5210 by delegating to a third party the discretion to terminate contracts with ICANN-approved registries without any oversight, and indeed without any involvement, on the part of ICANN. Thus, any Board action adopting the PDDRP as currently proposed would be void. See *Wells Fargo*, 53 Cal.3d at 1033 (holding that bank's board of directors lacked authority to delegate the power to dismiss officers of the bank).

Moreover, we believe that the proposed ICANN PDDRP also violates the ICANN Bylaws. Article IV, section 1 of the Bylaws holds ICANN accountable “to the community for operating in a manner that is consistent with the[] Bylaws, and with due regard for the core values set forth in Article I.” To ensure compliance with this provision, the Bylaws give any person or entity materially affected by ICANN’s actions a right to seek reconsideration of such actions and/or to seek independent review of them.

The PDDRP proposes to delegate ICANN’s authority and responsibility to an independent third party. For example, the PDDRM gives a dispute resolution provider the authority to terminate a Registry Agreement upon finding that a registry has injured a trademark holder through its operation of the registry. This delegation of authority abdicates ICANN’s responsibility to enforce its own agreements and precludes “the community” from holding ICANN accountable for its actions vis-à-vis a particular registry. While the dispute resolution provider’s decision may be appealed to a court of competent jurisdiction, there would be no way for a registry to seek reconsideration or review of the termination of its registry agreement under the procedures established by Article IV. Accordingly, adoption of the PDDRP (as well as the Community Objection mechanism) would violate ICANN’s Bylaws.

3. Changes to the Grounds for Dispute still not enough

With respect to the grounds for a dispute at the top-level in the ICANN version of the PDDRP, the RySG appreciates that ICANN has increased the standard of proof to “clear and convincing evidence” and requires that a registry engage in “affirmative conduct” in order to be found liable under the PDDRP. That said, there is no definition of what constitutes “affirmative conduct” nor is there any definition around what it means to (a) [take] unfair advantage of the distinctive character or the reputation of the complainant’s mark, or (b) unjustifiably [impair] the distinctive character or the reputation of the complainant’s mark, or (c) [create] an impermissible likelihood of confusion with the complainant’s mark. In the absence of clarification and exemption/“safe harbor” provisions, the PDDRP could effectively require that registries “sanitize” the names they register to ensure they are not “identical or confusingly similar” to an existing trademark. Such monitoring would require registries to make determinations that they are not competent or well-suited to make, and would require costly and time-consuming human analysis and intervention, in what has been an automated process to date.

At the second level, in addition to some of the same issues cited above, the RySG notes that there is no obligation for the registry to engage in “affirmative conduct,” but rather that “there is substantial ongoing pattern or practice of specific bad faith intent by the registry operator to profit from the sale of trademark infringing domain names.” The RySG is unclear as to what this actually means and reserved its rights to make further comments once it better understands more about this unique standard. However, the RySG notes that if the obligations set forth in ICANN’s PDDRP are interpreted broadly by trademark owners, such obligations would give trademark owners rights above and beyond what they are given under the existing laws of a number of jurisdictions. In fact, such rights could be read as being inconsistent with existing law with regard to the obligations of registries for trademark infringement, direct and indirect, for the provision of typical registry services. Absent clarification and narrowing of the scope of the PDDRP, the PDDRP could upset the balance struck in existing law.

4. ICANN must increase the protections against abusive filings.

A. ICANN Removes Fees Barrier

The RySG also notes that ICANN has also eliminated a number of the other deterrents for preventing abusive filings by overzealous trademark owners that were initially in the IRT Final Report. In that report, the IRT stated:

*The complainant shall participate in the DRP. To initiate a Post-Delegation Dispute, the complainant must pre-pay an additional fee to the DRP. The IRT further recommends that this fee be set to **cover the provider's cost as well as the Registry Operator's cost should Registry Operator prevail**. Furthermore, the IRT believes that the complainant should be required to prepay an additional amount that shall be paid to the Registry Operator if the complaint is found by the Panel to be "without merit" ("Penalty Fee"). [Emphasis Added].*

In addition, the IRT stated that the "amount of the fee should be meaningful enough to deter arbitrary and capricious claims." Finally, it provided a sample set of recommended fees in Appendix G, but explained that: "The fee amounts used are for illustrative purposes only and merely reflect the IRT's recommendation that the fees be **substantial enough to cover costs and deter gaming** of the system by either trademark owners or Registry Operators."

Without any discussion in its proposal, ICANN drastically eroded this barrier to filing a PDDRP by: (1) leaving it to the sole discretion of the accredited dispute provider to set the fees based only on "covering" the administrative fees; (2) stating that the fees are "intended to be reasonable"; and (3) not providing any guidance on the "penalty fees," nor requiring them to be paid in advance by the complainant. Translated, this means that the fees will be relatively low and will enable any third party to file a complaint. Without a meaningful investment up front, there will be no deterrence against the overzealous trademark owner.

Furthermore, to add insult to injury, at any point in time that a complaint is filed, ICANN recommends that "each party shall be required to submit the full amount of the Provider administrative fees and the Panel fees at the outset of the proceedings." Although the IRT recommended that the complainant prepay the fees, it in no way required the Registry to prepay any fees (although it would have to pay if it lost). This is far too large of a burden for the Registry to bear in order to defend itself. I note that in no other dispute proceeding (whether the UDRP or any court action) is it required that a defending party prepay fees. The threat of this alone by an overzealous trademark owner or by multiple trademark owners at once is enough to scare or coerce the legitimate Registry operators acting in good faith.

It is also interesting to note that in ICANN staff's explanation of why it chose not to charge registrants in a Uniform Rapid Suspension process, it stated: "Registrants should not have to pay to assert they have a valid interest in domain names." It is ironic that ICANN staff would not charge a registrant to assert it has a valid interest in a domain name, but sees no difficulty in charging a registry who is faced with the potential loss of its entire business a large fee to defend its actions in the PDDRP.

Finally, the requirement of charging registries up front in a PDDRP will result in gaming by overzealous trademark owners and ultimately harm not only registries, but also registrants. When faced with a PDDRP which (i) would not involve ICANN as a pre-requisite, (ii) would include substantial fees up front (whether or not the Complainant has a good faith belief in its complaint) and (iii) threatens to take away a registry's entire business, we believe that trademark owners will use these elements to "blackmail" registries into a settlement whether or

not the trademark owner's claims are legitimate or even based in good faith. The resulting settlement could also harm legitimate registrants.

Consider, for example, a trademark owner that believes there may be some names within a TLD that infringe its rights, but assume that the registry is not engaging in conduct that would not violate the PDDRP. However, the trademark owner knows that if it initiates a PDDRP, (a) there will be no investigation up front by ICANN, (b) the registry operator will have to pay substantial fees up front, and (c) if the registry loses it may lose its entire business. Given the above, the trademark owner may decide to file the PDDRP knowing that the threat to a registry of paying fees up front and risking its entire business may co-opt the registry into a settlement. That settlement may result in the registry transferring the alleged infringing domain names to the complainant on its own initiative without giving the registrants the due process of having the infringement (or UDRP) claims heard by a tribunal. What if this results in the taking away of names from legitimate registrants and transferring them to the complainant?

We believe that the gaming scenarios are endless.

B. No Review on Default

Under the UDRP, even if the registrant does not file a response a response, the Panel is still required to do a full analysis of the complaint to see if what was alleged truly amounts to bad faith. In fact, under the proposed URS, the IRT took great pains to ensure that in a default situation, the administrative panel would still have to review the Complaint and scrutinize it to ensure that the complainant successfully meets a high burden of proof before issuing an order against the Registrant. ICANN even agreed with this sentiment in its proposed implementation of the URS by stating "All default cases, however, proceed to Examination." (See Part I, Paragraph 6.3 at <http://www.icann.org/en/topics/new-gtlds/draft-proposed-procedure-urs-04oct09-en.pdf>). The RySG does not understand that from ICANN's standpoint, what is good for the registrant of one single domain name apparently is not good for an entire registry. In other words, when faced with the prospect of putting one single domain name on hold, ICANN understands the rationale for requiring a review of the facts of the complaint – but when faced with the possibility of terminating an entire registry operation, Registry Operators are not afforded that luxury.

In fact, ICANN recommends just the opposite:

*If the registry operator fails to respond to the Complaint, it will be deemed to be in default and the allegations found in the Complaint will be deemed to have been sustained. The Provider **will award an appropriate remedy in the event of a default.***

This means that even if a registry operator believes that a complaint is so frivolous on its face to even be taken seriously by any third party, that registry operator still needs to spend the time, money and resources to develop a comprehensive response, including the deposit of a substantial fee with the dispute provider. Otherwise, the registry operator *will* be sanctioned. Unlike the UDRP or URS, if the Complainant meets the procedural requirements in filing the complaint (meaning mostly that it has paid its refundable fee to the Provider), and the registry does not respond, there is no further review, but rather automatic remedies.

C. Disputes Based on Paper Alone

Yet another avenue that may reduce the burden for ICANN and the dispute providers, but that would actually result in a lower barrier for disputing filings, is the affirmative statement that “Disputes . . . will be resolved without a hearing unless, in the discretion of the Panel, extraordinary circumstances require a hearing.” The RySG notes that both WIPO and the IRT stated at each of the consultations that they envisioned the PDDRP process to be comparable to a “mini-arbitration” that needed to be taken extremely seriously because it involves the potential of terminating an agreement in which a registry operator has most likely invested hundreds of thousands, if not millions, of dollars. Before ordering the potential termination of an entire registry, a registry should have the option of having a hearing. In other words, the hearing should be the default, not the exception.

D. ICANN only Provides for a Single Panelist unless “both parties agree” otherwise

In ICANN’s version of the PDDRP, unlike the IRT recommendation, only one Panelist is required to preside over the dispute, unless both parties agree to a three member panel. The explanation given by ICANN for the change was that it wanted the procedure to be “consistent with [the] UDRP approach, with a goal of managing cost and time to determination.” The RySG wholeheartedly disagrees with the approach taken by ICANN staff and does not understand why “managing cost and time” should be considered a higher priority than ensuring that the right decision is made, especially one that has the potential to have such serious and drastic ramifications. We believe that when one of the possible outcomes of the PDDRP is the loss of an entire business (even if the remedy is ultimately decided by ICANN), that a one person panel is completely insufficient. At a minimum, the PDDRP should employ the same standard as in Independent Review Process under the ICANN Bylaws, which states: “Either party may elect that the request for independent review be considered by a three-member panel; in the absence of any such election, the issue shall be considered by a one-member panel.”

In addition, with respect to the Panelist, we believe that such a panelist, unlike the UDRP or even proposed URS, should be more akin to the type used under the current Independent Review Process, namely “an international arbitration provider . . . using arbitrators under contract with or nominated by that provider.” See <http://www.icann.org/en/general/bylaws.htm#IV>, Article IV, Section 3. We do not believe that the panelists used for UDRP decisions necessarily have right skills, training, qualifications or expertise to serve as panelists in a PDDRP.

RySG Information with regard to these Comments

A supermajority of xx RySG members supported this statement:

- Total # of eligible RySG Members¹: 14
- Total # of RySG Members: 14
- Total # of Active RySG Members²: 14

¹ All top-level domain sponsors or registry operators that have agreements with ICANN to provide Registry Services in support of one or more gTLDs are eligible for membership upon the “effective date” set forth in the operator’s or sponsor’s agreement (Article III, Membership, ¶ 1). The RySG Articles of Operations can be found at http://www.gtldregistries.org/about_us/articles .

- Minimum requirement for supermajority of Active Members: 10
- Minimum requirement for majority of Active Members: 8
- # of Members that participated in this process: 14
- Names of Members that participated in this process:
 1. Afilias (.info)
 2. DotAsia Organisation (.asia)
 3. Dot Cooperation LLC (.coop)
 4. Employ Media (.jobs)
 5. Fundació puntCAT (.cat)
 6. mTLD Top Level Domain (.mobi)
 7. Museum Domain Management Association – MuseDoma (.museum)
 8. NeuStar (.biz)
 9. Public Interest Registry - PIR (.org)
 10. RegistryPro (.pro)
 11. Societe Internationale de Telecommunication Aeronautiques – SITA (.aero)
 12. Telnic, Limited (.tel)
 13. Tralliance Corporation (.travel)
 14. VeriSign (.com,.name & .net)

Regarding the issue noted above, the level of support in the RySG for the Constituency statement is summarized below.

1. Level of Support of Active Members:

- 1.1. # of Members in Favor: 12
- 1.2. # of Members Opposed: 0
- 1.3. # of Members that Abstained: 0
- 1.4. Eligible # of Members that did not vote: 2

² Per the RySG Articles of Operations, Article III, Membership, ¶ 4: Members shall be classified as “Active” or “Inactive”. A member shall be classified as “Active” unless it is classified as “Inactive” pursuant to the provisions of this paragraph. Members become Inactive by failing to participate in a Constituency meeting or voting process for a total of three consecutive meetings or voting processes or both, or by failing to participate in meetings or voting processes, or both, for six weeks, whichever is shorter. An Inactive member shall have all rights and duties of membership other than being counted as present or absent in the determination of a quorum. An Inactive member may resume Active status at any time by participating in a Constituency meeting or by voting.