

INTERNATIONAL CENTRE FOR DISPUTE RESOLUTION

In the Matter of the Independent Review Process:

Manwin Licensing International S.A.R.L.,

Claimant,

v.

Internet Corporation For Assigned Names and
Numbers ("ICANN"),

Respondent.

CASE MANAGER: Carolina Cardenas

ICDR Case No. 50 117 T 00812 11

**WITNESS STATEMENT OF STUART LAWLEY IN SUPPORT OF ICANN'S
RESPONSE TO MANWIN LICENSING INTERNATIONAL S.A.R.L.'S
REQUEST FOR INDEPENDENT REVIEW PROCEEDING**

JONES DAY
555 South Flower Street
Fiftieth Floor
Los Angeles, CA 90071
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Facsimile: (213) 243-2539

Counsel for Respondent ICANN

1. I am the Chief Executive Officer of ICM Registry, LLC (“ICM”), and have held that position since early 2004. I submit this declaration in support of the Internet Corporation for Assigned Names and Numbers’ Response to Manwin Licensing International S.A.R.L.’s Request for Independent Review Proceeding. I have personal knowledge of the facts set forth herein, unless otherwise stated, and, if called upon to testify as a witness, I could and would competently testify to these facts under oath. All Exhibits to this Declaration are maintained in ICM’s business records in the ordinary course of business.

2. ICM was incorporated in June 1999 for the purpose of introducing certain top level domains (“TLD”) into the Internet root.

3. In 2000, the Internet Corporation for Assigned Names and Numbers (“ICANN”) issued a Request for Proposals (“RFP”) open to any interested party to operate new TLDs as part of a limited “proof of concept” test. ICM and two unrelated parties each submitted proposals to operate .XXX as an adult oriented TLD. ICANN did not select any of those three applicants to participate in the limited “proof of concept” round.

4. In December of 2003, ICANN issued a new RFP to operate “sponsored” TLDs (“sTLDs”) designed to serve specified communities.

5. In March of 2004, in response to ICANN’s RFP, ICM submitted an application to operate a “sponsored” TLD (“sTLD”) to create .XXX as a web space where members of a “Sponsored Community,” who share the same values, goals and business interests, could self-identify and engage in adult-themed, erotic expression. Information about the Sponsored Community is available on ICM’s website, at <http://www.icmregistry.com/about/sponsored-community/>. ICM’s vision behind the .XXX sTLD was not merely to create another place for adult-oriented content, for there have existed for many years adult-oriented sites on .COM and .NET. Rather, ICM envisioned a web space where web users could easily find (or avoid) adult content, free of scams, malware, viruses, and child abuse images that have plagued other TLDs.

6. In its application, ICM stated, and at all relevant times thereafter intended, that the .XXX sTLD be voluntarily used by registrants as a location on the World Wide Web where adult content could be published and viewed by consenting adults who desired to view such material

in an environment free of scams, malware, viruses and child abuse images. ICM further stated and intended that policy for the .XXX sTLD would be established by registrants with input from other stakeholders with expertise in online child safety, privacy, and freedom of expression. Documents and additional information relating to ICM's application for the .XXX sTLD are publicly available on ICANN's website, at: <http://www.icann.org/en/tlds/agreements/xxx/icm-xxx-application-related-documentsen.htm>.

7. As part of the sTLD application process, ICM was required to choose a policy-setting board to serve as the "sponsoring" organization for the sTLD. ICM chose the International Foundation for Online Responsibility ("IFFOR"). IFFOR includes a Board and a Policy Council. The Policy Council is responsible for identifying and representing the values, goals, and interests of the Sponsored Community, and of the .XXX web space as a whole with input from other stakeholders with expertise in online child safety, privacy, and freedom of expression. The Sponsored Community is defined to include persons and entities that: (i) have determined that a system of self-identification would be beneficial; (ii) have voluntarily agreed to comply with all IFFOR policies and best practice guidelines; and (iii) provide online, sexually-oriented adult entertainment intended for consenting adults.

8. Although the 2004 sTLD process was completely open, ICM was the only applicant to seek approval of an adult-content oriented sTLD. Documents and additional information showing that the process allowed multiple applicants to submit proposals for the same TLD are publicly available on ICANN's website, including at: <http://www.icann.org/en/announcements/advisory-31oct03.htm>; and <http://www.icann.org/en/tlds/stld-apps-19mar04/stld-public-comments.htm>. ICM had no input into the ICANN process.

9. The independent evaluators selected by ICANN to evaluate RFP responses initially rejected ICM's 2004 application for the .XXX sTLD.

10. Thereafter, ICM petitioned ICANN in accordance with ICANN's rules and regulations to obtain approval of .XXX as a sTLD. In June 2005, ICANN authorized its President and General Counsel to begin negotiations with ICM for the .XXX TLD. Subsequently, however, ICANN's Governmental Advisory Committee and several member

countries expressed concerns with the proposed .XXX sTLD. After taking time to consider those concerns, in May 2006, the ICANN Board voted 9-5 against ICM's current draft of the proposed .XXX sTLD registry agreement.

11. ICM filed a request for reconsideration of ICANN's May 2006 rejection pursuant to a process provided under the ICANN Bylaws. ICANN ultimately rejected ICM's application in whole in March 2007.

12. ICM continued to pursue .XXX as an sTLD under the ICANN Bylaws with the filing of an Independent Review Proceeding in June 2008, challenging ICANN's rejection of the ICM application. The Independent Review Panel vindicated ICM's position, issuing a Declaration in February 2010 that ICANN had already, in June 2005, determined that ICM satisfied the sponsorship criteria and was therefore precluded by its own Bylaws from reopening the issue.

13. In March 2011, ICANN signed a contract making ICM the registry operator for .XXX.

14. Records of all of the relevant meetings, agreements, reports, policies, procedures and other documents relating to the approval and launch of .XXX are publicly available on the websites of ICANN, ICM, and IFFOR. *See, e.g.*, <http://www.icann.org/en/tlds/agreements/xxx/>; <http://www.icmregistry.com/policies/>; <http://www.iffor.org/policies.html>; <https://community.icann.org/display/tap/2007-02-12+-+Consideration+of+Proposed+.XXX+Registry+Agreement+and+recent+public+comment+period;+and+www.ICMRegistry.com>.

15. Prior to executing the ICANN contract, ICM developed the "Founders Program." In December 2010, a few months after the decision to proceed with the .XXX sTLD was made by ICANN, the Founders Program was formally launched and was available to leading companies within the online adult entertainment industry. ICM's Founders Program was established to support expressive activities by members of the Sponsored Community, whereby early-adopters of the .XXX sTLD could secure and develop domain names in anticipation of the official launch; the Founder's Program closed on July 31, 2011. Under the terms of the

agreement applicable to participation in the program, “Founders” were allocated specific valuable .XXX domains, and agreed to post unique content and not merely to direct users to alternate TLDs.

16. In connection with the launch of .XXX, ICM provided a variety of mechanisms to facilitate registration of .XXX domains by members of the Sponsored Community based on either trademark registrations or on the operation of websites in other TLDs, whether or not the names were formally trademarked. ICM also provided an opportunity for trademark holders who did not wish to become members of the Sponsored Community to file a reservation request in order to block third party registrations of corresponding strings in .XXX, including non-infringing registrations of such strings.

17. On July 9, 2010, while ICM was in the midst of trying to secure ICANN’s approval of the .XXX sTLD, YouPorn’s Managing Partner, Fabian Thylmann (“Thylmann”) contacted me via private electronic message. Thylmann was seemingly interested in investing in ICM’s potential .XXX Registry business. Attached as **Exhibit 1** is a true and correct copy of the private electronic message. In response, I informed Thylmann that ICM was, and has always been a closely held entity, with a small group of investors, and was not seeking new investors at that time.

18. A few months later, Gregory Dumas (“Dumas”) and Claudio Menegatti (“Menegatti”), both ICM consultants, met with Thylmann. This meeting occurred during the Venus Tradeshow in Berlin, Germany, which took place on October 21-24, 2010. After the meeting, Dumas and Menegatti reported to me on what had happened. I recall there to have been two statements of note. First, I understand that YouPorn representative Thylmann informed the ICM representatives that YouPorn viewed the introduction of the .XXX sTLD as a threat to its dominance over the adult Internet industry. Second, I understand that Thylmann said YouPorn would file a lawsuit against ICM, should the .XXX sTLD be approved by ICANN, so as to disrupt ICM’s ability to conduct its business.

19. Several months later, in June 2011, ICM received a letter from YouPorn’s attorneys, threatening Lanham Act claims against ICM if it failed to unilaterally take action to prevent third parties from registering any domain which infringed on YouPorn’s supposed

trademarks, “or any similar misleading names.” ICM responded to this threat in July 2011 by pointing out that any such litigation would be baseless—ICM stated that no viable claim existed under the Lanham Act against a domain name registry, explained the innovative mechanisms available for preventing infringing registrations, and explained the limitations on ICM’s ability to register or prevent others from registering domain names through third party registrars once the Registry launched its activities. Attached as **Exhibits 2 and 3** to this Declaration are true and correct copies of YouPorn’s letter and ICM’s response, respectively.

20. In September 2011, Thylmann again approached ICM, ostensibly interested in doing business with ICM. On September 23, 2011, I had two meetings with Thylmann.

21. During the meetings, Thylmann mentioned that he and/or YouPorn had spent about \$250,000 on attorneys’ fees to understand the ICANN process that led to the approval of .XXX. He also said that he was planning to start his own adult industry trade group, consisting of the two or three “powerhouses” of the industry (including YouPorn), using organizations such as the Motion Picture Association of America (“MPAA”) and the Recording Industry Association of America (“RIAA”) as models.

22. After making these statements, Thylmann then set forth a list of “nonnegotiable” demands to be met by ICM in order for YouPorn to consider conducting business with ICM. Thylmann stated that he would “tie up ICM in litigation” if ICM did not meet all of his demands.

23. On October 12, 2011, I attended a follow-up meeting with YouPorn at YouPorn’s offices in Montreal, Canada.

24. During the meeting, YouPorn’s representatives refined its list of demands, including: (a) ICM’s allocation of several thousand .XXX domain names to YouPorn, free of charge; (b) ICM’s commitment to circumvent the policy development process through which the Sponsored Community expressed its values with regard to policies concerning the operation of user-generated content “tube” sites in the .XXX domain; (c) across-the-board discounts on domain registrations; and (d) the allocation of certain ‘premium’ or high value domain names, such as “tube.xxx,” to be operated by YouPorn through a revenue sharing arrangement with ICM.

25. Thylmann further stated that in order to explain YouPorn's change of heart regarding .XXX, ICM had to agree to concessions that would put a positive 'spin' on YouPorn's involvement, namely, that it would appear that YouPorn accomplished some positive impact for the adult industry when news of the deal was announced. Thylmann said that if its demands were not met, YouPorn would spend millions of dollars per year for the next several years tying up ICM in litigation.

26. ICM agreed to accommodate some aspects of the YouPorn demands, and submitted a counter proposal on others. During the negotiations, Thylmann confirmed his intention of starting a new trade group like the RIAA or MPAA. He said that such a group was necessary because the Free Speech Coalition (a trade group representing certain segments of the adult industry) was not in a position to provide any real value for its members.

27. Leaving the negotiations, I understood that additional deal points would need to be refined, and that further discussions would occur after the execution of appropriate confidentiality agreements.

28. ICM received no further communication from YouPorn in furtherance of the negotiations. The next it heard from YouPorn was when it learned of YouPorn's lawsuit filed in the United States District Court for the Central District of California against ICM and ICANN, and the filing of the instant Request for Independent Review Proceeding.

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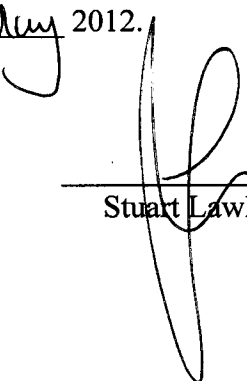
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29. YouPorn recently announced a ban on all speech distributed via any .XXX

domain by its affiliates and promoters. Thylmann asserted that, "The [instant] lawsuit was just the beginning" and that "[t]hrough this ban, we hope to make a strong statement against the .XXX domain." See "Manwin Bans All Business With .XXX Websites," XBiz, Dec. 2, 2011, available at <http://www.xbiz.com/news/141694>.

Being in full agreement with the contents of this witness statement, I hereby sign it and acknowledge its contents on this 18th day of May 2012.



Stuart Lawley

LAI-3159234v1

EXHIBIT 1

 **ICM Registry Funding**

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Nathan Jul 9, 2010 03:16pm

Hi Stuart,

I read online that you are looking for investors currently. Is this the case and if so, can you send me a prospectus to fabian@manwin.com ?

Fabian



Me Jul 9, 2010 03:23pm

Fabian,

We are not looking for investors. What you perhaps read was that we recently agreed another \$5 million funding round and that I had already contributed to that and had in fact underwritten the whole amount.

I do , however appreciate your interest and you can contact me directly at sjlawley@icmregistry.com .

I am not sure what your involvement in the industry is and would be happy to learn more. We will be grateful for input and guidance as we roll this out.

Take care

Stuart

EXHIBIT 2



Marc E. Mayer
A Professional Corporation
(310) 312-3154 Phone
(310) 231-8354 Fax
mem@msk.com

June 29, 2011

BY CERTIFIED MAIL (RETURN RECEIPT REQUESTED)

Stuart Lawley
ICM Registry LLC
P.O. Box 30129
Palm Beach Gardens, FL 33420

Re: XXX Top Level Domain

Dear Mr. Lawley:

We are counsel for Manwin Licensing International (“Manwin”). As you may be aware, Manwin is one of the largest worldwide providers of adult content on the Internet and the owner of many of the world’s most popular adult websites, including Brazzers.com, Pornhub.com, and YouPorn.com. Among the websites and domain names owned and controlled by Manwin are those set forth in Exhibit A to this letter, all of which also constitute Manwin’s trademarks in the United States, Canada, the European Union and elsewhere (the “Manwin Domains”). Manwin has invested millions of dollars to develop, acquire, exploit, market, and protect its trademarks and proprietary domain names, including the Manwin Domains. As a result of that effort, the Manwin Domains have become extremely valuable, and have acquired secondary meaning in connection with Manwin and its products and services.

We understand that ICM Registry LLC (“ICM”) recently has been approved by ICAAN to administer and operate the registry for the .xxx top-level domain (the “XXX TLD”). We also understand that ICM shortly intends to appoint registrars of the XXX TLD and will commence domain name registration “sunrise” periods over the next few weeks.

Manwin is extremely concerned about the unauthorized use and bad-faith registration of its valuable Manwin Domains in the XXX TLD. Manwin also is concerned that the manner in which the XXX TLD (and its “sunrise” periods) are being implemented is insufficient to protect Manwin’s rights. Accordingly, by this letter, we are writing to advise ICM of the Manwin Domains and specifically to demand that ICM take affirmative steps to block any attempted registration of any of the Manwin Domains, or any similar or misleading names, in the XXX TLD, by any person or entity other than Manwin. Alternatively, we demand that during the initial sunrise period, ICM register each of the domain names set forth on Exhibit A on behalf of Manwin, without any registration, processing, or administrative fee or charge.

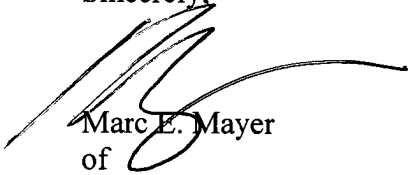
Should ICM refuse to honor our request, and, despite this notice, process and register one of the Manwin Domains (or a substantially similar or confusing domain name) without Manwin's consent, that conduct will constitute trademark infringement, including because it will be willful, in bad faith, or, at a minimum, in reckless disregard for our client's rights. See 15 U.S.C. §1125(d).

Please be advised that this is an extremely important issue for our client. Thus, our client takes this matter very seriously and is prepared to enforce its rights in any manner it deems necessary and appropriate.

Nothing contained herein is intended to be nor shall be construed as a waiver of any of our client's rights or remedies, each of which hereby expressly is reserved.

Please feel free to contact us to discuss the foregoing.

Sincerely,



Marc E. Mayer
of
MITCHELL SILBERBERG & KNUPP LLP

cc: Gianfranco Salerno, Esq.
David A. Steinberg, Esq.

Exhibit A

Manwin Domains and Trademarks

brazzers.com

assesinpublic.com

babygotboobs.com

bigbuttslikeitbig.com

bigtitsatschool.com

bigtitsatwork.com

bigtitsinsports.com

bigtitsinuniform.com

bigwetbutts.com

brazzersvault.com

bustyandreal.com

bustyz.com

buttsandblacks.com

canshetakeit.com

celebs.com

daywithapornstar.com

doctoradventures.com

extremetube.com

hotandmean.com

hotchicksbigasses.com

hqhoneys.com

iknowthatgirl.com

ingangwebang.com
jizzonmyjugs.com
jugfuckers.com
juicyboys.com
keezmovies.com
latinasextapes.com
men.com
milfslikeitbig.com
milfslikeitblack.com
mofos.com
mofosoldschool.com
mofosworldwide.com
mommygotboobs.com
moviebox.com
peeperz.com
pervsonpatrol.com
pornhub.com
pornstarslikeitbig.com
pornstarspunishment.com
racksandblacks.com
realslutparty.com
realwifestories.com
sexproadventures.com
shesafreak.com
spankwire.com

teensatwork.com

teenslikeitbig.com

teenslikeitblack.com

tube8.com

videobash.com

webcams.com

xtube.com

youporn.com

zzinsider.com

zzseries.com

EXHIBIT 3

July 19, 2011

VIA E-MAIL AND FIRST CLASS MAIL

Marc E. Mayer
Mitchell Silberberg & Knupp LLP
11377 West Olympic Boulevard
Los Angeles, California 90064-1683

Re: Demand Letter of Manwin Licensing International

Dear Mr. Mayer:

We write as outside counsel for ICM Registry, LLC (“ICM”), in response to your letter of June 29, 2011 on behalf of Manwin Licensing International (“Manwin”). Despite the allegations contained therein, we hope that our respective clients will be able enter a constructive dialogue on these issues.

To begin such a discussion, however, it is necessary that we have a common understanding of the purpose, functionality and policies of ICM’s .xxx domain name registry (the “Registry”), as well as how it will operate within the domain name system overseen by the Internet Corporation for Assigned Names and Numbers (“ICANN”). It would be useful therefore for us also to address briefly the law as it applies to the assertions in your letter.

As explained below, there is no basis for your legal demands, whatever form they may take, with respect to ICM’s operation of the .xxx domain registry. Further, notwithstanding your demand for ICM to circumvent the procedures mandated by ICANN and the policies and procedures adopted by the Registry (described in further detail below), and to simply register all of your client’s purported trademarks free of charge based on your assertion that Manwin is “one of the largest worldwide providers of adult content on the Internet” and owns valuable trademarks in certain jurisdictions, neither ICM nor its registrars will be in a position to register domain names for your client other than through the procedures that have been adopted for the registration of domain names for all applicants to the Registry.

Technical Background

So that we may engage in a fruitful dialogue, it appears to be necessary to explain how the domain name registration process functions. ICM is a global registry operator, recently approved by ICANN for the purpose of initiating and then maintaining a database of domain names within a new .xxx sponsored top-level domain (“TLD”). Its duties – set forth in the .xxx

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Registry Agreement dated 31 March 2011 (*see* www.icann.org/en/tlds/agreements/xxx/xxx-agreement-31mar11-en.htm) and related documents such as the ICANN Consensus Policies – include managing overarching registration policies for the entire TLD. ICM does *not* directly handle the specific transactions by which potential domain name registrants register new .xxx domain names. Rather, ICM has authorized several domain name registrars to handle the consumer (retail) transactions, in the same manner as most TLD registry operators. Thus, it is important for the purposes of this dialogue that you clearly understand that registrants (end users of the domains), registrars (the companies that handle registration and maintenance of the domains), and the Registry (the company that manages the domain name database and policies) are functionally and legally distinct entities.

As further background, originally seven generic TLDs were created for the domain name system currently overseen by ICANN, namely .com, .edu, .gov, .int, .mil, .net, and .org. Each was originally intended for use by a particular category of entities, such as for-profit businesses (.com) and non-profits (.org). In the case of the .com and .net registries in particular, usage quickly became more generalized, but the other TLDs remain mostly limited to entities and individuals that fall into the intended categories, as do later-created TLDs such as .museum, .coop, and .pro.

As I am sure you are aware, the registries for the .com, .net, .org and several other TLDs were originally maintained by Network Solutions, Inc. (“NSI”), a for-profit company, and NSI also acted as sole registrar for the .com, .net and .org. Ultimately the registry and registrar businesses were divided, and currently VeriSign, Inc., another for-profit company, maintains the registries for the .com and .net and other top-level domains.

In 2002, ICANN introduced the .aero TLD, which is a sponsored, industry-specific domain for entities and individuals in aviation-related fields, and is operated by SITA, an air transport communications and information technology company. SITA limits registration of .aero domains to registrants who are validated as eligible members of the aviation community. In 2005, ICANN created the .travel TLD, which is a sponsored, industry-specific domain for travel and tourism operated by Tralliance Corporation. Registration of .travel domains is, according to Tralliance, limited to legitimate service and product providers in the travel and tourism industry.

You should also be aware that the introduction of many country code domains, such as .co, .tv, .eu, and .me, among others, has been accompanied by a “sunrise” period during which existing trademark owners could register their marks in the new domains, followed by a “landrush” period for general registration by the public.

The .xxx domain is nothing more than an industry-specific TLD, recently approved by ICANN. Like other such TLDs before it, the Registry accepts (or rejects) applications for new domain names under the .xxx extension, manages the registry of such domains, and is subject to

ICANN policies.¹ Like other industry-specific registries, the Registry limits registrations to those applicants verified as members of the relevant community. *Unlike* other registries, the Registry is offering a dual sunrise period, for both adult industry members with existing trademarks and domain names and other trademark owners who may wish to prevent the use of domain names incorporating their trademarks within the .xxx space, and has added new dispute resolution procedures to address infringement issues.

Procedures

In your letters, you assert that the procedures proposed by ICM for the protection of third-party intellectual property rights are inadequate. Since ICM has only recently published its detailed application process, sunrise procedures and dispute resolution procedures (*see* www.icmregistry.com/launch.php), we assume that your comments are anticipatory and speculative. However, if you wish to provide a more specific critique, now that ICM's detailed procedures have been released, we would be pleased to directly address your concerns.

As a general matter, let us assure you that the Registry's verification and sunrise provisions are intended to be more stringent than any ever employed by a domain registry and are far more extensive than legally required. In terms of verification, the Registry's Membership Application Process is designed to confirm the status and validate contact information for prospective registrants who are members of the Sponsored Community. The Sponsored Community is defined as individuals, business, entities, and organizations have voluntarily agreed to comply with all Policies and Best Practices Guidelines promulgated by the International Foundation for Online Responsibility, and either (a) Provide Online Adult Entertainment intended for consenting adults ("Providers"); (b) Represent Providers ("Representatives"); or (c) Provide products or services to Providers and Representatives ("Service Providers"). The Membership Application Process must be completed before a name in the .xxx TLD will be permitted to resolve.

With respect to the sunrise provisions, generally, members of the Sponsored Community from around the globe may apply during the sunrise period to register .xxx domains corresponding to (i) registered trademarks and (ii) URLs of websites currently operated in other IANA recognized TLDs. Notably, if more than one sunrise application is made for a name by different applicants, all such applicants for that name will be notified of the other applications.

¹ Notably, the .xxx Registry Agreement states that the ICANN Consensus Policies to which ICM is obligated to adhere issues such as "resolution of disputes regarding the registration of domain names (as opposed to the use of such domain names)." The Agreement notes that the issues that the Consensus Policies are designed to cover specifically include "[r]eservation of registered names in the TLD that may not be registered initially or that may not be renewed due to reasons reasonably related to (i) avoidance of confusion among or misleading of users, (ii) intellectual property, or (iii) the technical management of the DNS or the Internet (e.g., establishment of reservations of names from registration)" and "[r]esolution of disputes regarding whether particular parties may register or maintain registration of particular domain names."

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In the event any sunrise applicant proceeds with a registration request after such notification, that applicant will be deemed on notice of the intellectual property claims submitted by the other sunrise applicants and may not claim lack of notice with regard to such applicants in any subsequent dispute proceeding. An auction process will be used to resolve competing claims from multiple parties that proceed with registration requests after being notified of other applicants for the same domain name.

Of course, all registrants of domain names will be subject to the ICANN Uniform Domain Name Dispute Resolution Policy (“UDRP”) under which all registrants must represent and warrant that their registration of the domain name will not infringe upon or otherwise violate the rights of any third party, that the domain name is not being registered for an unlawful purpose, and that the registrant will not knowingly use the domain name in violation of any applicable laws. In the event of conflicting claims, all domain names are subject to an arbitration process set forth in the UDRP.

In addition to these established procedures, ICM will implement two new methods to prevent abusive registrations. The Charter Eligibility Dispute Resolution Procedure will be available to challenge any registration by an entity that is not a member of the Sponsored Community and therefore not qualified to register a resolving name in the .xxx TLD. Separately, under the Rapid Evaluation Service, independent experts will make determinations, in certain cases within 48 hours, for claims involving well-known or inherently distinctive marks.

In short, ICM Registry is adopting more extensive protections for existing domain name holders and trademark owners than ever implemented by any previous registry. We would be pleased to work with you within this framework to resolve your client’s concerns.

Legal Allegations

It is also important that we address your assertion that merely by opening the Registry up to applicants for .xxx domain names, our client might somehow be liable for trademark infringement if any of what you call the “Manwin Domains” or anything “substantially similar” is registered. You provide no explanation or authority for this astonishing claim, and purport to place our client on notice that if any such domain names are registered by third parties, ICM will be in violation of the Lanham Act, and Manwin will be “prepared to enforce its rights in any manner it deems necessary.”

We wish to state in the strongest possible terms that these allegations are wholly unfounded, and legal action based upon these spurious allegations would be wholly without basis under United States law, as set forth more fully below. Further, ICM reserves its right to seek all available relief if your client chooses to proceed in this reckless fashion.

The courts in the United States have been exceedingly clear in holding that domain name registries and registrars cannot be held liable for the mere processing of registrations by a registrar's customers (*i.e.*, registrants), even where the domain name is later used for an infringing purpose.

First, we would note that the mere registration of a domain name containing another party's trademark in and of itself is not an infringement, even with respect to the *registrant*. Courts have clearly explained that "[t]he registration of a domain name, without more, does not amount to infringement of a mark similar to the name." *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949, 954 (C.D. Cal. 1997) (citing *Panavision Int'l, L.P. v. Toeppen*, 945 F.Supp. 1296, 1303 (C.D.Cal.1996) and *Planned Parenthood Fed'n of America v. Bucci*, 42 U.S.P.Q.2d 1430, 1437, 1997 WL 133313 (S.D.N.Y.1997)).

Under the Anticybersquatting Consumer Protection Act, 15 U.S.C. § 1125(d) ("ACPA"), enacted after the *Lockheed* case, registration of a domain name with the added element of a "bad faith intent to profit from the mark" *may* constitute a violation of the Lanham Act in certain circumstances. However, "*none* of the conditions and conduct listed [in the ACPA] is applicable to a person functioning solely as a registrar or registry of domain names." *Lockheed Martin Corp. v. Network Solutions, Inc.*, 141 F. Supp.2d 648, 655 (N.D. Tex. 2001) (emphasis added). Even a registrant may have numerous defenses to claims of cybersquatting, including but not limited to fair use, the existence of a license from the trademark owner, independent trademark rights in other classes of goods and services or geographic areas than the plaintiff trademark owner, and the like.

Second, beginning with the *Lockheed Martin Corp. v. Network Solutions, Inc.* decisions in 1997 and 1999, and continuing through the present with *Baidu, Inc. v. Register.com, Inc.*, 760 F. Supp.2d 312 (S.D.N.Y. 2010), the courts have held unequivocally that *registrars* are not liable for the mere act of registering a domain name on behalf of a customer. As the district court in the *Lockheed Martin* case explained, Network Solutions'

acceptance of domain name registrations is connected only with the names' technical function on the Internet to designate a set of computers. By accepting registrations of domain names containing the words "skunk works," NSI is not using the SKUNK WORKS mark in connection with the sale, distribution or advertising of goods and services. NSI merely uses domain names to designate host computers on the Internet.

Lockheed Martin Corp., 985 F. Supp. at 954. The court found that Network Solutions was not liable for trademark infringement, unfair competition, trademark dilution or contributory trademark infringement.

With respect to secondary liability on the part of registrars where a registrant has registered an infringing domain name, the lower and appellate courts in *Lockheed* found that no such liability exists where a registrar takes no action other than accepting the registration. The lower court found that knowledge of infringement could not be imputed to the registrar even after the registrar received notice, in light of the inherent uncertainty with respect to the scope of trademark rights. *Id.* at 964-65. In particular, the court observed that “lawyer’s argumentative talk” or “the mere assertion by a trademark owner that a domain name infringes its mark is not sufficient to impute knowledge of infringement.” *Id.* at 963, 965. On appeal, the Ninth Circuit held that the registrar was serving a function much like a post office and was thus providing a service, not a product. *Lockheed Martin Corp.*, 194 F.3d 980, 984-85 (citing *Inwood Lab., Inc. v. Ives Lab., Inc.*, 456 U.S. 844, 853-54 (1982)).

Other cases have followed *Lockheed* in relevant part, although also examining the liability of the allegedly infringing registrar (or similarly situated party) under the later-enacted ACPA. See *Ford Motor Co. v. Greatdomains.com Inc.*, 177 F. Supp. 2d 635 (E.D. Mich. 2001) (domain name auction house did not “directly transfer or receive a property interest in a domain name” and therefore did not “traffic in” domain names under ACPA). See also *Bird v. Parsons*, 289 F.3d 865, 877-81 (6th Cir. 2002); *Size, Inc. v. Network Solutions, Inc.*, 255 F. Supp.2d 568, 572-73 (E.D. Va. 2003); *Baidu, Inc.*, 760 F. Supp.2d at 320-22.

Third, the ACPA expressly immunizes both registrars and registries from liability for registration of domain names:

A domain name registrar, a domain name registry, or other domain name registration authority shall not be liable for damages under this section for the registration or maintenance of a domain name for another absent a showing of bad faith intent to profit from such registration or maintenance of the domain name.

15 U.S.C. § 1114(2)(D)(iii). Interpreting this language, the *Baidu* court noted that

domain registrars are granted immunity for registering or maintaining a domain name for another. See S. Rep. No. 106-140, at 11 (1999) (domain registrars are granted immunity to “promote[] the continued ease and efficiency users of the current registration system enjoy by codifying current case law limiting the secondary liability of domain name registrars and registries for the act of registration of a name”) (citing *Panavison Int’l v. Toeopen*, 141 F.3d 1316, 1319 (9th Cir. 1998)).

760 F. Supp.2d at 320.

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Fourth, no court has ever held that a *registry*, further removed as it is from even the acts of the registrars, can be held liable for violation of the Lanham Act in connection with the registration of a domain name incorporating another party's trademark. In this regard, *Lockheed Martin Corp. v. Network Solutions, Inc.*, 141 F. Supp.2d 648 (N.D. Tex. 2001), unequivocally held that in undertaking its function as a registry, Network Solutions (which at the time functioned as both registry operator and registrar) could not be held liable. The court stated:

[N]one of the conditions and conduct [for liability] would be applicable to a person functioning solely as a registrar or registry of domain names. . . . Congress did not cause a defendant as a domain name registrar, or as keeper of the registry, to be subject to civil liability under Section 1125(d). . . . The reason the UDRP was developed was to provide the mechanism to resolve these disputes. Not only would imposing plaintiff's scheme render the UDRP nugatory, it would cause the domain name system in its entirety not to be feasible.

141 F. Supp.2d at 655.

In light of the above points, it should be abundantly clear that our client cannot be held liable for registration of domain names by third parties. In its role as the operator of the Registry, ICM is afforded immunity under the ACPA for acts relating to registration of domain names, and prior case law confirms that in any event it is not making commercial use, or trafficking in, domain names, for the purpose of the ACPA. Also, ICM does not handle the actual registration transactions, and even if it did would be in no position to determine whether a particular domain name is infringing, given that even if it is aware of the existence of purported trademark rights on behalf of another party, it cannot determine whether the registrant might also hold valid trademark rights (for different goods or services, or in other countries), hold a valid license, or otherwise have the right to apply for registration of the domain. We would also note that any registrant who registers a domain name without the right to do so would be in violation of the UDRP.

We hope that the above clarifies the situation, and we ask that you confirm that your client is withdrawing its baseless allegations. We also reiterate that ICM will not be taking any of the actions demanded in your June 29 letter, but rather expects that if Manwin desires to participate in the Registry it will adhere to the procedures for domain name registration that have now been promulgated. Finally, we would remind you that the Registry's Founders Program, available through the end of July, gives early adopters the opportunity to secure .xxx sites corresponding to their existing portfolio of brands and domains.

The foregoing is written without waiver of or prejudice to the rights of our client, all of which are expressly reserved.

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Very truly yours,

A handwritten signature in blue ink that reads "Robert Corn-Revere". The signature is written in a cursive style with a large initial "R" and a long horizontal stroke extending across the name.

Robert Corn-Revere