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Munich, 23. December 2014

Your letter regarding Merck KGaA's <.merck> application

Our ref.: M54804 TB/TG/jk

Your ref.: 00147825

Dear Mr. Atallah,

Thank you for your letter of December 11, 2014.

Merck KGaA finds many points in your letter troubling. Your letter indicates that you will recommend terminating the applications of both Merck KGaA and Merck & Co., Inc. (MSD) for <.merck> in an apparently unprecedented action pursuant to paragraph 3 of Module 6 of the New gTLD Applicant Guidebook (AGB). You indicate that ICANN is motivated to terminate these applications because of "unique disputes related to [Merck KGaA's and MSD's] respective applications for .MERCK" which "have nothing to do with ICANN".

We remind ICANN at the outset that as regards Merck KGaA's application for <.merck>, there is no outstanding objection, dispute, or other basis for termination or withdrawal pursu-

ant to the AGB or other ICANN policy. There is no dispute with MSD as to the use of MERCK or <.merck>, and there is no lawsuit pending against Merck KGaA based on name and/or trademark infringement. Accordingly, the role in which Merck KGaA is addressed in your letter is simply as a trademark holder and applicant for <.merck>, and not as a party to any dispute. The relationship between Merck KGaA and ICANN as regards <.merck> is defined solely by the contract formed upon the submission and acceptance of Merck KGaA's <.merck> application. Merck KGaA has fulfilled its side of the contractual obligations by paying its fees and submitting to the administrative requirements identified in the AGB. Any action by ICANN to dispose of Merck KGaA's unencumbered gTLD application without express provision in an applicable and documented ICANN policy is uncalled for and in violation of ICANN's Bylaws. ICANN may be liable under antitrust and breach of contract claims, as well as its own accountability mechanisms, should it proceed as proposed.

Not only is ICANN's threatened termination of the <.merck> applications not based on any documented policy, its arbitrary and unprecedented decision would not be taken in a neutral or objective manner given the pending Independent Review. Although Merck KGaA's present Independent Review matter relates to Merck KGaA's LROs against MSD, it arises out of the ICANN Board's failures under its Articles of Incorporation and Bylaws in the acceptance of the erroneous determination, the subsequent Request for Reconsideration, and ultimately in its execution of the dispute resolution mechanism in the New gTLD Program. Rather than being motivated by a unique and unrelated matter, your recommendation appears to be driven to undercut the Independent Review to which ICANN and its Board are the interested parties, which undermines the Independent Review mechanism and ICANN's accountability to the Internet community.

Regardless, the termination of the <.merck> applications as proposed would not ultimately require the termination of the Independent Review proceeding, as there would still remain a case or controversy between ICANN and Merck KGaA. The termination of the <.merck> applications would not resolve the dispute between Merck KGaA and ICANN not only because the Independent Review Panel would have to decide on ICANN's violation of its Bylaws with regard to the <.merckmsd> application, but also because resolution of Merck KGaA's claims could legitimately result in the unopposed delegation to it of the <.merck> TLD. Accordingly, irrespective of any proposed action, the Independent Review matter must proceed unaffected.

Given the fact that ICANN alluded to its intention to transmit a letter concerning potentially unusual action regarding Merck KGaA's <.merck> application as early as November 15, 2014, Merck KGaA is furthermore alarmed by the timing of your letter, your request for comments barely a week after receipt, and proposed plan to implement your decision as early as January 5, 2015. There appears to be no legitimate reason for the initial delay in informing Merck KGaA of ICANN's intention, and additionally no reason for ICANN to decide to terminate the <.merck> applications in such an expedited fashion. We note that ICANN offices will be closed between December 24, 2014 and January 5, 2015, which indicates in any event that ICANN is not interested in the comments of Merck KGaA and MSD and rather is done as mere "window dressing" in an otherwise unilateral, unprecedented, and unauthorized action. It suggests that a final decision has already been reached before we have a fair chance to present our point of view.

We note with concern that the ICANN Bylaws themselves state that "[w]ith respect to any policies that are being considered by the Board for adoption that substantially affect the operation of the Internet or third parties, [...] ICANN shall (a) provide public notice on the Website [...] at least twenty-one days (and if practical, earlier) prior to any action by the Board; (b) provide a reasonable opportunity for parties to comment on the adoption of the proposed policies, to see the comments of others, and to reply to those comments, prior to any action by the Board [...]".<sup>1</sup> The timing of your letter and proposed course of action by the ICANN Board not only puts Merck KGaA under an undue burden, but it is not in accordance with ICANN's own notification policy and fails to give Merck KGaA a reasonable opportunity to comment and review MSD's comments prior to any action by the Board.

Not only does this present a limited opportunity during the holiday season to fully consider and respond to your proposal, it is untimely given the consideration of related issues in the Independent Review. Moreover, given that a panel has not yet been composed in the Independent Review, and no omnibus standing panel appears to have been composed in accordance with ICANN Bylaws, Article IV, Section 3.6, your proposal may require Merck KGaA to request Emergency Relief to preserve its rights in the Independent Review. The urgent need to consider the ICANN proposal appears to be wholly artificial and it places undue

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<sup>1</sup> See ICANN Bylaws, Article III, Section 6.

hardship on Merck KGaA and the Independent Review matter. Merck KGaA requests that at a minimum ICANN should consider any actions only after the appointment of the Independent Review panel and in accordance with its own notice requirements so as to avoid needless emergency administrative actions.

Merck KGaA now will address its concerns with your proposed course of action in detail.

### Argument

#### Paragraph 3 of Module 6 of the Applicant Guidebook is not a proper basis for terminating individual gTLD applications in the proposed manner.

Paragraph 3 of Module 6 is not a proper basis for terminating individual gTLD applications for undocumented or subjective reasons. The provision appears to be a historical relic designed to address the technical feasibility of a gTLD application round as a whole.<sup>2</sup> The historical context of the provision suggests that it provides ICANN the ability to abort the entirety or a significant portion of the New gTLD Program due to technical concerns. The inclusion and context of this historical language from the first TLD application round makes sense in the present New gTLD Program, given that it opened the floodgates to a massive and untested expansion of the DNS and could have warranted the rejection of gTLD applications in the event of security or stability issues.

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<sup>2</sup> The language of Module 6, paragraph 3 can be traced to the earliest gTLD application round in 2000, whereby the “Un-sponsored TLD Application Transmittal Form” of August 15, 2000 provided, in a section related to the filing of the gTLD application fee, that:

“The applicant understands and agrees that [...] there is no understanding, assurance, or agreement that this application will be selected for negotiations toward entry of an agreement with a registry operator [...] The applicant understands and acknowledges that ICANN has the right to reject all applications for new top-level domains that it receives and that there is no assurance that any additional top-level domain will ever be created in the future”.

ICANN explained in its August 3, 2000 New TLD Application Process Overview that, in relation to the Application Fee, “[i]t is anticipated that only a few of the applications that are received will be selected for further negotiations toward suitable contracts with ICANN.” The anticipation that only a few applications would be selected is a direct consequence of the ICANN Board Resolution of July 16, 2000 on New TLDs, recognizing the DNSO Names Council Statement on new gTLDs of 18/19 April 2000 which stated:

“Because there is no recent experience in introducing new gTLDs, we recommend to the Board that a limited number of new top-level domains be introduced initially and that the future introduction of additional top-level domains be done only after careful evaluation of the initial introduction.”

In fact, ICANN was invited via comment to clarify the scope of Paragraph 3 of Module 6. The ICANN Registries Stakeholder Group commented on this provision in its comments on versions 2 and 3 of the AGB, stating that it “believes the draft still leaves open the possibility of inequitable treatment by singling out particular applicants and/or particular applications within a new gTLD. If ICANN wishes to preserve its discretion not to go forward with a particular new gTLD or with new gTLDs altogether, that should be clarified.”<sup>3</sup> ICANN did not sufficiently clarify this ambiguity, and is stuck with the historical connotation of the provision, which does not permit ICANN to act on Merck KGaA’s application in the proposed manner.

Even if paragraph 3 of Module 6 is construed to permit ICANN to terminate individual applications, such determination must not be arbitrary but instead in accordance with documented policies in a neutral and objective fashion, with integrity and fairness.

During the development of the AGB, concerned parties exclaimed that it is unfair to applicants to allow ICANN to deny an application for any or no reason pursuant to paragraph 3 of Module 6 of the AGB.<sup>4</sup> While ICANN responded that “[p]rospective applicants cannot appropriately be offered any reassurances that ICANN will enter into a registry agreement with them”, ICANN indicated that this is because it would “undermine[] the purpose and intent of a rigorous application review.”<sup>5</sup>

Merck KGaA’s <.merck> application has undergone all required reviews, and has overcome all objections during the application process. Its progress is halted temporarily pending resolution of the contention set with MSD’s application, a procedural matter which does not provide a basis for ICANN review and rejection of the application. The AGB provides at Module 4 that applicants who are in a contention set “**will** proceed to contention resolution through either community priority evaluation, in certain cases, or through an auction.”<sup>6</sup> The AGB provides at Module 5 that “**[a]ll applicants** that have successfully completed the evaluation process – including, if necessary, the dispute resolution and string contention processes – are required to enter into a registry agreement with ICANN before proceeding to delegation. Af-

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<sup>3</sup> See “Comments of the Registries Constituency, Contract Provisions Contained in Version 2 of the Draft Guidebook for new gTLDs”, April 13, 2009 and “Comments of the Registries Stakeholder Group, New gTLDs DAG3 Modules 5-6”, November 20, 2009.

<sup>4</sup> See page 183, Analysis of Public Comment of the New gTLD Application Guidebook Version 2, May 2009.

<sup>5</sup> See page 184, Analysis of Public Comment of the New gTLD Application Guidebook Version 2, May 2009.

<sup>6</sup> See Section 4.1 of the AGB.

ter the close of each stage in the process, ICANN **will send** a notification to those successful applicants that are eligible for execution of a registry agreement at that time.”<sup>7</sup> Accordingly, pursuant to the explicit provisions of the AGB, the <.merck> string must proceed to contention resolution and/or enter into a registry agreement with ICANN. Moreover, Merck KGaA’s related <.emerck> application overcame similar steps and has been delegated, demonstrating that there is no legitimate reason to terminate Merck KGaA’s <.merck> application. Accordingly, there is no basis for ICANN to fail to delegate <.merck> to Merck KGaA for a reason associated with ICANN review.

Furthermore, ICANN explains that any decision, including a decision to deny an application, is “subject to numerous transparency, accountability and review safeguards, and are guided by core values including ‘Making decisions by applying documented policies neutrally and objectively, with integrity and fairness’”.<sup>8</sup> ICANN therefore cannot arbitrarily deny an application absent a documented policy which would provide for such action. There simply is no basis in the AGB or other ICANN policy which permits ICANN to deny Merck KGaA’s application under the present circumstances and for the proffered reasons. By doing so, it will violate the ICANN Bylaws and open itself up to the referenced “transparency, accountability and review safeguards”, as well as antitrust and breach of contract claims in courts of competent jurisdictions.

Your stated basis for terminating the <.merck> applications are inappropriate and inaccurate

Your letter indicates that the basis for an ICANN decision to terminate the <.merck> applications is simply that Merck KGaA and MSD have a “long and complex relationship”, that Merck KGaA has filed an Independent Review proceeding and that this has somehow “caused ICANN to be in the middle of [the] long-running disputes, a place where ICANN does not belong.”

As described above, ICANN may only decide to terminate the <.merck> applications by applying a documented policy. There is no provision of the AGB or documented ICANN policy which permits ICANN to terminate an application simply because an applicant is involved in outside disputes, and to do so would be inappropriate and contrary to ICANN Bylaws. Fur-

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<sup>7</sup> See Section 5.1 of the AGB.

<sup>8</sup> See page 184, Analysis of Public Comment of the New gTLD Application Guidebook Version 2, May 2009.

ther, ICANN has shown that it generally does not take notice of outside disputes during the New gTLD Program, such as in the case of <.weibo> and <.微博> which were similarly subject to competing applications from established corporations and underwent LRO proceedings, and subsequently became the subject of court actions.<sup>9</sup>

Furthermore, your letter inaccurately and deceptively characterizes ICANN's position when you state that ICANN is merely "caught in the middle" of the dispute. The only active dispute involving applications for <.merck> and <.merckmsd> is not between Merck KGaA and MSD, but rather is the Independent Review that Merck KGaA has filed against ICANN. This Independent Review matter arises out of the actions of the ICANN Board in its handling of the substantive errors in the related LRO determinations, Merck KGaA's Request for Reconsideration, and ICANN's dispute resolution process itself. Far from being innocently involved, ICANN's actions are central to the resolution of the <.merck> and <.merckmsd> applications. But for the substantive errors of the LRO Panel in Merck KGaA's LRO Objections and the failures of the ICANN Board to resolve these errors, there would be nothing abnormal in the progression of Merck KGaA's <.merck> application towards delegation and no reason for your threat of termination.

ICANN cannot dismiss its failures in relation to the acceptance of the erroneous LRO determination as something in which it innocently finds itself; ICANN committed itself to ensuring that "[s]trings must not infringe the existing legal rights of others that are recognized or enforceable under generally accepted and internationally recognized principles of law"<sup>10</sup> and is responsible for the dispute resolution mechanism it created.

If ICANN were to terminate the applications solely based on the fact that there are ongoing disputes as to the use of the MERCK mark and/or that ICANN must engage in an Independent Review due to Merck KGaA's challenge of ICANN Board action relating to the ac-

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<sup>9</sup> See gTLD application IDs 1-1313-58483 and 1-1313-41040 of Tencent Holdings Limited and IDs 1-950-28485 and 1-950-50638 of Sina Corporation for <.微博> and <.weibo>, respectively. Sina Corporation filed LROs against Tencent Holdings Limited's applications and was successful in its objections. See WIPO Case Nos. LRO2013-0040 and LRO2013-0041. The representative of Tencent Holdings Limited sent letters to ICANN on March 20 and April 4, 2014, informing ICANN of an applicable dispute between the parties concerning the gTLD applications before a Chinese court, and requesting that ICANN not proceed to delegate the gTLDs to Sina Corporation until such time as the court ruling becomes available. ICANN did not post a reply to this correspondence, and appears to be progressing towards delegating the strings to Sina Corporation without further issue.

<sup>10</sup> See Recommendation 3 of the ICANN Generic Names Supporting Organization Final Report – Introduction of New Generic Top-Level Domains, August 8, 2007.

ceptance of erroneous LRO determinations, then it would be supporting Merck KGaA's argument in its Independent Review that ICANN has failed to implement a dispute resolution process which effectively resolves legal rights objections, contrary to its obligations as a result of the acceptance of GNSO policy recommendations.

ICANN cannot dismiss the <.merck> applications as its decision would not be neutral or objective or made with integrity or fairness.

ICANN, as the sole authoritative body worldwide controlling the DNS root and a monopolist in the sense of US and EU antitrust law, has a special obligation to act in a transparent, fair, reasonable and non-discriminatory manner, which is recognized by the U.S. Department of Commerce.<sup>11</sup> As ICANN is a party to the Independent Review which concerns the <.merck> and <.merckmsd> applications, any decision to terminate the <.merck> applications cannot be considered to be neutral or objective or made with integrity or fairness.

Indeed, the real intention for terminating the <.merck> applications may very well be to disrupt the Independent Review and prevent a decision by the Independent Review Panel which finds that the ICANN Board acted counter to its Articles of Incorporation and Bylaws. Not only is ICANN's improper interference with the Independent Review a violation of its enhanced obligations to act neutrally or objectively or with integrity or fairness, it undermines Merck KGaA's ability to challenge the actions of the ICANN Board, in violation of the ICANN Bylaws requiring that ICANN "[r]emain[] accountable to the Internet community through mechanisms that enhance ICANN's effectiveness."

Additionally, ICANN's unprecedented steps to arbitrarily target Merck KGaA's and MSD's applications unfairly discriminate against Merck KGaA and MSD as applicants and itself is a violation of ICANN's obligations to act neutrally or objectively or with integrity or fairness with regards all participants in the New gTLD Program.

Your proposed actions regarding the <.merck> applications are arbitrary and internally inconsistent with your own stated reasoning, which itself is based on false assumptions.

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<sup>11</sup> See 53. United States Department of Commerce, "Management of Internet Names and Addresses" ("White Paper"), June 10, 1998, at 9.



You claim that you are motivated to terminate the <.merck> applications by the “unique disputes related to [the] respective applications for .MERCK”. This reasoning is based on unsound assumptions and your proposed conclusion does not follow.

As noted above, Merck KGaA’s application for <.merck> is not the subject of any Independent Review proceeding and has successfully passed all stages as set out in the AGB. Further, there is no active dispute by MSD as to Merck KGaA’s use of MERCK or <.merck>, and there is no lawsuit pending against Merck KGaA based on name and/or trademark infringement.

Instead, the active Independent Review proceeding between Merck KGaA and ICANN concerns MSD’s applications for <.merck> and <.merckmsd>.

Granting for purposes of argument that ICANN would be in a position to terminate any of the mentioned applications, based on your own reasoning, you should have proposed the termination of MSD’s applications for <.merck> and <.merckmsd>. It does not make any sense according to your logic to omit reference to <.merckmsd> in your proposal, nor to include Merck KGaA’s <.merck> application.

Instead, your letter and intellectually inconsistent proposal make it hard to discern the true basis for your proposed action. In any event, your purported motivation and proposal, suffering from such ambiguity and internally inconsistent logic, cannot form a proper ground for any action as drastic as the termination of a gTLD application.

### Conclusion

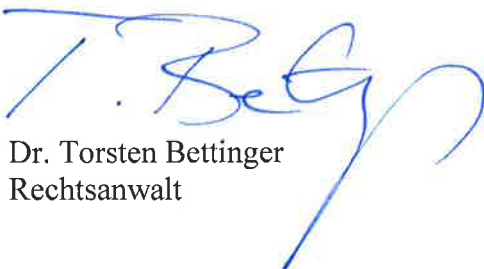
In light of the above and the threatened actions by you and ICANN, we therefore request:

1. That you and ICANN take no action to recommend the termination of or otherwise cause Merck KGaA’s <.merck> application not to proceed, as the application has successfully passed all stages provided in the AGB, is not part of any active dispute, and there does not exist any other basis in a documented ICANN policy for you or ICANN to take such action.

2. In the event you and/or ICANN decide, in an act considered by Merck KGaA to be entirely without appropriate cause or reason and in violation of the ICANN Articles of Incorporation and Bylaws, to continue consideration of the termination of the <.merck> applications, that any consideration and final decision not be taken before the conclusion of the pending Independent Review matter.
3. Comply with the ICANN Articles of Incorporation and Bylaws in its future treatment of Merck KGaA and its application for <.merck>, in particular that ICANN make decisions by applying documented policies neutrally and objectively, with integrity and fairness.
4. That as a matter of transparency, that ICANN publicly publish this letter and your related letter of December 11, 2014 on its website and provide Merck KGaA notice that such letter has been published.
5. In the event that ICANN takes a decision to terminate Merck KGaA's application for <.merck> in clear violation of its own policies, in light of its own reasoning ICANN must act consistently and without discrimination and equally terminate MSD's applications for <.merck> and <.merckmsd>.

Merck KGaA hopes that you seriously consider the points and requests made in this letter. We look forward to your response.

Best regards,



Dr. Torsten Bettinger  
Rechtsanwalt