August 24, 1999

The Honorable Fred Upton
Chairman
Subcommittee on Oversight and Investigations
Committee on Commerce
U.S. House of Representatives
Room 2125, Rayburn House Office Building
Washington, D.C. 20515-6115

Dear Chairman Upton:

Thank you again for the opportunity to testify before the Subcommittee. These are my thoughts in response to the questions you posed in your August 10 letter.

1. In your written testimony, you mention that trademark and business interests have a very strong influence in ICANN. In your opinion, has ICANN been "captured" by these interests?

It's useful, in this context, to look separately at ICANN's various policymaking components. The most important of these are (1) the Board of Directors; and (2) the Names Council, which is charged by ICANN's Bylaws with primary responsibility for developing substantive policies relating to domain names.

The current membership of the Board of Directors seems highly responsive to trademark and business concerns. This should not be surprising: half of the Board members were drawn from the large-business community. Moreover, ICANN depends on large-business largesse for its day-to-day operating funds. On the other hand, it is too early to say that the Board's planned structure will necessarily skew its membership in favor of trademark and business interests. ICANN plans that in the future, half of the Board will be elected by the global membership and the other half selected by the three Supporting Organizations. It is hard to say today exactly what sort of representation this will generate. I am hopeful, though, that the resulting structure will indeed be a balanced and workable one.

The real problem of capture appears in connection with the Names Council — the

governing body of ICANN's Domain Names Supporting Organization.[1] The ICANN by-laws give that body initial policymaking authority in connection with the domain name system; as a practical matter, it will be tremendously difficult for ICANN to enact any policy relating to domain names that does not meet with the approval of the Names Council. The Names Council's structure is problematic and highly disturbing. Currently, the Council is made up of three representatives from each of five "constituencies" — [1] commercial and business entities, [2] intellectual property interests, [3] country-code top-level domain operators, [4] ISPs and connectivity providers, and [5] registrars — and a representative from NSI. In the near future, ICANN will add three representatives from a constituency composed of nonprofit organizations. ICANN has so far been unresponsive to calls for an "individual domain name owners" constituency.

Currently, thus, more than a third of the Names Council's members are representatives of trademark and business interests, whose explicit role is to advance those policies supported by the trademark and business communities. On issues where other Names Council members do not feel strong interests, this can easily be enough to control the vote. Indeed, it is arguable that the current Names Council has a built-in majority inhospitable to gTLD expansion — six business and trademark representatives, who oppose the addition of new gTLDs for the reasons given below, and three country-code top-level domain representatives, who may see any new gTLDs as undesirable competition for their own registries.

One answer might be to add additional representatives to the Names Council, representing other interests. The larger problem, though, is that the Names Council's constituency structure is incoherent. It gives specified interest groups decision-making power that is wholly unrelated to the groups' importance, or support, in the Internet community as a whole. It was adopted because it had the support of each of the interest groups awarded a seat at the table, but there is no reason to think that it will generate either representative decision-making or good policy.

2. What has been the role of the trademark community in preventing the addition of new top level domains? What are their specific concerns over adding new top level domains? In your opinion, are their concerns legitimate?

The trademark community has consistently lobbied, using both public and private channels, in favor of adding as few new gTLDs as possible, as slowly as possible. Their primary, and oft-expressed, concern is that adding new gTLDs will increase their trademark policing costs. The more new gTLDs there are, they argue, the more work they will have to do in order to ensure that nobody is using their trademarks (or variants) as second-level domains in ways that would confuse consumers.

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[1] ICANN's Domain Name Supporting Organization consists of the Names Council and the General Assembly. The latter body, which was intended as "an open forum for participation in the work of the DNSO," has no powers or authority as a body. Rather, it simply provides the resource pool from which the Names Council can draw when staffing working groups and research and drafting committees.

This concern, it seems to me, is vastly overblown. Trademark owners are already policing their marks in the existing generic top-level domains, as well as in a variety of country-code top-level domains. Cost concerns can be addressed through requirements that the new top-level domain registries make their lists of second-level domains easily searchable through an automated process. The additional costs to trademark owners should not be great. More importantly, it does not make sense to distort the entire structure of the Internet name space simply in order to avoid additional costs to trademark owners.

Members of the business and trademark community have an additional, perhaps more weighty, concern about expansion of the name space, and it is this: Companies that currently have a domain name in the form of <www.companyname.com> have, right now, an extremely important marketing and name-recognition tool. They have an advantage over all other companies that do not have addresses in that form, because they are the ones that consumers, surfing the Net, will be able to find most easily. If the name space is expanded, so that (say) companies can secure second-level domains in .biz and .firm as well as .com, then .com will no longer be the default commercial TLD. As a result, the value of the <www.companyname.com> domain name will be diminished.

It is easy to see why current domain-name holders might not welcome this prospect. But it would be a good thing for the rest of us. It would allow more companies to get easy-to-remember domain names more easily. It would lower the entry barriers to successful participation in electronic commerce. And indeed, it would help solve one of our most intractable problems relating to trademark and domain names. Currently, when multiple unrelated companies have the same or similar names (such as United Airlines and United Van Lines), there is no good way to resolve the question of who gets the valuable domain name <www.companyname.com>. But if the domain name space were expanded, so that one firm could have, say, <www.companyname.biz> and another could have <www.companyname.firm>, many of these disputes could be avoided.

3. Regarding the possible addition of new generic Top Level Domains ("gTLDs"):

a. What concerns do you think those trademark holders have regarding the addition of new gTLDs?

See above.

b. How would the addition of new gTLDs increase competition in the registration and use of domain names?

Addition of new gTLDs will increase competition in the registration of domain names because the new top-level domains will be operated by new registries. Users who are unhappy with the performance of one registry can instead acquire a new domain name in a different top-level domain, run by a different registry. Addition of new gTLDs will increase competition in the

use of domain names because it will allow multiple companies to have the same second-level domain name in different TLDs. That is (to pick an arbitrary example), shopping.com might face competition from shopping.biz and shopping.store. Those businesses will have to compete based on price, quality and service, rather than on the happenstance of which company locked up the most desirable domain name first.

c. Does ICANN presently have the authority to add new gTLDs?

The power to add new gTLDs rests, in the first instance, with the operators of the thirteen *root servers*, which contain databases that listing all "recognized" top-level domains. When a user types in a domain name, his or her computer consults the local DNS servers that are specified within the computer's software in order to find the IP address corresponding to that domain name. If the local servers don't know the answer, they kick the query to a higher level. The root servers sit at the top of the pyramid. If a user types in an domain name incorporating a top-level domain that is not included in the root server databases, then the DNS will be unable to find a computer corresponding to that domain name.[2]

Historically, the root server operators took their direction from the Internet Assigned Numbering Authority (IANA) regarding which top-level domains to include in the root database. They did so as a matter of custom and informal agreement; they had no formal legal relationship with IANA. Today, it is generally understood that the root server operators will take similar direction from ICANN. For any root server operator to refuse ICANN's instructions would spark (or, more likely, flow from) a major crisis of legitimacy in the Internet infrastructure, and would generate immense confusion.

The "A" root server, which maintains the authoritative root database and replicates changes to the other root servers on a daily basis, is currently operated by NSI. Under the Cooperative Agreement (Amendment 11), NSI must transfer those functions to ICANN, or to a third party, upon the request of the U.S. government. In addition, so long as it operates the root server, NSI may not make or reject any modifications to the root zone file without the approval of the U.S. government. Thus, so long as the root server is located at NSI, the U.S. government has veto authority over any changes to the root zone. ICANN has entered into a Cooperative Research and Development Agreement with the U.S. government, <http://www.icann.org/committees/dns-root/crada.htm>, under which the parties have explored the possibility of moving operational responsibility for the "A" root server to ICANN. The

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[2] The root servers are identified in the software running in each local DNS server. Individual users have the ability to point their computers at alternate DNS servers that in turn point to alternate root servers, referencing a different group of TLDs. Such alternate TLDs and alternate root servers exist today, so that if one points one's computer at the right DNS server, one can send electronic mail to addresses the rest of the Internet does not recognize. Very few Internet users, though, look to alternate root servers. Rather, the vast majority rely on the set of thirteen authoritative root servers discussed in text.

Department of Commerce has stated that it will direct NSI to transfer that responsibility only if ICANN agrees to operate the "A" root server, as NSI now does, under the direction of the U.S. government.

ICANN, thus, has the ability to add new gTLDs with the cooperation of the root server operators and the concurrence of the U.S. government.

4. Regarding the registration of one of the so-called "seven dirty words" as part of a domain name:

a. Should registrars have the right to refuse to register domain names containing any of these words?

b. *Should registries have the right to refuse to accept a registration containing any of these words?*

In a hypothetical competitive environment, in which both registrars and registries operated as private, competing businesses, with no connection to government, there would be no basis for limiting their abilities to accept or reject particular domain names. As private businesses, they could make their own choices. More concretely: in the future, if ICANN should authorize a substantial number of new gTLDs, there would be no basis for limiting the new registries' and registrars' abilities to accept or reject particular domain names. If a particular registrar, or a particular top-level domain registry, decided that it would not accept registrations containing certain words, would-be registrants would be free to take their business somewhere else. If all of the registries independently reached such a conclusion, there would still be no reason to disturb those private choices.

The current situation, however, is different. Essentially all gTLD registrations today are processed by NSI, which occupies that monopoly position because of its relationship with the U.S. government. A cogent argument can be made that NSI has been acting as the government's agent, and that the government should be held responsible for NSI's policies vis-a-vis what words can and cannot be included in domain name strings. That question is currently being contested in two separate lawsuits.[3] If one accepts the argument, then any NSI policy restricting the words that a domain name can contain must pass First Amendment scrutiny.[4] The First Amendment

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[3] *See* Associated Press, *Woman files suit seeking to register "dirty words" as Internet addresses* (May 7, 1999), <http://www.freedomforum.org/speech/1999/5/7wwwdirtywords.asp>; Dan Goodin, *NSI's ban on "dirty" domains challenged* (May 3, 1999), <http://www.news.com/News/Item/0,4,36003,00.html>.

[4] Even if one concludes that NSI, as a private company, is not formally subject to the First Amendment, the policies underlying the First Amendment (given NSI's governmentally-conferred monopoly position) could provide a basis for a decision by Congress to subject NSI to free-speech constraints.

poses a significant barrier to such restrictions. As Justice Harlan explained in *Cohen v. California*, 403 U.S. 15 (1971), government may not seize upon particular words and remove them from the public discourse. "Surely," he wrote,

> the State has no right to cleanse public debate to the point where it is grammatically palatable to the most squeamish among us. Yet no readily ascertainable general principle exists for stopping short of that result were we to [hold that government can proscribe particular words as offensive]. For, while the particular four-letter word being litigated here is perhaps more distasteful than others of its genre, it is nevertheless often true that one man's vulgarity is another's lyric.

5. Does the Department of Commerce have the authority to recompete the .com, .net and .org registries? How would such recompetition affect the Internet's stability and competition for domain name registration and related services?

The Department of Commerce does have the authority to recompete the .com, .net and .org registries. NSI's argument to the contrary is based largely on its claim that it owns the underlying registry data. Its arguments supporting that proposition, as set out in Mr. Rutt's August 11 letter to Chairman Bliley, however, are remarkably weak. NSI first points to the fact that its relationship with the U.S. government has been governed by a cooperative agreement. Under 31 U.S.C. §§ 6303-05, NSF chose the device of a cooperative agreement, rather than a procurement contract, because it was paying NSI in return for NSI's "carry[ing] out a public purpose of support or stimulation," rather than in return for NSI's provision of services "for the direct benefit or use of the U.S. government." The difference, though, has little bearing on the Department of Commerce's ability to recompete the registries.

NSI argues that U.S. law allows awardees to retain rights in the intellectual property they create pursuant to cooperative agreements. The provisions that it cites in support of that proposition, though, are inapposite to this situation. They contemplate the case in which the recipient of a government grant, or the awardee under a cooperative agreement, engages in scientific research and then writes a journal article describing the research. The provisions NSI cites make clear — uncontroversially — that the copyright in the journal article rests in the awardee, not in the U.S. government. Nothing in those provisions, however, even remotely indicates that when the U.S. government contracts with an outside firm to maintain and update a central Internet database, for a limited period, on the basis of information supplied by third-party registrants, that the contents of that database magically become the sole property of the outside firm hired to do the maintenance, so that the government is forbidden to authorize any other entity to access or modify the database.

NSI's argument is flawed, moreover, on a more fundamental level. NSI's argument that it owns the contents of the registry databases is ill-taken because those databases do not constitute intellectual property in the first place. That is, no body of intellectual property law allows the

contents of the registry databases to be "owned" by anyone. NSI appears to concede that the database contents are not protected by any federal intellectual property statute. In particular, they are not protected by copyright. *See Feist Publications, Inc. v. Rural Telephone Service Co.*, 499 U.S. 340 (1991).[5] Rather, NSI appears to argue that it can assert rights in the database contents under Virginia trade secret law. This is misguided. The essence of a trade secret is that the material be, well, secret. *See, e.g., Zoecon Industries v. American Stockman Tag Co.*, 713 F.2d 1174, 1179 (5th Cir. 1983) ("a customer list of readily ascertainable names and addresses will not be protected as a trade secret"). The contents of the registry databases, far from being secret, have been available to the public from the beginning. (Indeed, NSI committed to make the contents of the databases available to the public, via whois, as part of the proposals pursuant to which it entered into the cooperative agreement.) In short, the registry databases do not constitute intellectual property, and they cannot be "owned" by NSI or anyone else.[6]

Nor can NSI argue that something else in the cooperative agreement precludes the U.S. government from recompeting the .com, .net and .org registries. In order to understand the cooperative agreement, it is useful to remember the situation in 1992 when that agreement was first signed. NSI, pursuant to the cooperative agreement, took over the existing non-military registry databases, which had for the previous eight years been maintained by SRI International, a Silicon Valley research institute. The agreement did not permit NSI to charge registrants at all; rather, NSF paid NSI on a cost-plus basis.[7]

What did the parties contemplate might happen at the expiration of the cooperative agreement? Plainly, since NSF was paying the bills directly, it could choose not to renew and that would end NSI's revenue stream. NSI seems to be arguing that NSF intended in 1992 that it should be forbidden from transferring the registries to a new entity when the agreement expired. This makes no sense, though (quite aside from the fact that it finds *no* support in the text of the cooperative agreement itself, and would be inconsistent with the history under which NSF had transferred the registries to NSI from SRI International in the first place). Why would NSF have had such an intention? It would mean that at the close of the cooperative agreement, NSF would have no choices other than to continue renewing the agreement in perpetuity (and thus to continue paying NSI in perpetuity), or to shut the .com. .net and org registries down entirely.

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[5] Under *Feist*, while the original expression manifested in the selection and arrangement of data may be subject to copyright protection, the data themselves are not. *Id.*

[6] The fact that the contents of databases generally do not constitute intellectual property is precisely the issue addressed by the currently pending H.R. 1858, the Consumer and Investor Access to Information Act, and H.R. 354, the Collections of Information Antipiracy Act. Even without any express exclusion of DNS data from the protections in those bills, though, enactment of those bills would not retroactively transform the registry databases into property for purposes of construing the 1992 cooperative agreement.

[7] NSI and NSF executed an amendment to the cooperative agreement in 1995 substituting a direct charge to registrants by NSI for NSF's cost-plus payments.

Nor does it make sense to say that the parties contemplated that at the close of the cooperative agreement, NSF's only legally permissible and practically realistic option would be to allow NSI to charge registrants directly and take independent control of the databases. For this argument to succeed, there must be (a) convincing support for the position in the text of the cooperative agreement; and (b) convincing reason to suppose that the parties in fact had such an intention. There is no support for NSI's position on either front.

It seems plain, thus, that the Department of Commerce does have legal authority to recompete the registries. At the same time, though, NSI's response to any such recompetition could have a significant destabilizing effect on the domain name system. NSI might respond to recompetition in two ways. First, and most obviously, it would challenge the recompetition in court. Even though its arguments are not legally sound, the filing of a lawsuit could keep the question of who was the "real" proprietor of the registry databases unresolved for a matter of years. This would be problematic; it is central to the operation of the domain name system that users know where the authoritative .com database is to be found.

Second, and more troubling, NSI could act to "break the root." It could do so by encouraging and funding the formation of a new, alternate set of root servers, that continued to recognize it as the proprietor of .com. Under this scenario, there might end up being two sets of root servers: one taking direction from ICANN, recognizing a new entity as the operator of the .com registry, and one taking direction from an ally of NSI, recognizing NSI as the operator of the .com registry. This would be extremely disruptive and inefficient; registrants in .com might end up having to pay registration fees to *both* registries in order to ensure that their sites were visible to the Internet at large. Where the two registries disagreed as to the owner of a particular domain, users typing the same domain name into their browsers might get different sites, depending on which root servers their queries went to (and users typing the same electronic mail addresses might find their messages going to different recipients).

6. Regarding domain name disputes among legitimate trademark holders, is this an appropriate area of policy for ICANN to consider? Are such policies needed by the entire Internet community, and not merely by the trademark or business community?

ICANN has no legitimate basis for requiring domain-name holders to participate in administrative dispute resolution (ADR) procedures designed to settle the disputes described in the question. Designing such a process is not one of ICANN's jobs. Resolution of these disputes has no technical component, and is not necessary to administration of Internet identifiers. Such a mandatory alternative dispute resolution process, in any event, is not needed by the entire Internet community: These disputes can be handled satisfactorily through ordinary trademark-law litigation (as they have been to date), without any threat to the stability of the domain name system.

Mandatory alternative dispute resolution, further, seems like a remarkably bad idea in cases in which both parties have legitimate claims to the domain name. It would likely not work

well, since it would require the decision-makers to parse fine points of law and to balance competing equities. Moreover, any dispute-resolution procedure under which a trademark owner can force a legitimate domain name holder into binding ADR at any time simply by filing a challenge raises the possibility of serious abuse.

7. There has been much discussion about the role of the Governmental Advisory Committee ("GAC") to ICANN. Regarding the GAC:

a. Has the GAC taken any actions to date that are inconsistent with its official role?
b. Is the GAC subject to its own rules or to the rules of ICANN?
c. What reforms to the GAC, if any, should be made to ensure that it will act only as an advisory body to ICANN and not as a policy-making body?

ICANN's By-laws provide:

> There shall be a Governmental Advisory Committee. . . . Members of the Governmental Advisory Committee shall be representatives of national governments, multinational governmental organizations and treaty organizations, each of which may appoint one representative to the Committee. The Governmental Advisory Committee should consider and provide advice on the activities of [ICANN] as they relate to concerns of governments . . . The Board will notify the chairman of the GAC of any proposal [it is considering that will substantially affect the operation of the Internet or third parties] and will consider any response to that notification before taking action.

The Bylaws establish the GAC as an advisory body. I am aware of no instances in which the GAC has taken any action vis-a-vis ICANN other than issuing requests and recommendations, and "call[ing] on" ICANN to take various actions. The GAC is subject to its own rules to the extent that those rules are consistent with ICANN's Bylaws.

The GAC's current organization, however, seems to me to violate ICANN's Bylaws. The ICANN Bylaws provide that the members of the GAC shall be "representatives of national governments" — that is, the members shall be individuals, who participate in the GAC's deliberations as delegates of their respective governments. Article IV of the GAC's Operating Principles, on the other hand, provide that the Members of the GAC shall be the national governments themselves. Each such Member is to name an official to physically represent it in the GAC meetings. The distinction is subtle, but, I think, important. Under the formulation in the ICANN Bylaws, the GAC is a committee of individuals who represent national governments. Under the formulation in the GAC's own Operating Principles, the GAC is a full-fledged intergovernmental organization within ICANN. This does not seem like a desirable change.

The White Paper emphasizes: "While international organizations may provide specific expertise or act as advisors to the new corporation, . . . neither national governments acting as

sovereigns nor intergovernmental organizations acting as representatives as governments should participate in management of Internet names and addresses." The White Paper notes that ICANN should not "preclud[e] governments and intergovernmental organizations from participating as Internet users or in a non-voting advisory capacity." This comment reflects the reality that many governments are themselves major Internet users, and thus are Internet stakeholders in other than their sovereign capacities. In order to be true to this philosophy, though, ICANN should seek to minimize the extent to national governments formally participate in its processes *as sovereigns,* even without direct policymaking authority. The GAC is problematic in part because it presents itself as an organization of sovereign governments, acting in their sovereign capacities, giving instruction to ICANN. If the GAC were downgraded to a committee of government representatives with expertise on Internet matters, it would more nearly accord with both the White Paper and ICANN's Bylaws.

8. If ICANN ultimately does not charge its now-suspended $1 per domain-name fee, how should ICANN fund its operation?

It is essential that ICANN have a stable and sufficient funding source that does not leave it beholden to a particular set of large contributors. It makes sense for the funding mechanism to reflect actual usage of IP addresses and domain names; that seems both fair and economically efficient. As a practical matter, I think, such funding must be provided by (or channeled through) the domain name registries and registrars, and the regional Internet registries that distribute IP addresses. Any long-term funding solution, thus, will probably look not too different from ICANN's now-suspended plan. It will likely involve payments by registrars tied to the volume of their domain name registrations; payments by registries tied to the number of second-level domain registrations they maintain (or to the total fees they charge for registry services); and/or payments by regional IP registries tied to the size of the IP address blocks they distribute.

Much of the concern over ICANN's funding plan derives from the fact that it seems to make it *too* easy for ICANN to raise money. Nonprofit organizations are not known for their restraint when they have a ready supply of other people's money to spend on their internal operations. As a practical matter, though, this concern is probably best addressed through public scrutiny of ICANN's finances, and a separate mechanism for review of ICANN's spending.

I hope these answers have been helpful to you. Please let me know if I can provide you with any further assistance.

Sincerely yours,

Jonathan Weinberg
Professor of Law

cc: The Hon. Ron Klink