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VIA U.S. MAIL

July 22, 2009

Mr. Peter Dengate Thrush
Chairman of the Board of Directors
Mr. Rod Beckstrom
President and CEO
Internet Corporation for Assigned Names and Numbers
4676 Admiralty Way, Suite 330
Marina del Rey, California 90292-6601

Re: Trademark Protection for New gTLDs
Comments of Overstock.com, Inc. to the Final Report of the Implementation
Recommendation Team on Trademark Protection

Dear Messrs. Dengate Thrush and Beckstrom:

Overstock.com, Inc. (“Overstock”) appreciates the work of the Implementation Recommendation Team (“IRT”) to address the concerns of trademark owners arising from the proposed implementation of new generic Top-Level Domain names (“gTLDs”) by the Internet Corporation for Assigned Names and Numbers (“ICANN”). Particularly, it recognizes that the IRT was tasked with considering a broad range of issues within a mere eight-week timeframe, and accordingly, we understand that the IRT’s Final Report on Trademark Protection in New gTLDs, which was published by the IRT on May 29, 2009, addresses what the IRT determined to be the “most pressing and key issues for trademark owners.”

In light of the well-known propensity for trademark infringement using Internet domain names, however, Overstock believes that the rapid introduction of potentially hundreds of new gTLDs and associated second-level domain names poses far greater danger than benefit to trademark owners. Moreover, in light of the persistent demand for traditional gTLDs (e.g., .COM and .NET) even after the introduction of seven new gTLDs designed to alleviate domain name demand (e.g., .INFO), Overstock questions the commercial need for hundreds of new gTLDs. Adding additional gTLDs into the marketplace is comparable to adding new properties to the MONOPOLY® board – though the space on the board grows, the most coveted property is still Boardwalk.

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Although the recommendations outlined in the IRT's Final Report are a commendable first step, the proposed trademark protection measures do not adequately protect the interests of brand owners should ICANN proceed with its questionable plans to release a virtually unlimited number of new domain names into the marketplace. The IRT itself recognized that "domain name abuse . . . is a business with low overheads, no barriers to entry and few risks," and that the "sale and broad expansion of new top level domains in the open market, if not properly managed, will provide abundant opportunities for cybersquatters to seize old ground in new domains."¹ Accordingly, even if all of the IRT's recommended protection measures are implemented, the rights of trademark owners would remain subject to infringement and compromise, and trademark owners wishing to fully protect their intellectual property rights would be saddled with substantial burdens and prohibitive costs.

Although the majority of the IRT's proposed trademark protection measures fail to adequately protect the intellectual property rights of trademark owners, Overstock provides the following comments particularly highlighting the inadequacies and inefficiencies of the proposed IP Clearinghouse, the proposed Globally Protected Marks List, and the proposed Uniform Rapid Suspension System.

THE IP CLEARINGHOUSE

Although Overstock understands the benefit that can be derived from a central repository of information relating to the legal rights of trademark owners, including both registered and unregistered rights, the cost and burden on trademark owners to supply and update the information stored in the IP Clearinghouse is unacceptable. Overstock applauds the IRT for recognizing that such an IP Clearinghouse should "not place a heavy financial or administrative burden on trademark owners," but the IRT's proposed implementation of the IP Clearinghouse fails to meet this important criteria.

For example, the IRT's proposal unnecessarily burdens trademark owners with the task of reporting trademark data to the IP Clearinghouse and validating that data on a yearly basis. Additionally, although the IP Clearinghouse makes no apparent warranties regarding the quality of its services, the proposed measures place the responsibility for timely updating and correcting trademark data between each annual validation on trademark owners, and the failure to provide accurate trademark data could, under the current proposal, result in a sanction or penalty. Moreover, in addition to the time-consuming and expensive burdens of providing, verifying, and continuously monitoring the stored trademark data, the IRT's Final Report charges trademark owners with an undefined annual tax in order for trademark owners to merely have an

¹ While the IRT contemplates proper management of the gTLDs, Overstock believes that ICANN has not adequately addressed the concerns of trademark owners with respect to existing gTLDs and should not proceed until it has a track record showing that it can do so safely and responsibly. To do otherwise, would be to replicate the current model (albeit with adjustments) across an unlimited number of gTLDs. Until ICANN successfully implements systems to block cybersquatting on current gTLDs without taxing trademark owners with the burden of policing the system, ICANN should postpone plans to register an unlimited number of gTLDs.

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opportunity to participate in the IP Clearinghouse. These proposed requirements are unfairly burdensome to trademark owners and completely unnecessary.

Alternatively, Overstock proposes that the IP Clearinghouse should be responsible for obtaining and maintaining a database of trademark information and that the costs associated with the IP Clearinghouse should be incorporated into the fees paid by new gTLD registrars and the applicants for registration and renewal of second-level domain names on the new gTLDs. Unlike the IRT's proposal which places an overwhelming burden on trademark owners to provide and maintain trademark data stored in the IP Clearinghouse, Overstock's proposal places only a slight and easily managed responsibility on the IP Clearinghouse. For instance, the majority of the trademark data proposed to be stored by the IP Clearinghouse – particularly that which relates to registered trademarks – could be obtained directly by the IP Clearinghouse, with little or no cost, from public record sources maintained by various trademark registration agencies.

The retrieval of trademark information from a handful of publicly available databases would result in a much more efficient manner of gathering data than requiring thousands of trademark owners to individually submit trademark information to the IP Clearinghouse. It may, for instance, be possible for the IP Clearinghouse to contract directly with the various trademark registration agencies to obtain trademark information and receive updates to the trademark information as such updates are filed with the agencies. A direct link to trademark information stored in trademark registration agency databases, for example, would ultimately reduce the overhead required to create the IP Clearinghouse trademark database, virtually eliminate potential errors in data entry, reduce the need for data verification, and diminish the need for annual database updates. If trademark owners desired to enhance the protection of their trademark rights by supplementing the IP Clearinghouse with additional data, such as information pertaining to unregistered trademarks, the IP Clearinghouse should have a mechanism to accept and verify this information; however, such disclosures should not be mandatory.

Some will undoubtedly argue that placing the cost of the IP Clearinghouse in the hands of new gTLD registrars and the applicants for new and renewed second-level domain names on the new gTLDs is unfairly burdensome and may prohibit certain entities from registering domain names due to the added cost of the IP Clearinghouse. Overstock finds these arguments unpersuasive. When the fees necessary to support the IP Clearinghouse are distributed among hundreds, if not thousands, of new gTLD registrars and domain name applicants on the proposed new gTLDs, the fee for the IP Clearinghouse paid by any one applicant would be minimal. It also is more equitable for new domain name applicants to suffer a small fee in exchange for the grant of new Internet territory stemming from the registration of domain names than it is for trademark holders who are merely defending their previously established trademark rights. Further, the fees under Overstock's proposal would be equitably distributed and would not be based on the extent of one's trademark rights but on the extent of one's gTLD and second-level domain name registrations.

Overstock's proposed fee structure also prevents cybersquatters from receiving a free ride as they attempt to unjustly exploit the intellectual property rights of trademark owners. Both cybersquatters and trademark owners should contribute a share of the IP Clearinghouse cost in proportion to their registration of domain names associated with the new gTLDs. For example, to the extent trademark owners decide to either become a new gTLD registrar or register and renew a second-level domain name on a new gTLD, such trademark owners, under Overstock's proposal, would pay their proportional share of the cost of the IP Clearinghouse. Moreover, because the IP Clearinghouse cost is not only funded by new gTLD and second-level domain name registrations but also by renewals, Overstock's proposed solution is capable of providing a continued annual source of funding for the IP Clearinghouse without unnecessarily burdening non-participatory trademark owners.

THE GLOBALLY PROTECTED MARKS LIST

Generally, Overstock supports the establishment of a Globally Protected Marks List ("GPML") to provide protection for trademarks at the top and second domain levels. Nevertheless, IPC's proposed criteria for admittance of a trademark to the GPML is arbitrary and unreasonably strict and, accordingly, fails to provide adequate protection of trademark rights, especially in cases where a trademark is highly recognized nationally but not globally. Under IPC's proposed criteria, trademark owners have virtually no voice in whether their trademarks are included in the GPML, and the currently proposed criteria provides little certainty for trademark owners as to whether their trademarks will be deemed worthy of inclusion. Currently, the IRT's Final Report puts forth an arbitrary admissions scheme wherein a trademark is granted admission to the GPML only if it is associated with a certain number of trademark registrations of national effect that have issued in at least a certain number of countries across all five ICANN regions.

This overly-strict admissions standard would essentially require any trademark that gains admission to be, at the very least, registered in one country in North America, one country in Europe, one country in Africa, one country in Asia, and one country in Latin America. This standard would regrettably prohibit many internationally recognized trademarks, including several of Overstock's United States registered trademarks, from gaining admission to the list merely because such trademarks are not registered in all five ICANN regions. This unreasonably strict criteria, which fail to appropriately protect national trademarks, also fail to meet the IRT's own requirement that such a proposed GPML scheme "accommodate territorial variations in trademark rights." A particular brand's value as an Internet domain name, in many instances, has little or no relationship to the global exposure of the particular brand.

For example, due to its widely-recognized identity as an Internet retailer, Overstock has a keen interest in protecting its trademark and business name, OVERSTOCK.COM, across newly introduced gTLDs. Unfortunately, because OVERSTOCK.COM is not registered in at least one country in all five ICANN regions, under the IRT's proposal, OVERSTOCK.COM would be excluded from the GPML. As a result, Overstock would be forced to register its trademark as a new gTLD second-level domain name as each new gTLD is released in order to definitively protect its identity across the Internet. If, for instance, only 100 new gTLDs are released into the market, Overstock would be forced to register 100 new second-level domain names and renew

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them every year in perpetuity, and should Overstock decide to protect its other numerous trademarks in a similar fashion, Overstock could face the task of registering hundreds, if not thousands, of additional second-level domain names.

For example, to adequately protect ten trademarks across 100 new gTLDs, with a conservative annual registration fee of \$30 per domain name, a trademark owner, such as Overstock, could be forced to spend over \$300,000 in registration fees alone. Since trademark rights can last in perpetuity if properly maintained, Overstock would carry this taxing burden of \$300,000 every year in perpetuity. If trademark owners also register similar, but not identical, versions of each trademark (e.g., 1OVERSTOCK.---, 2OVERSTOCK.---, 3OVERSTOCK.---, etc.) on the new gTLDs to further protect their trademark interests, trademark owners could face registration fees several orders of magnitude higher. Moreover, the astronomical registration fees required to protect trademarks across new gTLDs does not include the administrative and infrastructure expenses necessary to complete the registration process for each domain name.

Additionally, if Overstock is not the first to register its protected trademarks on each new gTLD that is released, a third-party competitor could register a domain name identical to one of Overstock's protected trademarks (e.g., OVERSTOCK.COM.STORE) and then use that newly registered domain name to compete with Overstock in the United States in violation of U.S. trademark law. Although Overstock has other legal recourse available to fight the alleged infringer, such as the newly proposed Uniform Rapid Suspension System and the Uniform Domain-Name Dispute Resolution Policy, the enormous number of potential infringing registrations resulting from the release of new gTLDs renders these offensive remedies costly and inadequate and, in effect, plays into the hands of cybersquatters.

Additionally, even if a trademark manages to meet the strict GPML inclusion requirements, only the registration of domain names that are "identical" to trademarks on the GPML would be blocked under the IRT's proposal. Accordingly, the proposed trademark protection measures would fail to protect against typosquatting—a common type of domain name misuse whereby a registrant registers a domain name confusingly similar to a protected mark. Examples of typosquatting include registrations of brands plus a non-distinctive element (i.e., VERYOVERSTOCK.COM) and misspellings of a mark (e.g., OVERSTOOK.COM). Moreover, the restrictive GPML requirements also prohibit newly registered trademarks from GPML membership as the proposed criteria states that "all trademark registrations must have issued on or before the date that GPML applications are first accepted and must be based on trademark registration applications filed on or before 1 November, 2008." Accordingly, even if Overstock capitulated to the stringent standards for GPML inclusion and filed applications to register the OVERSTOCK.COM trademark in at least one country in each ICANN region, OVERSTOCK.COM would still be excluded from the GPML because the registration applications would have been filed after November 1, 2008.

Because the GPML qualification criteria restricts even internationally recognized trademarks, such as OVERSTOCK.COM, and because the current proposal provides only marginal protection for trademarks not on the GPML, Overstock respectfully submits that the IRT's proposal fails to protect the rights of trademark owners in light of the rapidly expanding Internet

infrastructure. This is particularly highlighted by the IRT's recognition that "many brand owners face thousands of infringing websites per year" for which "cease and desist letters often go unanswered" thereby causing "brand owners to spend large amounts of money drafting and filing UDRP complaints." Furthermore, the IRT admits that ultimately "brand owners spend large amounts of money to build up portfolios of domain names they do not want, simply to prevent fraud on their consumers and misuse of their brands."

Based on the deficiencies of the proposed GPML criteria, and IRT's own recognition of the burden and expense placed on trademark owners to protect their intellectual property, Overstock alternatively proposes that ICANN establish a Trademark Registry List that enables any owner of a nationally registered trademark to register the trademark in the Trademark Registry List. The registration of a domain name on a new gTLD that is identical or substantially similar to a trademark in the Trademark Registry List should be initially denied. Illegitimate registration attempts can easily be detected and denied using currently-available open source "fuzzy" search logic or similar automated or manual functionality. Upon such denial, the domain name applicant would be provided an option to initiate a proceeding to demonstrate that the applicant's use of the domain name would not infringe the trademark owner's rights. If, for example, the domain name applicant can prove that its use of the protected trademark as a domain name is associated with different goods and services than the protected trademark, and the protected trademark is not considered "famous" either nationally or globally, the domain name application would be granted.

Such a system would properly place the initial burden to show cause for registration of a protected trademark as a domain name on the domain name applicant. Any fees associated with determining whether a domain name matching an entry on the Trademark Registry List should be borne by the domain name applicant, and such fees should be included as part of each applicant's domain name application fee. An increased fee for the registration of domain names that match a trademark on the Trademark Registry List would benefit both trademark holders and domain name applicants by reducing incidences of random cybersquatting while simultaneously providing a mechanism whereby legitimate applicants for a domain name can prove their right to the name and subsequently obtain a rightful domain name registration. ICANN, the registrars or another appropriate third party may impose further fees on applicants who voluntarily seek appeal for denials of registration.²

THE UNIFORM RAPID SUSPENSION SYSTEM

Although Overstock understands and appreciates the need to provide a "cost-effective and timely mechanism for brand owners to protect their trademarks and to promote consumer protection on the Internet," the Uniform Rapid Suspension System ("URS"), as outlined in the IRT's Final Report, fails to address the IRT's stated purpose for such a system – "to address a cybersquatting problem for brand owners that is already insidious and enormous in scale, and which will

² ICANN, IRT, and applicants share a collective responsibility to avoid violating third party rights and applicable law. Trademark owners should not have to carry the burden of correcting the programmatic and systematic violation of their rights by those capable of using current technology to prevent such violation.

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continue to spiral out of control with the introduction of an unlimited number of new gTLDs unless addressed.”

Consider, for example, the duration of sanctions under the proposed URS. Under the current proposal, “domain name registrations found to be violating a brand owner’s rights would be placed in a frozen state, for the life of the registration, and only would resolve to a specific error page.” Often domain name applicants register domain names only for a single year, and then, at the end of each term, such applicants often renew their domain names for subsequent single-year terms. In such cases, the currently proposed URS would induce trademark owners into a relentless yearly cycle of filing repetitive URS complaints. On the other hand, it is also common for domain name applicants to register a domain name for a lengthy term of up to 100 years. Although freezing a domain name so that it resolves to a specific error page for 100 years would prevent the unauthorized use of that domain name in violation of a trademark owner’s intellectual property rights, under the proposed URS, the trademark owners would be forced to wait 100 years to use the previously infringing domain name unless the trademark owner pursues another more costly remedy such as the Uniform Domain-Name Dispute-Resolution Policy (“UDRP”). Error pages risk continued public confusion because they do not enable corrective advertising often necessary to correct the public’s understanding of a trademark owner’s rights in relation to the domain name.

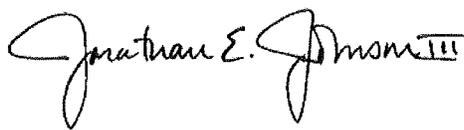
In the alternative, Overstock proposes that as a part of the rapid suspension system, trademark owners should be given the option to have suspended domain names redirected to their legitimate websites. Because the infringing domain names are merely redirected to the trademark owners’ website as opposed to transferred to the trademark owner, such a remedy would allow a trademark owner to more easily remedy consumer confusion and deception resulting from infringing domain names in a more timely and less expensive fashion than under the UDRP. Accordingly, we strongly urge ICANN to consider both the scope and the duration of proposed URS sanctions to verify that such sanctions assist trademark owners in fighting infringing domain names without adding unnecessary and unreasonable layers of complication, frustration, and cost to the process of defending trademark owners’ intellectual property rights.

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CONCLUSION

Thank you for your time and diligent attention to the aforementioned issues and concerns. It is our hope that ICANN will thoughtfully consider the unreasonable and unnecessary burdens the new gTLD infrastructure is placing on trademark owners, such as Overstock, and the ineffectiveness and inadequacy of the currently proposed trademark protection measures. Overstock looks forward to collaborating with ICANN and the members of the IRT to further identify solutions that address the concerns of Overstock and other trademark owners.

Sincerely,

A handwritten signature in black ink that reads "Jonathan E. Johnson III". The signature is written in a cursive style with a large, stylized initial 'J'.

Jonathan E. Johnson III
President

cc: John J.
Kurt P.
Doug B.
Dan H.
Karla V.
Marge M.