



ICANN's domains under attack

Douglas Masters and Melanie Howard
of Loeb & Loeb consider the multiple antitrust and IP cases against ICANN as the internet regulator plans its roll-out of new domain names



In the wake of ICANN's failure earlier this year to dismiss anti-trust allegations arising from the new generic top level domain (gTLD) rollout, ICANN now faces challenges to the delegation of 190 of the newly applied for gTLDs.

Two federal court filings in California, bookends to ICANN's recent meeting in Toronto, portend just a few of the many minefields ICANN will be forced to navigate before the current gTLD rollout is accomplished.

More than 10 years ago, in connection with a prior round of gTLD delegations, Name.Space applied to register 118 TLDs. The domain name service claims to have operated a total of 482 TLDs (including the 118 for which it applied) through an alternate domain naming system since at least as early as 1996. ICANN accepted Name.Space's application, but declined to act on it at that time. In 2000, ICANN also accepted, and declined, a proposal for .web from Image Online Design (IOD).

IOD filed a request for reconsideration, which was denied. ICANN's 16 March 2001 response stated in part that gTLD proposals not selected at that time would "remain pending, and those submitting them will certainly have the option to have them considered if and when additional TLD selection are made."

Since that time, both Name.Space and IOD allegedly have been operating registries through alternate domain name system (DNS) root systems. IOD also obtained a federal trademark registration of its gTLD, .web, for online retail store services, computer accessories and other goods.

In reliance upon a belief and understanding that their applications remained pending with ICANN, neither Name.Space nor IOD filed any new applications during the gTLD filing window earlier this year. However, seven other applicant's applied to register .web.

Name.Space claims that "applications have been filed to have 189 gTLDs that

have resolved on the name.space network continuously since 1996," including several of the most contentious strings such as .art, .blog, .book, .home, .inc and .shop.

During its Big Reveal in June of 2012, ICANN did not list either Name.Space or IOD among the applicants in the current round.

Rather than filing formal objections against the new applications, both Name.Space and IOD have opted to pursue litigation in federal court against ICANN. IOD's claims include breach of contract based upon its prior application for .web and trademark infringement and tortious interference. IOD seeks an injunction preventing ICANN from "using the .web TLD in a manner that is likely to cause confusion regarding whether ICANN or any of the seven entities applying for the .web TLD are affiliated or associated with or sponsored by IOD."

Name.Space's complaint includes similar claims and also asserts that ICANN has violated the Sherman Act and the Cartwright Act. Both Name.Space and IOD also allege procedural defects in the new Applicant Guidebook with respect to the handling of applications still pending from prior delegation rounds, including that (1) applicants must pay the \$185,000 fee to reapply notwithstanding prior application fees paid in prior rounds; (2) unlike prior delegation rounds, applicants may not combine multiple TLDs in one application; (3) applicants must waive any legal claims relating to prior round applications in order to take advantage of a one-time discount of \$86,000; and (4) the \$86,000 discount applies to one application only, leaving Name.Space, by way of example, faced with the prospect of paying approximately \$22m to reapply for all 118 gTLDs it had included in its application during the 2000 application round.

ICANN has faced these types of claims before. In *ICM Registry v ICANN*, an independent review panel addressed the

denial by ICANN of ICM Registry's application for the .xxx top level domain.

The panel ruled that ICANN broke its own bylaws when it tried to reject the .xxx domain in 2007, having already approved it during a prior application round in 2005. Despite having based its decision to reverse its approval of ICM Registry's application for .xxx, in part, on formal advice from the Governmental Advisory Committee raising public policy concerns, ICANN ultimately acknowledged its reconsideration of the 2005 approval was "not consistent with the application of neutral, objective and fair documented policy".

Following the delegation of the .xxx gTLD, two adult entertainment companies resorted to the civil courts and filed suit against both ICANN and ICM Registry, alleging violations of the Sherman Act, the Cartwright Act and California state unfair competition law.

In *Manwin Licensing v ICM Registry* (filed 16 November 2011), the plaintiffs claim that ICANN and ICM Registry conspired to establish the .xxx gTLD understanding that operators of adult websites would be forced to pay fees in order to register new .xxx domain names, a registry monopolised by ICM Registry.

ICANN's motion to dismiss this lawsuit earlier this year was unsuccessful. Relying on the decision in *Coal. for ICANN Transparency, v VeriSign*, the court found that plaintiffs sufficiently pleaded a "market of all defensive registrations in the .xxx TLD" and permitted the majority of plaintiffs' claims to proceed.

These decisions, as well as any ultimate rulings, may aid Name.Space in establishing the elements of its antitrust claim; however, the likelihood of success of Name.Space's and IOD's trademark-related claims is much lower.

At least one of the 2012 applicants for .web is proactively addressing IOD's arguments directly with ICANN. In its responses to questions from ICANN concerning its .web application, Afilius argued that "third party

claims based upon trademark, patent or other rights in TLDs, including those contained in the Afiliis application, are without merit". Afiliis cited two prior court decisions "specifically addressing ownership of the '.web' string".

The first, an unpublished California state court case from 1997, involved claims by IOD against the Internet Assigned Numbers Authority (IANA).

Formerly a separate institution, the IANA's functions (key technical services critical to the continued operations of the domain name system) are now managed by ICANN pursuant to a contract with the US Commerce Department's National Telecommunications and Information Administration .

IOD's claims and prayers for relief in the 1997 case were largely analogous to the current case pending against ICANN. In denying IOD's request for a temporary restraining order, the judge found, in part, that IOD's evidence was "insufficient to support either factually, or as a matter of law, that the plaintiff has established that it has protectable proprietary interest in the term – or the word 'dot web.'"

In 2002's *Image Online Design v CORE Association* case, a federal court in California held that IOD's .web mark was not protectable as a trademark.

That case involved claims by IOD against one of ICANN's accredited registrars for the .com, .net and .org gTLDs. Specifically, the court found that IOD's use of .web "in connection with domain name preregistration services does not confer trademark protection", that any use of .web as a gTLD indicates the type of services but not the source of those services (integral to a term's function as a trademark), and that .web is "simply a generic term for websites related to the World Wide Web".

IOD's and Name.Space's resort to civil litigation is not unique, and is not clearly prohibited by the procedures governing the new gTLD process. Whereas applicants and formal objectors agree to be bound by ICANN's dispute resolution process (DRSP), the DRSP does not expressly foreclose a civil litigation remedy. For example, WIPO's procedures state that "[t]he availability of the Legal Rights Objection as an administrative dispute resolution option does not preclude court options which either party may have to submit the dispute to court". Moreover, non-applicants who do not file formal objections are not similarly bound.

At least one other applicant in the current round of gTLD delegations also initially opted to pursue litigation in federal court rather than await the evaluation and delegation results to

assert its trademark rights in a new gTLD.

In *Planet.Eco v Big Room* (filed 2 March 2012), Planet.Eco asserted trademark rights in the gTLD for which it was applying (.eco), based in part upon a federal trademark registration. However, Planet.Eco sued the competing applicant, not ICANN. Planet.ECO sought a court order requiring defendants to refrain from filing any further application documentation for their proposed .eco gTLDs, as well as to withdraw from ICANN's online

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application interface. One of the defendants, Doteco, counterclaimed for cancellation of Planet.Eco's federal registration. On 2 November 2012, the parties stipulated to the dismissal of the lawsuit and the withdrawal of the cancellation proceeding without prejudice.

The lawsuits by Name.Space, IDO and Planet.Eco may signal a lack of confidence in the comment and objection process established by ICANN in connection with this round of applications. The objections process involves a significant commitment of resources for the complaining party. Each objection must be filed separately, with payment of a separate filing fee; objections to the same application on different grounds may not be combined, nor may objections to different applications be combined, even if based upon the same underlying rights. For Name.Space, and parties similarly situated, filing objections may not be a viable option for purely financial reasons. Moreover, three different arbitral bodies administer the objections resolution process, according to four distinct sets of procedures and rules. While standards of international law are to be applied, there is little predictability in the process or the outcomes at this early stage.

Finally, the only remedy available through filing a formal objection is the denial of the subject gTLD application. Name.Space, IDO and Planet.Eco would not be able to achieve registration of their own gTLDs solely by means of filing formal objections. And no provision exists for the recovery of any attorneys' fees or any damages.

The preference for preemptive litigation of intellectual property rights may also reflect the dissatisfaction of rights holders with the scope and efficacy of the rights protection

mechanisms proposed by ICANN. The appropriate scope of trademark and other rights has been the subject of extended debate among various constituencies and interest groups since ICANN's announcement of the current gTLD delegation period. As a result, the details of the various rights protection mechanisms are still in flux. In the wake of ICANN's Toronto meeting last month, Steve Metalitz, president of the Intellectual Property Constituency (IPC), formally outlined eight additional proposed improvements to the current mechanisms. The New gTLD Applicant Group (NTAG) already came out in opposition to these proposals, voicing concerns over potential harm to consumers from some of the proposals, as well as objecting to the "competitive disadvantage with incumbent registries, as these new policies would not be required in existing gTLDs".

According to ICANN's current timeline, the formal objections filing period will close in March of 2013 and the first new gTLDs will be delegated following the ICANN meeting in Beijing in April, 2013. If stakeholders remain unsatisfied with the current structure of the new gTLD program, and the procedures in place to challenge it, ICANN may have to contend with additional claims from current applicants, past applicants and non-applicants seeking greater security in the ambit of their respective rights.

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