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US House of Representatives Holds Hearing on the .SUCKS New gTLD and ICANN Accountability and Stakeholder Trust

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On May 13, 2015, the US House of Representatives Judiciary Committee's Subcommittee on Courts, Intellectual Property, and the Internet held a hearing on "Stakeholder Perspectives on ICANN: The .SUCKS Domain and Essential Steps to Guarantee Trust and Accountability in the Internet's Operation." During the hearing, testimony was presented by Mei-lan Stark, Immediate Past President of the International Trademark Association (INTA); Paul Misener, Vice President of Global Public Policy for Amazon.com; John Horton, President of LegitScript; Steven Metalitz, Counsel for the Coalition for Online Accountability (COA); Bill Woodcock, Executive Director of the Internet Commerce Association (ICA); Phil Corwin, Counsel for ICA; Steve DelBianco, Executive Director of NetChoice; and Jonathan Zuck, President of ACT | The App Association.

The high-level focus of the hearing was fixed squarely upon Internet Corporation for Assigned Names and Numbers (ICANN) accountability in conjunction with the Internet Assigned Numbers Authority (IANA) transition. However, several specific failures in accountability dominated the discussion, including: the perceived predatory and illicit pricing in the .SUCKS new gTLD; improper governmental influence exerted over failed applications for the .AMAZON gTLD and its IDN equivalents; and lack of transparency or responsiveness from ICANN contractual compliance when disposing of complaints regarding recalcitrant registrars housing domain names used to disseminate everything from counterfeit pharmaceuticals to pirated copyrighted content.

.SUCKS, .AMAZON and Other Failures of ICANN Accountability

House Subcommittee Chairman Darrell Issa noted that while ICANN should not be "the speech police," .SUCKS pricing for domain names corresponding to trademarks was "legalized extortion" in view of the typical market rates for domain names. Chairman Issa characterized the .SUCKS pricing scheme as "an unreasonable cost to protect [trademarked] names from reputational harm and dilution." In addition, referring to ICANN's recent decision to punt community concerns to US and Canadian consumer protection authorities, Chairman Issa noted that "ICANN has passed the buck to regulators rather than administrating its own contracts responsibly."

"Commerce is the relevant stakeholder here," he concluded, analogizing a modicum of TLDs to a jockey driving commerce yet the .SUCKS gTLD to a 500-pound jockey hindering it. He also demonized ICANN, even with its governmental relations and legal representatives sitting in attendance, for attempting to recover a \$1 million unpaid debt from Momentous, the parent company of the .SUCKS registry operator, through special fees baked into the .SUCKS Registry Agreement.

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Ms. Stark placed primary blame for the impact of .SUCKS squarely on ICANN, noting that intellectual property owners of all sizes, including nonprofit organizations, must be able to trust that ICANN will properly implement community consensus policies to protect intellectual property rights. .SUCKS, she noted, represents a failure by ICANN to do so, and serves as one example as to why the community has expressed serious concerns regarding ICANN accountability.

Mr. Misener highlighted the example of .AMAZON and the ability of a few national governments, through ICANN's Governmental Advisory Committee (GAC), to put undue pressure on, and essentially coopt, the new gTLD application process. He offered details describing how governmental representatives from Brazil and Peru forced ICANN to reject several .AMAZON applications, absent any supporting legal precedent and in contravention to Amazon's exclusive commercial rights to the terms accorded through trademark registration in myriad nations. ICANN's inability to withstand pressure from national governments, he noted, calls into question ICANN's accountability to the global multistakeholder community and the processes developed by that community.

Mr. Metalitz described three key areas demonstrating a poor track record by ICANN vis-à-vis accountability and transparency, namely contractual compliance, the WHOIS system, and the new gTLD launch as a whole. He highlighted the lack of transparency concerning ICANN enforcement of critical contractual provisions in the 2013 Registrar Accreditation Agreement (RAA) requiring accredited registrars to investigate and respond appropriately to reports of intellectual property infringement and other abuses in connection with the domain names they sponsor. "ICANN has provided virtually no guidance," he indicated, "as to how it was interpreting and enforcing these provisions." Most problematically, ICANN provides no insight as to what it deems an "adequate" response by registrars to reports of infringement—in many cases, compliance inquiries were closed with no apparent action having been taken by the registrar.

Such concerns regarding enforcement of ICANN contracts—or more accurately the lack of enforcement by ICANN of its contracts—represented a recurring theme throughout the hearing. The new gTLD program has further exacerbated contractual compliance issues for ICANN, as it is already responsible for more than 900 new registry agreements, and that number will only continue to grow. In addition, the hearing highlighted a fundamental flaw in the ICANN contractual compliance system: the very organization that negotiates and enforces contracts with registrars and registries is also paid by those same registrars and registries; in fact, according to one witness, 90 percent of ICANN funding is provided by these contracted parties, creating a serious conflict of interest when it comes to fairly and impartially enforcing the contracts ICANN makes. However, to be fair, a large portion of such fees are originally derived from individual domain name registrants, including fees paid by brand owners to maintain vast portfolios of defensive registrations.

With respect to the WHOIS system, Mr. Metalitz highlighted that over time, the database of domain name registrant contact information has become less accurate, reducing overall accountability and transparency in the domain name system, and that approximately 20 percent of all domain name registrations today are maintained through privacy and proxy services, preventing intellectual property owners and other Internet users from "knowing who they are dealing with online." He noted, however, that ongoing work within ICANN to accredit providers of privacy and proxy services could improve the WHOIS ecosystem.

The IANA Stewardship Transition

Mr. Woodcock and others also highlighted the political importance of the IANA stewardship transition, noting that it was critical to ensure that the transition process is conducted properly, but also noting that any significant delays in the transition could imply bad faith on the part of the US government and afford political leverage to foreign governments seeking to exert greater influence over Internet governance. In response, Chairman Issa asked plainly whether "we need more time in order to get the IANA transition right." The general consensus of the witnesses was that more time was needed, and some expressed expectations that the transition process could stretch into early- to mid-2016. Mr. Woodcock fell into a minority position, advocating for the transition of names and numbers authorities to be separately considered and approved by ICANN and the NTIA. Ultimately, the current IANA contract is scheduled to expire on September 30, 2015, although based on the tenor of the hearing it will likely be extended to account for the transition of names and numbers in a single package.

The New gTLD Program and Domain Marketplace

Much of the discussion then turned to the new gTLD marketplace more broadly, including discussion of supply and demand for new gTLDs and related pricing issues. Witnesses generally agreed that while there are legitimate security reasons for .BRAND TLDs, an unlimited expansion of new gTLDs is unsupported by the marketplace. Mr. Corwin indicated that although the first round of new gTLD expansion was still in progress, ultimately it would likely demonstrate overly rapid expansion, given current signs of market confusion and less than anticipated demand for registrations in new TLDs. However, it is worth noting that Mr. Corwin and the Internet Commerce Association represent professional domain name investors with vested financial interests in generic second-level domain names registered in legacy TLDs, including .COM and .NET.

Ms. Stark added to the conversation by describing the pressures felt by brand owners with respect to defensive registration, noting that estimated costs of defensive registration are higher now than at the time INTA last gave testimony in 2011. Back in 2011, INTA estimated that brand owners would spend about \$12 million on defensive registration in the first wave of new gTLDs, based on the estimated average number of trademarks recorded in the Trademark Clearinghouse, the estimated average price of a Sunrise registration, and the estimated total number of new gTLDs that would be launched out of the first round of applications. However, more recent figures suggest a much higher estimated average cost of brand owner registrations, in light of higher than expected Sunrise fees (by registries like .SUCKS, and others who, as the hearing indicated, offer predatory pricing designed to shake down brand owners) and a higher number of new gTLDs expected to launch.

In wrapping up the hearing, Chairman Issa focused on the ostensible public interest mandate of ICANN. As a nonprofit public benefit corporation, ICANN is obligated to act in the public interest and provide a public benefit. As such, Congress and the State of California (in which ICANN is incorporated) have an obligation to ensure ICANN is acting in the public interest. According to Chairman Issa, matters like the .SUCKS new gTLD and its extortionate pricing schemes and ICANN's special financial stake in the .SUCKS registry raise serious concerns as to whether ICANN is indeed acting in furtherance of its public interest mission, and undermine serious doubts both Congress and the community have regarding ICANN accountability.

Key Takeaways

Based on the overall discussion, it is almost certain that the current IANA contract will be extended, likely for an additional six months to allow the ICANN naming community to finalize its transition proposal. Regarding the .SUCKS launch and pricing policy, the community appears to be in waiting mode to see how the FTC and OCA will respond to allegations from the IPC, as forwarded by ICANN, and the Business Constituency. Fish & Richardson, outside counsel for Vox Populi, the .SUCKS registry operator, who were notably absent from the Congressional hearing, recently transmitted a letter to ICANN demanding that its stakeholders immediately cease all allegedly defamatory statements directed at .SUCKS and its practices. This letter was submitted into the hearing record.

Aside from the obvious takeaways indicating that the IANA transition will be delayed and legal scrutiny over the .SUCKS launch will continue, we think there are also a couple more subtle lessons to be learned.

First, applicants currently engaged in registry agreement "negotiations" with ICANN should take note of the unique amendment made in the .SUCKS Registry Agreement. This amendment, incorporating a special one-million dollar fee recovery provision against Vox Populi, serves solely to benefit ICANN yet cuts against its mantra that it "will not agree to preferential provisions inconsistent with the new gTLD Registry Agreements signed by over 900 registries." Clearly, this amendment proves that not all new gTLD applicants are similarly situated, exceptions need to be considered, and failure to do so reflects very poorly on ICANN.

Second, Amazon's testimony represents much more than a mere cautionary tale, particularly since the same governmental representatives within ICANN continue to push for even broader blanket prohibitions against all new gTLD strings related to any geographic name, river, mountain, region or term with any cultural or religious significance. Dubbed the "Argentina proposal," it is equally unsupported by national law and contravenes international trademark norms, as well as unduly subjective in nature. Brand owners with marks even arguably related to geographic, cultural or religious terms, in any language, are encouraged to rally in opposition to this proposal, as it is evident ICANN leadership is disinclined to intervene given the potentially politically sensitive nature of the matter.

In any event, this hearing, and the topics discussed therein, further highlight the need for active brand owner participation in ICANN. With the next ICANN meeting just around the corner in Buenos Aires (June 21-25, 2015), this is an excellent juncture for interested and concerned brand owners to ensure their voice is heard, through either direct participation in stakeholder activities or working with experienced ICANN counsel on an advocacy strategy.

If you are interested in reviewing the full hearing, an archived webcast is available [here](#).

We hope you find this summary and analysis helpful and informative. If you have any questions regarding our analysis, or if you wish to discuss any of these or other ICANN advocacy matters in greater detail, please contact Brian Winterfeldt at +1.202.625.3562 or brian.winterfeldt@kattenlaw.com.

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