

## Staff Report of Public Comment Proceeding

### Proposed Amendments to Base New gTLD Registry Agreement

**Publication Date:** 17 August 2016

**Prepared By:** Global Domains Division

#### Public Comment Proceeding

Open Date: 31 May 2016

Close Date: 20 July 2016

Staff Report Due Date: 19 August 2016

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**Staff Contact:** Krista Papac

**Email:** [krista.papac@icann.org](mailto:krista.papac@icann.org)

#### Section I: General Overview and Next Steps

Section 7.7(a) of the Registry Agreement provides a mechanism enabling ICANN or the Registries Stakeholder Group (RySG) to periodically initiate negotiations to discuss revisions to the Registry Agreement. As required by Section 7.7(b) of the Registry Agreement, ICANN engaged in discussions with a Working Group established by the RySG, which culminated in several mutually acceptable proposed amendments.

On 31 May 2016, ICANN posted for public comment those proposed amendments to the base New gTLD Registry Agreement. Between 31 May 2016 and 20 July 2016, ICANN received twenty-two public comments.

**Next Steps:** ICANN and the Working Group will consider the public comments, and submit the proposed final version of the amendments for Registry Operator approval (according to the process defined in Section 7.6) and approval by the ICANN Board of Directors. If these approvals are obtained, the amendment will become effective upon 60 days' notice from ICANN to the Registry Operators.

## Section II: Contributors

*At the time this report was prepared, a total of twenty-two community submissions had been posted to the comment forum. The contributors, both individuals and organizations/groups, are listed below in chronological order by posting date with initials noted. To the extent that quotations are used in the narrative descriptions in Section III, such citations will reference the contributor's initials.*

### Organizations and Groups:

<b>Name</b>	<b>Submitted by</b>	<b>Initials</b>
Leap of Faith Financial Services Inc.	George Kirikos	LF
Dot Latin LLC, the .UNO Registry	Desiree Boxberger	DL
Pharos Global	Michael D. Palage	PG
Security and Stability Advisory Committee	Patrik Fältström	SSAC
Hong Kong Internet Registration Corporation Limited	Bonnie Chun	HK
Brand Registry Group	Martin Sutton	BRG
Valideus Ltd	Susan Payne	VL
Google Registry	Stephanie Duchesneau	GR
India Governmental Advisory Committee	Karine Perset	IN
Registries Stakeholder Group	Stéphane Van Gelder	RySG
CORE Association	Amadeu Abril i Abril	CA
Bloomberg IP Holdings LLC	William M. Ried	BIP
European NGO Alliance for Child Safety Online	Flaminia Frinchi	eNACSO
Japan Registry Services Co., Ltd.	Atsushi Endo	JPRS
PuntuEUS Foundation	Josu Waliño	PF
Business Constituency	Steve DelBianco	BC
Italy Governmental Advisory Committee	Rita Forsi	IT
At-Large Advisory Community	Alan Greenberg	ALAC
PointQuébec	Normand Fortier	PQ
Intellectual Property Constituency	Greg Shatan	IPC

### Individuals:

<b>Name</b>	<b>Affiliation (if provided)</b>	<b>Initials</b>
Martin Joyal		MJ
John Poole	DomainMondo.com	JP

### Section III: Summary of Comments

*General Disclaimer: This Section is intended to broadly and comprehensively summarize the comments submitted to the public comment forum, but does not address every specific position stated by each contributor. ICANN staff recommends that readers interested in specific aspects of any of the summarized comments, or the full context of others, refer directly to the specific contributions at the link referenced above (View Comments Submitted).*

ICANN has received various comments from the community on the proposed amendments to the Base New gTLD Registry Agreement. Many comments generally supported the proposed amendments to the Registry Agreement. These comments mentioned that the proposed amendments clarify ambiguous language and fix grammatical and typographical errors. Other comments suggested further changes to add more clarity. Additionally, various comments expressed opposition to aspects of the proposed amendments. In some instances, commenters suggested additional proposed changes not addressed in the amendment or on sections where no amendment was proposed. Commenters also expressed thoughts on the negotiation and review process of the Registry Agreement, noting concerns regarding the transparency and inclusiveness of the negotiation process.

#### **Comments on the proposed amendments to the Registry Agreement:**

Many of the commenters expressed concern regarding the proposed amendments, while others recommended revisions to add clarity or to make the Registry Agreement more acceptable to them. Additionally, some comments expressed support without suggesting further changes. A summary of the comments submitted on the proposed amendments can be found below.

- **Section 2.4 (Monthly Reporting):** IN recommended the addition of a link to the IANA Registry of Registrar IDs.
- **Section 2.9 (a) and Section 2.10 (Registrars and Pricing for Registry Services):** The requirement to notify ICANN on price changes should not be removed (LF, IN, CA, PF, ALAC, JP). Removing this requirement will result in prices not being published and thus contravening ICANN's transparency model (LF, JP). BC requested that ICANN staff advise as to the utility of collecting pricing data in terms of compliance and security, stability and resiliency responsibilities, and community review and policy development. Others stated that the lack of transparency will harm consumers by offering an anti-competitive environment (LF, JP) and low prices might lead to a variety of abuses in the way of spam and phishing (ALAC). CA suggested that the notification to ICANN helps promote and sustain a competitive environment through the collection of this information. The removal of the notification requirement might also set precedent for .com/.net/.org (LF). IN suggested capitalizing R-R in "registry-registrar agreement". BRG recommended that brands should be exempted from the RRA Amendment process.
- **Section 4.3 (e) (Termination by ICANN):** BRG commented in support of the amendments to Section 4.3(e). IPC stated that the current text may create an impression that termination of the Registry Agreement can result only from breaches of PICs obligations that (i) are processed using the PIC Dispute Resolution Procedure (PICDRP) and (ii) conclude in determinations of a PICDRP panel. IPC notes that, as the terms of Specification 11 state, these obligations can be enforced directly by ICANN as with any other breach of the Registry Agreement. Thus, IPC recommended that the text in this Section should be modified to eliminate such ambiguity.
- **Section 6.7 (Fee Reduction Waiver):** There is no clarity on how the fee reduction waiver will be given at ICANN's sole discretion or the criteria for or terms of any waiver (LF, PG, IN, CA, BC, IPC). Objective or fair criteria should be implemented for granting the fee waiver (PG, BRG, CA, PF, BC, IPC). PG and BC recommended that the waiver should be disclosed publicly for transparency. ALAC indicated that the

fee reduction might significantly impact ICANN's revenue and such reductions should be subject to ICANN Public Comment procedure. ALAC also indicated that non-contracted party comments addressing the public interest should be taken into account when making any decisions on reductions. BC recommended that this Section should be revised to require that ICANN staff administer a data-driven fee reduction process with clear criteria that encourages the mitigation of abusive domain names in new gTLDs thereby promoting internet security and a healthy domain name ecosystem. BC noted that the development of such criteria should be done in a transparent manner and involve ICANN CTO/IS-SSR staff and security experts as well as domain name analytics experts. IPC's comments also urge ICANN staff to utilize a data-driven and transparent process to formulate its fee reduction process that rewards good registry practices. CA proposed certain criteria as well as instances where a fee waiver should not be granted. In order to appropriately incentivize and reward good registry practices, IPC recommended that objective criteria might include the fact that there are few UDRP or URS complaints or reported incidents of cybersquatting, intellectual property infringement, spam or other abuse. In addition, .Brand Registry Operators with total domains under their management that fall below a certain threshold should also be considered eligible for fee reduction waivers (given their extremely low compliance risk). BRG noted that fee waivers by ICANN should ensure equitable treatment of all registries and comply with generally accepted accounting principles. Both LF and JP claimed that providing a fee reduction waiver is an indication of the failure of the new gTLD Program. LF and JP believe that the fee waiver text should be eliminated in its entirety, and no waivers should be granted to Registry Operators if registries business projections are not met. LF and JP argue that, if a TLD is not economically viable, it should go out of business, or be assigned to or consolidated with another operator that can run it in a profitable manner.

- **Section 7.5 (f) (Change of Control; Assignment and Subcontracting):** BIP and BRG expressed support on the proposed amendment for this Section allowing for assignment without ICANN's consent, and BIP argued that the proposed amendment could not materially undermine the performance, materially increase the burden or risk imposed, or materially reduce the value of the Registry Agreement to ICANN. BIP further explained that the proposed amendment to this Section replaces ICANN's opaque analysis of proposed assignments with a general contract standard, and BRG commented that the existing provision unnecessarily limited the class of group of companies to whom a registry operator could assign without ICANN's consent.
- **Specification 2, Part A, Section 7 (Notification of Deposits):** BRG expressed opposition to the changes proposed for notification of deposits, stating that the change will prevent a .Brand registry from delegating this notice duty to an authorized data escrow provider, resulting in the placement of a new burden on registries which is not justified by any demonstrated need.
- **Specification 4, Section 2.1.5 (Use of Data by Users):** Although BRG supports the proposed amendment of this Section, BRG noted that the text needs to be reexamined given that the newly added text highlights a practical evidentiary concern facing all Registry Operators and recommended a comprehensive reexamination of this provision.
- **Specification 5, Section 3.4 (Reservations for Registry Operators):** JPRS noted that this Section does not provide clarity on when Registry Operators of delegated TLDs must allocate "icann-sla-monitoring.<tld>" to the ICANN testing registrar, and requested that ICANN, in a timely manner following adoption of the amendments, provide guidance regarding the allocation of "icann-sla-monitoring.<tld>".
- **Specification 6, Section 1.4 (IDNs):** GR expressed concern that the proposed language would permanently prevent registries from being able to predictably negotiate potential changes to the provision of IDNs that conflicted with the IDN Guidelines, as the IDN Guidelines would continue to control even if these services had been reviewed, approved, and reflected in the respective Registry Operator's Exhibit A. Thus, GR recommended that the proposed text be revised to reflect that if there is an approved RSEP allowing the Registry to deviate from the IDN Guidelines, the IDN-related provisions of Exhibit A would control.

- **Specification 6, Section 1.7 (Network Ingress Filtering):** HK expressed concern that the requirement under this Section would be difficult for Registry Operators to comply with especially in a situation in which the Registry Operator is not the network operator. HK noted that this requirement would be costly and bring additional contractual responsibility, with fewer choices for selecting network operators.
- **Specification 7, Section 1 (Rights Protection Mechanisms):** Although IPC expressed support on the proposed amendment to this Section, IPC suggested that the text should be modified for non-.Brand TLDs to specify and mandate “a binding and enforceable RRA with at least one ICANN accredited registrar that is not an Affiliate”. Conversely, BRG mentioned that the proposed amendment to Section 1(c) of Specification 7 appears to suggest that the Registry Operator is no longer permitted to activate up to 100 names for the operation or promotion of the registry through self-allocation methodology since the .Brand registry cannot commence the TM Claims period without appointing a registrar.
- **Specification 13 (.BRAND TLD Provisions), Section 9.1 (Definitions):** Both BRG and VL suggest modification to this Section as they believe the current language could imply that all Registry Agreements of a .Brand Registry Operator (including their non-Specification 13 TLDs) would be taken into account when voting.
- **Specification 13 (.BRAND TLD Provisions), Section 9.4 (Definitions):** BRG, VL and BC commented that the proposed text is an important safeguard for .Brand registries so that only those who have Specification 13 in their respective contracts will be able to vote through a change to its terms. BRG and VL believe that the amendment text could be interpreted in a manner that broadens the number of parties entitled to vote as .Brand registries, and BRG proposed text to address the concern. Several commenters stated that the number of domains under management (and thus fees to ICANN) is not an appropriate methodology for approval purposes and it is biased toward registries that generate fees to ICANN and does not recognize other valid business models or the value of other .Brand TLDs (BRG, VL, BC, IPC). BRG, VL, BC and IPC recommended removing the subsection (i) requirement from the vote while leaving the subsection (ii) requirement in place (with modification, in the case of BC). BC specifically recommended that subsection (ii) be modified to recommend a simple two-thirds majority vote. BRG also suggested that a quorum concept be introduced.
- **Specification 13 (.BRAND TLD Provisions), Section 11:** BRG, VL and IPC stated that this is an important safeguard for .Brand registries so that only those who have Specification 13 in their contracts will be able to vote to pass a change to its terms. BRG and VL also noted, however, that the power to veto by a vote of all registries is unacceptable, and noted that while it is appropriate that other Registry Operators should have the opportunity too, it is not appropriate that other registries have the final say on an amendment to contractual provisions which do not apply to them. As such, sub-clause (iii) should be deleted. IPC wrote that the requirement that all registries approval amendments applicable to .Brand registries may not strike the appropriate balance between the interests of the .Brand TLDs in controlling terms solely applicable to them and the interest of open TLDs in Specification 13 concerns. Additionally, both BRG and VL suggested that modification is required to clarify that bilateral negotiations may not be limited to those of a single registry with ICANN, but could be by a group of .Brand registries, such as those represented by the BRG, or even all .Brand registries. Thus, collective negotiations should not be limited to the Section 7.6 or Section 7.7 process.

Additionally, BRG commented on other provisions where amendments have been proposed. Except as noted above, BRG expressed their support or neutrality (where the proposed amendment does not affect .Brand TLDs) regarding such other provisions.

**Comments on the existing provisions in the Registry Agreement where no amendment is proposed:**

Some commenters expressed thoughts on sections of the Registry Agreement where no amendment was proposed. Below is the summary of these comments:

- **Section 6.1 (Registry-Level Fees):** CA recommended that this Section be revised to offer Registry Operators the option to choose to pay in their local currency (if the registry's domain names are marketed in their local currency) due to exchange rate fluctuations (particularly for Registry Operators located in weaker economies). CA notes that the lack of corrective exchange rate measures creates inconsistent and discriminatory treatment of certain Registry Operators.
- **Exhibit A (Approved Services), Section 1.2:** Several commenters stated that the proposed language creates ambiguity and also creates a path for Registry Operators to submit RSEP to introduce dotless domain names in the new gTLD name space (SSAC, BC, ALAC, IPC), while introduction of dotless domain names is prohibited by NGPC. Thus, the language should be revised to make clear that in no circumstance will introduction of dotless domains be permitted through the RSEP process (SSAC, BC, ALAC, IPC). SSAC stated that the offending text should be deleted and replaced with a straight-forward declaration that dotless domains are prohibited in new gTLDs, preferably in Specification 6 of the Registry Agreement.
- **Specification 4, Section 2.1.2 (Zone File Access, Credentialing Requirements):** DL recommended that facsimile be removed from this Section given that it is not considered a mandatory field. DL also noted that when creating accounts in CZDS, the mandatory fields should be consistent with Specification 4, Section 2.1.2 in order to save time for Registry Operators to review the CZDS request.

BC recommended that the following amendments should be made to the Registry Agreement:

- **Specification 11 (Public Interest Commitments):** BC noted that the word "pharming" should be removed from Specification 11, Section 3b given that it is a methodology for phishing and not a unique attack, while spam should be included, and suggested additional language that should be added to the applicable provision to prohibit abusive registrations. Additional language should be added to Specification 11, Section 3c so that it explicitly restricts the referenced set of security risks and requires Registry Operators to perform technical analyses on these risks and provide them to ICANN.
- **Specification 9 (Registry Operator Code of Conduct):** BC recommended that text should be added specifying ICANN's compliance actions for violations of the Code of Conduct.
- **Section 2.11 (Contractual and Operational Compliance Audits):** BC recommended that text should be added to (i) ensure that ICANN collects and publishes information regarding all audits (excluding business sensitive information) and (ii) stipulate enforceable actions that ICANN should take when registries fail audits.
- **Section 2.8 (Protection of Legal Rights of Third Parties):** BC recommended that text should be added to require a Registry Operator to notify ICANN of receipt of the reports referenced in Section 2.8, in the aggregate (without personally identifying information), and that ICANN then publish this data.

IT recommended that the following amendments should be made to the Registry Agreement:

- **Section 2.8 (Protection of Legal Rights of Third Parties) and Specification 7 (Minimum Requirements for Rights Protection Mechanisms):** IT expressed support to the modification of the UDRP (to protect Geographical Indications (GIs) used in the second-level domains) within the working group "All Rights Protection Mechanisms (RPMs) in all gTLDs". BC recommended adding a requirement that Registry Operators notify ICANN of receipt of applicable law enforcement and government contact (in the aggregate, and without personally identifying information), and requiring ICANN to publish such data.
- **Section 2.9 (Registrars):** IT recommended that this safeguard is needed to insert non-discriminatory criteria for the names to be included in the TLD Registry. Intellectual Property Rights ("IPRs") should also be included.
- **Section 7.16 (Special Provision Relating to Intergovernmental Organizations or Governmental Entities):** IT noted that IPRs should be included under this Section.

- **Specification 5 (Schedule of Reserved Names), Section 2 (Two-character labels):** IT recommended that the release of two-characters should be subject to approval by the governments only and should not require ICANN's approval.
- **Specification 5 (Schedule of Reserved Names), Section 4 (Country and Territory Names):** IT recommended that a recording should reserve all IPRs (particularly for geographical indications ("GIs")).
- **Specification 11 (Public Interest Commitments), Section 3a:** IT noted that GIs (or their equivalent) should be explicitly noted in the text which refers to the protection / infringement of trademarks.
- **Specification 11 (Public Interest Commitments), Section 3d:** IT recommended that the delegation of domain names with regard to categories of goods, such as agricultural or food ones, should be limited.
- **Specification 13 (.BRAND TLD Provisions):** IT commented that, without prejudice to current draft, it would be necessary to extend those provisions to any IPRs, particularly for GIs.

Registry Agreement in General:

- MJ and PF recommended that ICANN should reduce its fees for small registries. MJ stated that ICANN should reduce its fees for registries with less than 25,000 names registered. PQ suggested changes on how new Geo gTLDs operating a registry as non-profit TLDs should be charged. PQ proposed an agreement where all Geo gTLDs would pay \$0.50 for the first 50,000 names registered.
- Both eNACSO and IT stated that there should be an obligation for Registry Operators to ensure that the Registry Operator, their registrars and registrants are at all times in compliance with the UN Convention on the Rights of the Child. eNACSO recommended incorporating this requirement to the Registry Agreement by developing a policy, to be adopted as an annex to the Registry Agreement.
- The RySG requested that ICANN restate all executed Registry Agreements to incorporate the final amendments.

### **Comments on the negotiation, review process and, transparency of the amendment negotiation process, and other general comments**

Various commenters expressed concern regarding the fact that negotiations are taking place between ICANN and only a small portion of the RySG. BRG stated all Registry Operators should be notified of future negotiation rounds, and suggested that such notifications could be facilitated by GDD Engagement Managers. BC, ALAC, JP, IPC suggested that the entire internet community should be invited to take part in the negotiations, and the failure to do so runs counter to the ICANN principle of transparency.

BC and JP suggested that, for transparency purposes, ICANN should publish the negotiation participants' names and affiliations, meeting documents and more detailed explanations and background on the proposed changes (including proposed changes that were discussed by the Working Group but not ultimately included in the proposed amendments). BC and JP also recommended that further discussions with the broader community should be conducted regarding changes to these proposed amendments before they are finalized and sent to the ICANN Board for consideration.

BRG and VL commented that many .Brand-specific request were not accepted by ICANN during the negotiation process including: (i) release of country & territory and release of two-character country codes, (ii) CZDS requests, (iii) removal of COI/LOC requirement, and (iv) removal of EBERO for brand registries.

RySG commented on the process for how amendments developed pursuant to Section 7.7, once approved, are planned to be implemented. RySG expressed concern regarding potential problems and confusion that may arise from not having an authoritative version of each individual Registry Agreement publicly available. RySG recommended that ICANN restate all applicable Registry Agreements to incorporate the final amendments and publish each respective Registry Agreement on the ICANN website.

JP comments that ICANN's Global Domain Division should be abandoned, and contractual compliance should be moved into a separate division or department that includes consumer trust and protection, as well as domain name registrants' remedies and advocacy, reporting directly to the ICANN President and CEO, and the ICANN Board of Directors.



## Section IV: Analysis of Comments

*General Disclaimer:* This section intends to provide an analysis and evaluation of the comments submitted along with explanations regarding the basis for any recommendations provided within the analysis.

### **Analysis Process for ICANN and Working Group to Review the Public Comments**

ICANN appreciates all the comments added to the public forum for the proposed amendments to base new gTLD Registry Agreement, together with the comments and recommendations added for other sections of the registry agreement where there is no amendment proposed and also the comments on the negotiation and review process of the registry agreement.

It should be noted that Section 7.7(a) of the Registry Agreement provides a mechanism enabling ICANN or the RySG to periodically initiate negotiations to discuss revisions to the Registry Agreement. These negotiations may be initiated not more than once per year, and the first notice to initiate negotiations could not be submitted by either party prior to 1 July 2014. On 16 July 2014, the RySG notified ICANN that it wished to negotiate proposed changes to the Registry Agreement. As required by Section 7.7(b) of the Registry Agreement, ICANN engaged in a "Discussion Period" with the Working Group established by the RySG on the form and substance of proposed contract amendments that were submitted by the Working Group. The amendments, posted for comment on 31 May 2016, are the result of several months of negotiations between the parties on mutually agreeable text for the proposed amendments.

**Next Steps:** ICANN and the Working Group will consider and analyze the public comments. Once that analysis is concluded, ICANN and the Working Group will submit the proposed final version of the amendments for Registry Operator approval (according to the process defined in Section 7.6) and approval by the ICANN Board of Directors. If these approvals are obtained, the amendment will become effective upon 60 days' notice from ICANN to the Registry Operators.