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## New Top-Level Domains

### **Views on ICANN's First New gTLD Round From Flip Petillion, Crowell & Moring, Brussels**



*The Internet Corporation for Assigned Names and Numbers' ambitious new gTLD program, which attracted 1,930 applications and has so far brought 794 new top-level domains online, has been a challenge for businesses who, in other areas, are accustomed to legal certainty and independent review of adverse decisions.*

*Bloomberg BNA's Alexis Kramer posed questions to Flip Petillion, a partner at Crowell & Moring in Brussels, on his experience litigating on behalf of top-level domain applicants in ICANN's new gTLD program.*

**BLOOMBERG BNA:** How does your practice intersect with domain names?

**Flip Petillion:** I have been practicing for nearly 30 years, and I've been in intellectual property for nearly the same period. I became familiar with domain names in the mid-nineties. I was one of the first panelists in the .be alternative dispute resolution procedure—comparable to the Uniform Dispute Resolution Policy—where I rendered the first decision.

I'm a domain name panelist at the WIPO Arbitration and Mediation Center, the Forum (formerly known as the National Arbitration Forum), the Czech Arbitration Court and the Belgian Centre for Arbitration and Mediation (CEPANI). I regularly defend brand holders in trademark and domain name disputes before ADR pro-

viders and in court. I have advised over 100 clients on ICANN's new gTLD program and assisted with 93 applications for new gTLDs, all of which were successful.

**BLOOMBERG BNA:** You appear to be very involved in challenges to outcomes of ICANN's various dispute resolution programs.

**Petillion:** We have been involved in about 50 percent of all arbitrations and in fact I represent about 70 percent of all those contesting ICANN decisions. This is because I sometimes represent multiple parties in the same case. And, although each party's position may require fine-tuning as a result of their particular circumstances, our overall position vis-à-vis ICANN remains

broadly consistent—you won't find any contradictions from one case to another.

Most recently I was involved in the Booking.com case (.hotels/hoteis) and the Vistaprint case (.webs/web). I represent a consortium of applicants for .hotel and .eco in connection with ICANN's handling of community priority evaluations, and I represent Dot Sport Ltd. in the matter of ICANN's handling of a community objection. I also represented Amazon in the .onlineshopping (in Japanese)/.shop case, and my firm was involved in cases regarding the .xxx and the .jobs sponsored top-level domains.

**BLOOMBERG BNA:** What, in your opinion, was the biggest challenge your clients faced during the new gTLD application process?

**Petition:** Apart from dealing with litigation, one of the biggest challenges has been bringing company processes and business plans in line with ICANN processes. ICANN's guidebook was set up with start-ups in mind, so the requirements were quite heavy. ICANN never expected so many established brands to become interested in new gTLDs.

For example, banks and insurance companies were required to give detailed financial information and produce letters of credit or create an escrow account as a guarantee. These conditions were really difficult to comply with. The applicant companies could not issue the guarantee themselves, and it was unclear if they could have the guarantee issued by a member of their group. They would have preferred to simply deposit the money in an ICANN account, rather than having to rely on the services of their competitors. The conditions for the guarantee imposed by ICANN were difficult to match with the risk policies of banks.

Of course, asking for a guarantee in the form of a letter of credit was a logical requirement for applicants who are newly created companies: you want to be sure that those running an extension on the Internet will be creditworthy. However, asking the same of established brand owners imposed a huge, undesirable burden on them and required them to release sensitive information.

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**BLOOMBERG BNA:** Looking back on a program that is nearly complete, which aspects of ICANN's new gTLD program could have been handled better, in your view?

**Petition:** The main problems I see are lack of predictability and lack of legal certainty. After everybody had applied, ICANN changed the rules. Sometimes the changes had far-reaching consequences. For example, in the beginning, it was possible to apply for closed gTLDs — generic strings where applicants could propose eligibility criteria that would limit the registration of domain names to a single entity. When ICANN changed the rules it created problems for applicants

who had based their business plans on the idea of a closed gTLD.

Other problems I see are the lack of reasoned and coherent decisions by ICANN, and the arbitrariness of some of the ICANN board's actions. In some cases the board intervenes, in others it does not, without explanation. To give an example: one particular panel decided that .onlineshopping (in Japanese) and .shop (in Latin script) were confusingly similar. ICANN intervened and said the panel's decision wasn't reasonable and that the case had to be reevaluated. In that case, ICANN made a reasoned decision: its arguments for review were clearly stated. So why has it failed to intervene in other similar cases?

**BLOOMBERG BNA:** There has been controversy over the legal status of independent review panel decisions. In your opinion, have IRP panels sufficiently clarified whether their decisions are binding?

**Petition:** I think there is still work to do here, and I hope that we will soon have more clarity on this topic. Actually, in my view it is very clear what the position of an IRP panel should be. It is an established rule, confirmed in case law, that IRP panel decisions are binding and have precedential value.

Every applicant that I represent initially made use of the remedy mechanisms that were proposed by ICANN. First we made internal requests for reconsideration. After that failed, we initiated independent reviews. As all applicants are obliged to waive their right to go to court, they have no option but to file an IRP request in the case of a continuing dispute, and the IRP panel must resolve the issue.

This is because, even according to ICANN's logic, no further remedy exists, so the decision of an IRP panel must be binding—it's the applicant's last resort. The only leverage that ICANN retains lies in the practical details of the implementation of the decision of the IRP panel. That's the only freedom ICANN has; it must respect the essence of the IRP declaration.

To date, IRP panels have not themselves been 100 percent clear on this issue, but they should be — and I hope that they will be in future cases.

**BLOOMBERG BNA:** Do you think ICANN should have a second round? If so, what changes do you think ICANN will need to make to ensure fairness and accountability?

**Petition:** Yes, but there should be different processes available to suit applicants who are in different situations (e.g., known brands versus non-brands). There should be a mechanism in place to avoid situations arising like in the case of .sucks, where a gTLD is essentially used by a registry to put financial pressure on brand holders. ICANN should take clear action against such practices. The minimum requirement should be transparency and openness concerning the registration conditions. The application process must be coherent and all prospective registries must be dealt with on equal terms by ICANN.

In any event, ICANN should be more transparent overall. It should communicate openly about how evaluation processes will be set up, implemented and used.

There should also be efficient appeal mechanisms on the merits. A party that loses a string similarity evaluation should be allowed to appeal. ICANN should also

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train the evaluators. We should be able to check whether they are capable and experienced. Until now, we have been given very little information about how ICANN selects evaluators, about their qualifications, background, etc.

**BLOOMBERG BNA:** How would those changes affect first round applicants?

**Petillion:** Clearly there is a huge risk that such changes could result in first round applicants being discriminated against. ICANN said — in its final declaration on Booking.com’s challenge to a string similarity review determination — that it would consider various transparency and fairness issues raised by an independent review panel, but only for future rounds of new gTLDs. This is really the basis for a claim.

First round applicants entered into a contract with ICANN. If ICANN is to treat future applicants differ-

ently, it’s not clear what the impact will be on the existing contracts. If, like in the Booking.com case, a third party (an IRP panel) has said there is a problem, then I think that it is clear that ICANN should not differentiate between current and future rounds.

Taking the example of closed generics, that decision left first round applicants with basically no choice. They could either drop their application, put it on hold without any guarantee that they will ever be allowed to operate their gTLD as a closed generic, or operate it as an open gTLD.

It would be problematic if ICANN were now to allow closed generics in a new round. How would it justify such discrimination towards applicants of the current round?

As for changes relating to transparency and openness, these would clearly be good changes, but a system must be put in place to allow first round applicants to benefit from such improvements as well.