

TESTIMONY

OF

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***STAKEHOLDERS PERSPECTIVES ON THE OPERATION OF THE INTERNET
CORPORATION FOR ASSIGNED NAMES AND NUMBERS (ICANN)***

BEFORE THE

**SUBCOMMITTEE ON COURTS, INTELLECTUAL PROPERTY AND THE
INTERNET**

COMMITTEE ON THE JUDICIARY

U.S. HOUSE OF REPRESENTATIVES

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Executive Summary

Mei-lan Stark, Senior Vice President, Intellectual Property, for Fox Entertainment is appearing on behalf of the International Trademark Association (INTA) where she serves as Immediate Past President and Ex-Officio. INTA represents the interests of trademark owners worldwide and is an active participant in ICANN's multistakeholder process. Members of the trademark and business communities support multistakeholderism and actively participate in the development of policies and processes under ICANN's supervision.

Although the new Generic Top Level Domain (new gTLD) program presented intriguing commercial possibilities including creating new online communities and user experiences, trademark owners expressed grave concerns over the potential harms that would likely ensue. Instead of monitoring dozens of extensions for enforcement, trademark owners now have to monitor hundreds and, potentially, thousands of new gTLDs. ICANN addressed these concerns by developing and implementing new rights protection mechanisms (RPMs) in consultation with the multistakeholder community which included trademark experts.

With the RPM's in place, the new gTLD program launched. Hundreds of names have been delegated without controversy, but there is growing concern within the trademark community over the failure of some registries to comply with the terms of the Registry Agreement (RA) and ICANN's failure to enforce the RA. While many registries are following the RA, some are not. There is evidence of rampant abuse of the system. All of these problems were foreseeable and could have been prevented. The launch of the .sucks domain by Vox Populi Registry Ltd. ("Vox Populi") is a glaring example of ICANN's ineffective oversight. The problems with the .sucks launch were documented in a letter to ICANN. The letter urged the suspension of the launch until the issues could be fairly resolved. Unfortunately, ICANN ignored this request. Instead, it looked to the U.S. and Canadian governments for answers rather than its own internal enforcement mechanisms. The launch of .sucks continues to the detriment of trademark owners.

In order for the multistakeholder process to work, there must be strong systems in place to ensure trust, transparency, accountability and predictability. ICANN must implement these mechanisms prior to the IANA transition. This will ensure that the DNS is run fairly and to the benefit of the entire multistakeholder community which includes the end user – the consumer. Trademark protection is based in consumer protection. ICANN needs to learn to engage with its own community in a better way and learn to respond quickly and fairly to legitimate concerns when they are raised. INTA, as a responsible stakeholder, stands ready to help ICANN develop and implement reliable policies and processes to ensure accountability, transparency and fairness in the DNS. INTA is extremely grateful to the committee for its continued engagement in these issues and we greatly appreciate the opportunity to discuss the challenges facing trademark owners under ICANN's current policies and practices.

Good morning Mr. Chairman and Members of the Subcommittee,

Thank you for this opportunity to offer the perspective of trademark owners on the performance of the Internet Corporation for Assigned Names and Numbers, otherwise known as “ICANN” with regard to the launch of the new generic top-level domain .sucks and its implications regarding the proposed relinquishment of any oversight of the Domain Name System (DNS) by the National Telecommunications and Information Administration (NTIA).

I. Introduction

I am Mei-lan Stark, Senior Vice President, Intellectual Property, for Fox Entertainment Group. I am appearing today on behalf of the International Trademark Association (INTA) where I serve on a voluntary basis as Immediate Past President and Ex-Officio. INTA is a not-for-profit membership association of more than 6,000 corporations, law firms and other trademark-related businesses from more than 190 countries throughout the world. INTA membership crosses all industry lines, including manufacturers, retailers and nonprofit organizations, and it is united in the goal of supporting the essential role trademarks play in promoting effective national and international commerce, protecting the interest of consumers, and encouraging free and fair competition.

I was privileged to testify before this committee in 2011 and shared the concerns of trademark owners with regard to the launch of ICANN’s new generic Top-Level Domain (gTLD) program. For the first time, the DNS would be subject to an unlimited amount of top level names for commercial and noncommercial users. Trademark owners could register their brands and any combination of letters could form new names “to the right of the dot.” The stated goal of the program was to promote competition, innovation and choice within the DNS. The policies and processes for the new gTLD program were to be developed through ICANN’s multistakeholder process.

Members of the trademark and business communities support multistakeholderism and actively participate in the development of policies and processes under ICANN’s supervision. However, in order for the multistakeholder process to truly work, there must be trust and predictability. ICANN’s record of enforcement, accountability, and transparency with regard to new domain names raises questions as to whether there are the appropriate checks and balances in place for a successful transition of National Telecommunications and Information Administration (NTIA) stewardship of the IANA function.

II. The Trademark Community and the New gTLD Program: Positive Opportunities Bring Foreseeable Bad Practices

Although the new gTLD program presented intriguing commercial possibilities including creating new online communities and user experiences, trademark owners expressed grave concern over the potential harms that would likely ensue. We were concerned about the costs of enforcing our rights while preventing fraud and abuse. Commonly, trademark owners buy domain names that are the same as or similar to their own marks, including plurals or misspellings in order to prevent misuse of those names by others. This practice is referred to

as “defensive registration.” Defensive registration either with top or second level domain names could cost tens of thousands of dollars per mark. The risk to a brand’s reputation due to the misuse of trademarks under the new program as well as harm to consumers was exponentially higher due to the number of new names to be released. As point of clarification, the top level refers to a new gTLD, like “.brand.” The second level is what comes before the dot, for example, “choice.brand.” Absent any safeguards, trademark owners would be forced into defensively registering top level domains as well second level domains.

III. Rights Protection Mechanisms (RPMs) and Those Who Would Subvert Them

ICANN recognized our concerns and convened groups of volunteer experts to address them. Thousands of hours were devoted to careful consideration of the balance of rights and remedies for trademark owners in the DNS. This intensive work resulted in recommendations for new rights protection mechanisms (RPMs) including the ability to register our trademarks in a Trademark Clearing House (TMCH) and the mandatory implementation of a Sunrise Period for the launch of each new gTLD. The TMCH is a repository for trademark information that streamlines the validation of trademark ownership for the purpose of registering a domain name with the Sunrise Period. The Sunrise Period is a window in time where trademark owners may register their domains before they are released to the general public. Until now, validation of trademark rights had been left to the individual registrars who sell domain names and trademark owners had to submit proof of their rights with each seller. Creation of the TMCH created a one-stop shop for trademark owners and registrars to verify trademark rights. The intention of the TMCH is to reduce the time and costs of trademark validation and facilitate the sale of domain names to trademark owners. Once our trademark rights are validated, we may avail ourselves of Sunrise Periods within the new gTLD program. The pricing of Sunrise registrations is intended to include the regular fee and recovery of nominal administrative costs. The TMCH and Sunrise Period are tools for trademark owners to avoid costly disputes in the future. They are not intended to create a premium market.

Adherence to RPMs is mandatory under ICANN’s Registry Agreement (RA). The effectiveness of the RPM’s is still to be determined and ICANN recently closed a comment period on a Draft Report regarding its RPM review.

With RPMs in place and applications submitted under ICANN guidelines, the new gTLD program launched. Hundreds of names have been delegated without controversy, but there is growing concern within the trademark community over the failure of some registries to comply with the terms of the RA and ICANN’s failure to enforce the RA. While many registries are following the RA, some are not. There is evidence of rampant abuse of the system including reserving trademarks from sale to trademark owners without apparent reason or redress, use of the TMCH to exploit the trademarks that have been validated for protection, and designating trademarks as premium names subject to higher pricing. All of these problems were foreseeable and could have been prevented.

IV. “.sucks” – The System Fails

The launch of the .sucks domain by Vox Populi Registry Ltd. is a glaring example of ICANN’s ineffective oversight of the new gTLD program. The problems with the .sucks launch were documented in a letter submitted to ICANN by the Intellectual Property Constituency or IPC of which INTA is a member. In its letter, the IPC documents what many believe to be unfair practices employed by Vox Populi in order to extract exorbitant fees from trademark owners. Accordingly, the IPC urged the suspension of the launch. Unfortunately, ICANN ignored this request and the launch continues to the detriment of trademark owners. Let me explain.

a. ICANN Allows Exorbitant Pricing of Sunrise and Premium Names

Vox Populi charges trademark owners \$2,499 per domain. This is 250 times more than it intends to sell domains to the consumer at \$10 per domain. Only trademarks included in the TMCH are subject to the \$2,499 pricing. Thus, the Clearinghouse, intended to be a rights protection mechanism is manipulated to set unfair pricing and specifically targets trademark owners who have been diligent in protecting their rights.

Trademark owners thus face the dilemma of leaving their valuable trademarks exposed to unscrupulous actors in cyberspace by forgoing the Sunrise registration and waiting to buy the name during general availability, or paying exorbitant premium fees. Currently, prices for general availability start at \$249. The \$10 price available for consumers starting in Fall, 2015 and, according to information available on the .sucks website, is not and will not be available to “any corporation or in any way affiliated with the corporation the term is referencing.” See <https://www.nic.sucks/products>. Further, Vox Populi claims that the low \$10 price will be subsidized but they are not clear how. Complicating matters, Vox Populi announced a “sunrise premium list” that has nothing to do with the Sunrise Period previously described. The price for a name on the premium list starts at \$2,499 a year with a 10 year registration costing nearly \$25,000 for trademark owners per domain. To be sure, the overall pricing scheme is clearly aimed at reaping immense profits based on the fame and value of recognized trademarks.

b. Vox Populi is Confusing Consumer Advocacy with Unfair Business Practices

Vox Populi claims it is providing a space for consumer advocacy and information. That is a laudable goal. However, providing consumers a forum for their concerns cannot be predicated on exploiting the legitimate rights of trademark owners. Consumer protection is at the heart of trademark rights. Trademarks signify quality and their value is based on predictability and trust. Trademarks also signal to the consumer consistency and choice. Consumers choose products and services based on these attributes and by their use of trademarked products. The value of the trademark is directly proportional to its resonance with the consumer. INTA believes that businesses that invest in quality products and services to build consumer trust also deserve to enjoy the same level of trust from ICANN and the multistakeholder process. Otherwise, they will be deterred from the investment and innovation that the new gTLD program was designed to foster.

Choice, fair competition and trust depend on a reliable and level playing field. We submit, Mr. Chairman, that this is not the case today. In the example of .sucks, ICANN had an opportunity to act, but did not. Instead, they chose to seek guidance from U.S. and Canadian regulatory agencies with regard to pricing rather than address the issue from the standpoint of established contract terms and the spirit and intention in which RPMs have evolved. ICANN had the opportunity to preclude the type of behavior described today but, instead, chose to forge ahead with a program that contains too many avenues for abuse and too few mechanisms for redress, which brings me to my next point.

V. The Trademark Community Has Concerns Beyond .sucks

a. Support of Accurate and Accessible Whois Information

In addition to the lack of oversight of registry practices, there are two other major concerns of the trademark community which we would like to bring to the attention of the committee. The first is our concern about the accessibility and accuracy of Whois information. Whois is the directory system whereby domain name holders must register their contact information. There is an ongoing debate whether Whois information should be available at all. An expert working group on Whois produced a report that supports the idea that businesses should have access to reliable and contactable information to fight instances of infringement, counterfeiting, fraud and abuse. We are carefully monitoring the developments around Whois to ensure that trademark owners are afforded effective access to information that is critical to brand enforcement and the conduct of effective electronic commerce.

b. Concern About a Premature Launch of a Second Round of New gTLDs.

Our second concern is the possible launch of a second round of new gTLDs without full consideration of the impact of the first round. Discussion about a second round has already started. We believe that this is premature given the lack of information or analysis of the effectiveness of the program overall including, but not limited to, rights protection mechanisms and registry practices. We understand that many trademark owners who did not apply in the first round of new gTLDs may want apply in the second round. However, until the current issues discussed today are addressed, launching a second round of new gTLDs will only greatly exacerbate the situation for both trademark owners and, most importantly, for consumers.

VI. ICANN Must Implement Strong Accountability and Transparency Mechanisms Prior to the IANA Transition

As I stated earlier, the trademark community supports the multistakeholder model. We are working very hard to assist ICANN in shaping a transition plan with built-in transparency and accountability measures. However, we are not there yet and, I believe, even ICANN acknowledges this reality. ICANN recently released two reports on the IANA transition: the first entitled *The 2nd Draft Proposal of the Cross Community Working Group to Develop an IANA Stewardship Transition Proposal on Naming Related Functions*, released on April 22, 2015, and the second entitled *The Cross Community Working Group on Enhancing ICANN*

Accountability (CCWG-Accountability) – Input Needed on its Proposed Accountability Enhancements (Work Stream 1), released on May 4, 2015. The comment periods close May 20 and June 3 respectively. We are studying the reports to determine whether the proposed structures and reforms would create sufficient safeguards and structures to ensure the accountability, transparency, and oversight required to foster an open, competitive, reliable business environment. We have also requested that the end dates for the two comment periods coincide so that we can prepare a meaningful and comprehensive response. An additional comment period is envisioned for July 2015. Equally important to achieving the right structures and reforms is the continued oversight conducted by this committee and other congressional committees with jurisdiction.

We support a transition but not on an accelerated time frame and not until we are assured of accountability and transparency. Keeping the U.S. government engaged through the Affirmation of Commitments and the IANA contract provides assurances that ICANN will continue to improve its operations and accountability structure until such time as a comprehensive and reliable framework for transition is developed and implemented.

VII. Conclusion – Reliability, Accountability and Transparency Strengthen the DNS and Public Confidence in the Internet

The launch of the new gTLD program illustrates both the opportunities and the pitfalls emanating from ICANN's current management of the DNS. It is critical that ICANN finally "gets it right" in terms of responding to the concerns of key stakeholders in the multistakeholder model -- trademark owners and the business community at large. The decisions that ICANN makes have a direct impact on consumers of our products and services. INTA members spend thousands of hours volunteering their time to participate on Internet-related committees and working groups in an attempt to develop thoughtful solutions to the vexing problems within the DNS. If the process cannot be trusted or relied upon, then we risk alienation of the very users that the system intends to support. Trademark protection is clearly in the public interest and must be reliably supported throughout ICANN's program development and implementation. ICANN needs to learn to engage with its own community in a better way and learn to respond quickly and fairly to legitimate concerns when they are raised. INTA, as a responsible stakeholder, stands ready to help ICANN develop and implement reliable policies and processes to ensure fairness in the DNS.

INTA is grateful to the committee for its continued engagement in these issues and we appreciate the opportunity to discuss the challenges facing trademark owners under ICANN's current policies and practices.

Thank you Mr. Chairman.