Summary of Public Comments on Potential Allocation Methods for Single-letter and Single-digit Domain Names at the Second Level

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The public comment period on potential allocation methods for single-letter and single-digit domain names at the second level ran from 16 October to 15 December 2007. 36 comments were received. The public comments on this forum are archived at http://forum.icann.org/lists/allocationmethods/.

ICANN will develop a separate synthesis of the submitted comments and present proposed methods for allocation of single-letter and single-digit domain names at the second level for community consideration.

Background

This forum was initiated as a result of the GNSO Council and GNSO Reserved Names Working Group (RN-WG), which recommended that "single letters and digits be released at the second level in future gTLDs, and that those currently reserved in existing gTLDs should be released. This release should be contingent upon the use of appropriate allocation frameworks. More work may be needed. In future gTLDs we recommend that single letters and single digits be available at the second (and third level if applicable)." The recommendations of the RN-WG can be found at http://gnso.icann.org/issues/new-gtlds/final-report-rn-wg-23may07.pdf.

Currently, all 16 gTLD registry agreements (.AERO, .ASIA, .BIZ, .CAT, .COM, .COOP, .INFO, .JOBS, .MOBI, .MUSEUM, .NAME, .NET, .ORG, .PRO, .TEL, and .TRAVEL) provide for the reservation of single-letter and single-digit names at the second level. ICANN's gTLD registry agreements contain the following provision on single-letter and single-digit names. See Appendix 6 of the .TEL Registry Agreement, http://www.icann.org/tlds/agreements/tel/appendix-6-07apr06.htm ("the following names shall be reserved at the second-level: All single-character labels.").

Letters, numbers and the hyphen symbol are allowed within second level names in both generic top level and country code TLDs. Single letters and numbers also are allowed as IDNs -- as single-character Unicode renderings of ASCII compatible (ACE) forms of IDNA valid strings.

Before the current reserved name policy was imposed in 1993, Jon Postel (under the IANA function) took steps to reserve all available single character letters and numbers at the second level for future extensibility of the Internet (see 20 May 1994 email from Jon Postel, http://ops.ietf.org/lists/namedroppers/namedroppers.199x/msg01156.html). All but six (q.com, x.com, z.com, i.net, q.net, and x.org) of the possible 144 single letters or numbers at the second-level in .COM, .EDU, .NET and .ORG remain reserved by IANA. Those six registrations are an exception to the reservation practice. Under current practice, these names would be placed on reserve if the registrations were allowed to expire.

The RN-WG carefully considered technical implications of releasing single-letter and single-digit domain names from reservation, and engaged in discussions with technical experts as the working group recommendations were being developed.

There are currently 281 TLDs in the root zone (21 gTLDs, 249 ccTLDs and 11 evaluative translations of .TEST). Although nearly all single-letter and single-digit domain names are reserved in gTLDs, 24% of ccTLDs (60) have at least one single-character name registration. According to IANA, out of 9540 possible combinations of single-character ASCII names (containing 26 letters, 10 numbers, but not symbols, across 265 TLDs), 1225 delegations of single-character ASCII names exist in the TLD zones (See http://forum.icann.org/lists/gnso-rn-wg/msg00039.html).

ICANN has received many inquiries from third parties seeking to register single-letter and single-digit domain names, and has advised these parties that the names are reserved. Through the establishment of the comment forum on this subject, ICANN is following its bottom-up, multi-stakeholder model to develop suitable allocation mechanisms for the release of single-letter and single-digit domain names as recommended by the GNSO working group.

High-level Summary of Comments Received

36 comments were received representing a diverse range of views from individuals, companies, trade associations, organizations, registrars and the gTLD Registry Constituency. Comments were received from Canada, France, Germany, India, Japan, Russia, Sweden, Tunisia, and the United States.

Comments covered technical issues, the process resulting in the RN-WG recommendation, auction models, allocation methods, use of proceeds from the allocation of single-letter names, resolution of legitimate rights, DNS and security issues. The majority of the comments supported the allocation of single-letter names, and suggested different allocation methods, from auctions to random lottery to first come, first served, to registry allocation through the existing Registry Services Evaluation Process.

Of those that supported auction for single-letter domain names, the comments stressed that ICANN work with qualified and trusted third parties to manage the auction process to avoid gaming and manipulation. Auction types suggested included English style auction, sealed bids, Dutch auction, qualified auction, auction for slots to select names, and monthly auction of names.

Comments also covered a range of uses of allocation proceeds, from funding for ICANN, standards development organizations, Internet community needs, reducing registration fees, improving Internet infrastructure, supporting ccTLDs, supporting capacity building and participation in ICANN and security and stability funding.

General Comments

Technical/Process Comments

Karl Auerbach stated that "there is no technical reason why ICANN should have any policy on this matter" and that "this issue is purely one of economic and business regulation." See http://forum.icann.org/lists/allocationmethods/msg00001.html.

Danny Younger cited to technical concerns raised by John Klensin and asserted that the RN-WG recommendation was "pushed through the [GNSO] process exclusively by vested interests that had little concern for issues such as homographic spoofing, identifier integrity or DNS stability -- they just wanted to their domains regardless of what the technical community or any other community had to say about the matter." See http://forum.icann.org/lists/allocationmethods/msg00002.html.

Staff responded to the assertion raised by Mr. Younger that "the recommendations were promulgated to an uninformed and inattentive GNSO Council." Staff noted that the RN-WG "did not simply pass along the subgroup's recommendation without review. The RN WG recommendations were discussed by the GNSO Council during the ICANN meeting in Lisbon, and revised prior to the ICANN meeting in San Juan. The final report was discussed in the public GNSO Council meeting in San Juan." See http://forum.icann.org/lists/allocationmethods/msg00004.html. Mr. Younger's response is located at http://forum.icann.org/lists/allocationmethods/msg00005.html.

Mr. Younger also suggested that ICANN formally ask the technical community to resolve any differences of opinion on the release of single-letter names at the second level. http://forum.icann.org/lists/allocationmethods/msg00010.html.

Olivier MJ Crepin-Leblond questioned whether the Internet has changed technically to now allow release of single-letter domain names at the second level. http://forum.icann.org/lists/allocationmethods/msg00024.html.

Eric Brunner-Williams provided two technical comments on "single octet labels." See http://forum.icann.org/lists/allocationmethods/msg00031.html. He said "[t]he reservation of single octet labels allows for the future possibility of implementing a shared registry system which uses single octet labels to distinguish instances of a shared registry. Of course, other mechanisms than a second-level single-octet label-space can be used to implement a shared registry, but this particular mechanism, allowing a.com to refer to the A .COM registry instance, and b.com to the B .COM registry instance, etc, would allow user-visible policy to be associated with a mechanism for a shared registry."

Mr. Brunner-Williams noted that "[a]llocation of labels previously reserved for non-infrastructural purposes precludes their use for infrastructure." He also noted that "Single character domain names are possible, we simply need to ensure these are not implemented as single octet labels, and that single octet labels do not appear in the root, or in second level domains."

Jon Nevett submitted a comment on behalf of Network Solutions. See http://forum.icann.org/lists/allocationmethods/msg00030.html and http://forum.icann.org/lists/allocationmethods/pdfUoy3uT6Ys5.pdf. He noted that "we are unaware of any security or stability concerns that should prevent ICANN from releasing them [single-letter domain names at the second level]."

First Come, First Served or Equal Opportunity to Names

George Kirikos suggested two possible allocation methods: 1) randomized allocation to existing registrants, and 2) sequential auctions open to anyone for places in a queue to pick names. See http://forum.icann.org/lists/allocationmethods/msg00003.html. Summary of his second suggestion is included in the Auction section below.

Mr. Kirkos' suggestion for randomized allocation is as follows:

> "For example, to allocate M.com, all registrants of domain names beginning with the letter "M" in the .com space (e.g. ma.com, maa.com, mb.com, mother.com, movies.com, and maybe 5 million others!) that have been in existence for more than 6 days (to avoid the Add-Grace Period Issues) will receive either 1 ticket equally (i.e. unweighted), *or*, preferably, a number of tickets proportional to the length of time their domain name has been registered (a domain that was created 5 years ago would receive twice the weight as one created 2.5 years ago, and so on). The 1-letter domain name then would be randomly allocated to someone who was an existing registrant, who could then shorten their domain name."

Eugene from Moscow, Russia called for an equal opportunity to register single-letter domain names. He wrote: "Allow people to register one-symbolical domains as any others. Do not create monopoly, having allowed to sell such domains through auctions. Give simple people chance, do not make profit of it." http://forum.icann.org/lists/allocationmethods/msg00012.html.

Charley Chacko supported the idea of allocating single-letter domain names at the second level on a first come, first served basis, instead of an auction format. He also suggested holding back release of some names "that can be segregated for physically challenged/disable people in the Domaining world. I understand that these domains fetch a lot of money but it would also be nice to have lesser privileged to get them. I speak for myself as a physically challenged person." See http://forum.icann.org/lists/allocationmethods/msg00011.html.

Michaela Merz submitted two comments:
http://forum.icann.org/lists/allocationmethods/msg00014.html and
http://forum.icann.org/lists/allocationmethods/msg00016.html. She objected to the idea of auction for single-letter domain names, and instead suggested that "every interested party should register with ICANN. To ensure 'due process', everybody has to declare that he or she registers for him-/herself and not in the name of a company or organization."

"ICANN randomly picks a 'winner' from the list and offers him/her to select one of the available domains. This process continues as long as there are domains available. The process of 'picking' a name from the list has to be transparent and public."

Ms. Merz also noted that "I am deeply troubled by the idea that part of the 'public' Internet is going to be 'sold' to the highest bidder."

Auctions and Allocation Methods

George Kirikos proposed a set of auctions for the right to choose an unallocated domain name as this would raise the most money from the auction of single-letter domain names at the second level. He suggested one auction per month for the right to select from the 23 unallocated .COM single-letter domain names (he excluded single-digits and other TLDs for simplification of the example), until all 23 have been allocated. See http://forum.icann.org/lists/allocationmethods/msg00003.html.

A commenter named Kev noted his support for Mr. Kirkos' auction suggestion (above) and said "Pass the revenue back to regular domain registrants through a reduction of the annual ICANN

fee. The registries should only receive their standard $6 (or whatever) annual fee per domain."
See http://forum.icann.org/lists/allocationmethods/msg00006.html.

Khaled Koubaa suggested that single-letter names be allocated in the same manner as a new gTLD or sTLD to a single entity that would in turn make subdomains available to registrants. Mr. Koubaa suggested that this method could result in paid contribution to ICANN for each subdomain registered under these single-letter registries and that "[m]aybe this contribution should be less than the one [paid] for a domain name." See http://forum.icann.org/lists/allocationmethods/msg00007.html.

John Levine responded to the comment submitted by Mr. Koubaa, and noted that the single-letter domain names that are not currently allocated are "likely to be snapped up by large companies….At this point, I don't see any reason to treat one or two letter names any differently from any other names. This is particularly true in domains that allow second level IDNs since the number of single character names will be in the thousands." See http://forum.icann.org/lists/allocationmethods/msg00009.html.

Avri Doria submitted her idea for "auction with proceeds going for the public good." See http://forum.icann.org/lists/allocationmethods/msg00008.html. She noted that single-letter domain names at the second level were rare domain name resources and "establishing the auctions should be contingent on also establishing a separate fund for a benevolent foundation that would receive all of the income above costs from these auctions."

Ms. Doria suggested that the charter of this ICANN Foundation include activities such as:
- "Capacity building for those residents of developing and or digital-divide challenged areas. This should cover all the capabilities involved in creating registries and registrars in developing areas.

- "Capacity building would include both education and grants for specific projects. E.g. Grants to assist those from developing areas in applying to become registrars

- "Grants to assist those from developing areas in applying for new locally relevant gTLDs

- "Grants to assist those from developing areas to become registries"

Adam Peake supported the idea of auction with proceeds going for the public good, but limited the idea to "open and historic gTLDs, i.e. COM, NET and ORG." Mr. Peake wrote "I support the idea of revenues from these names being brought into a special fund. A trust fund independent or semi-independent of ICANN with proceeds used for the benefit of the global community. These are reserved names, not a new creation so do not belong to the registry operator as names have been by some of the newly created TLDs."

Mr. Peake also wrote that revenues from the auction of single-letter names might be used to address, among other things, two of ICANN's core principles: 1) to preserve the security and stability, reliability of the DNS and 2) achieve a broad representation of global Internet communities through structures that reflect the functional and geographic diversity of Internet users and international participation in decision making. He wrote "For example, helping developing nation ccTLDs achieve security and stability, reliability. Increase funds for participation, translation, interpretation so that a community of informed/sustaining participants can be developed." See http://forum.icann.org/lists/allocationmethods/msg00013.html.

Similar to the approach suggested by Mr. Kirikos, Jay Westerdal suggested allocation of slots by auction, and provided a link to his blog post detailing how such an auction could be managed.

"There is a huge demand for these domains and there is such a limited supply. I would like to propose an auction for these domains. The money raised goes towards improving and running ICANN, so the idea is to raise as much as possible from the auction. I personally think the best way to raise the most is to hold one auction slot a month." He also noted auctioning a slot to choose one domain per month has the effect of generating more interested bidders as press spreads of the event each month.

See http://forum.icann.org/lists/allocationmethods/msg00015.html and http://blog.domaintools.com/2007/10/single-letter-domain-auctions/. 39 comments were provided on Mr. Westerdal's blog in response to his post on single-letter domain name auctions.

John Berryhill questioned "why only kill the Golden Goose once" and suggested a combination of an initial auction with an annual registration fee that is some fraction (such as 10%) of the auction price. "If the auction is won at $1 [million USD], then the annual registration fee is [$100,000 USD]." See http://forum.icann.org/lists/allocationmethods/msg00018.html.

Paul Stahura suggested a Dutch auction model for the allocation of single-letter domain names. This is a model where the price starts high and decreases over time. "Whoever pays the price gets to pick the 1-letter domain they want, out of whichever ones are left."

He noted the benefits of the Dutch auction as having "a better chance of maximizing the revenue generated (to ICANN or whoever I guess) because bidders may pay more than they otherwise would have in an English auction"…and "it also has the benefit of being easier to implement. I also support the idea of a higher renewal fee (5-10% of bid sounds good) post-auction in the out years." See http://forum.icann.org/lists/allocationmethods/msg00019.html.

Alex Tajirian submitted a detailed paper titled *Allocation Methods for Single-Character Domain Names: Issues.* See http://forum.icann.org/lists/allocationmethods/msg00020.html and http://forum.icann.org/lists/allocationmethods/pdf9YeKclx2iZ.pdf. Mr. Tajirian outlined the stakeholder interests in determining the objectives of the auction, then addressed possible uses of the proceeds from the auction.

Five objectives were listed:
1. Extracting the highest value possible from the sales
2. Protecting and validating intellectual property rights in single letters
3. "Minimizing irrational bidding exuberance"
4. Resolving potential feature-related conflicts between the seller and the buyers
5. Ensuring trust and safety of the auction

Plausible uses of the proceeds were:
1. Improving Internet infrastructure
2. Supporting ccTLDs of developing countries
3. Lowering registration fees
4. Distributing proceeds to existing domain name owners
5. "Developing a three-regime domain name registration mechanism" (see http://www.domainmart.com/news/Toward_A_Three-Regime_Domain_Registration.htm.)

Mr. Tajirian stressed the importance of establishing the right design for the auction process. "The team in charge of allocation design should have a deep understanding of the theoretical design issues, be intimately familiar with the domain industry, and be able to draw on the successes and failures of previous onetime auction design implementations."

Olivier MJ Crepin-Leblond also suggested "If single letter domains are so expensive because of their scarcity, why not make them as expensive as 3G licenses and pay the premium fee towards network development & training in developing countries? Any other use of any premium funds paid is just another gift to registries."
http://forum.icann.org/lists/allocationmethods/msg00024.html.

Marilyn Cade submitted a detailed proposal for a managed auction process on behalf of Chuck Warren of Overstock.com. See http://forum.icann.org/lists/allocationmethods/msg00026.html and http://forum.icann.org/lists/allocationmethods/docvIKPNO38TY.doc.

The proposal recommends an allocation methodology for single-letter names in existing gTLDs, and acknowledges that "new registry operators should address allocation of single letters along with all other second level names in their registry applications." The proposal states that single letters and digits be handled in the same manner, but "digits that are confusingly similar to letters be auctioned in combination with the letter of similarity, in order to avoid confusion."

The Overstock proposal is based on the following seven principles:

1. Reserved names are unique due to having been in reserved status and deserve a special allocation methodology.
2. The names should be allocated via a process that respects established/prior use, with an established set of criteria.
3. ICANN should manage the qualification and allocation process, using qualified highly respected third parties.
4. The time frames of registration periods should be similar to other second level names; e.g. up to ten years, with a renewal expectation
5. ICANN should utilize a 'managed auction' operated by a reputable third party to undertake the allocation.
6. Applicants should pay a cost based fee to participate in the qualification and 'allocation/managed auction' process, over and above the allocation fee if a name is awarded.
7. The proceeds of the allocation mechanism should fully fund all administrative expenses, and support ICANN's core values, with a special focus on Core Values 1 and 4, by contributing to ICANN's operating expenses and furthering the objectives of increased participation in ICANN.

The proposal notes that reserved names are unique and "ICANN has a duty, and obligation to define and undertake the process in a highly structured manner that provides a defined process; publicizes the process widely; provides highly respected third party mechanisms to manage the respective processes, and ensure the integrity of the decision making of allocation."

The Overstock proposal calls for the recognition of existing rights and baseline criteria for participating in the managed auction of single-character domain names. "The release and allocation of these names should be made available for registration by a party with an

established use/right in the name, and through a process which creates a funding resource to contribute to ICANN's stability and benefits the wider ICANN community."

The proposal calls for an initial allocation fee, and following the lapse of the initial registration period, an annual registration fee comparable to the current marketplace for other registered second level domain names. Overstock states that these names should be registered through ICANN-accredited registrars and that costs paid to the registrar should be typical of the charge for any second level registration. The allocation fee should be paid separately direct to ICANN as the result of the allocation/auction process.

Overstock states that sponsored TLDs should follow a similar process with the addition that parties must satisfy sponsored criteria for registration in a particular TLD. A sponsored TLD could elect not to participate in the allocation of single-character domain names "if their community would be harmed in any way by such an allocation, including through the creation of confusion of users or if there are not parties in the community who have longstanding public use of such names."

If a sponsor elected to allocate single-character domain names, "the process and the funds from any allocation process should be dealt with in the same manner as non sponsored registries. The only unique aspect is the additional requirement for eligibility as is suitable to a sponsored gTLD."

Under the Overstock proposal, after conclusion of the qualification process, if there are at least two qualified applicants per letter identified, an allocation/managed auction of the name should be held by the qualified independent third party. "If there is only one qualified applicant who self identifies, ICANN should publish at least one more time after a gap of 30 days to encourage awareness of the process and procedures. If no other applicants pursue qualification, the name can be allocated through a closed bid process."

If there are no applicants, Overstock stated that the names should remain in reserved status. Those winning the allocation must agree to actively use the domain name "within a reasonable time, possibly within 6 months. Names should default to ICANN if these provisions are violated, and should not be allowed to be transferred or resold."

Parties participating in the allocation would pay an administrative fee to help offset the cost of operating the process. As an example, "if there are 10 bidders for a single name, and the administrative fee is $200,000, each bidder would pay a non recoverable fee toward 50% of the administrative cost, with the winner paying the remaining 50%, plus their offered fee amount."

To achieve standing as a qualified applicant, Overstock stated that parties provide evidence of prior activity, such as trademark or trade name use, trademark ownership or "public use of the letter or digit in a public marketing campaign for a period of more than two years prior to the call for the Public Forum on Allocation Methods for Single Letter and Single Digit Domain Names." Overstock suggested that ICANN develop a qualification process based on selected characteristics of the UDRP, Sunrise and STOP processes. The Overstock proposal "rejects the eligibility of parties who cannot show existing use in a form of the names being released."

Overstock suggested that ICANN contract with a globally trusted third party to manage the qualification and allocation processes. This party should be "an independent entity with no present involvement with ICANN as a contracted party or reseller, or involvement in domain name marketing, domain name distribution or resale." The contracted party should be subject to auditing and be bonded.

Overstock also proposed the following requirements for publication:

> Each 'name' will have a different set of applicants, since the qualification criteria establish existing use of the name in some verifiable manner.

> An active publication process by ICANN should be undertaken covering both stages of the process, using appropriate public forms of notice such as advertising in journals or newspapers where parties are likely to take note of the process, as well as the ICANN web site.

> The party responsible for developing and conducting the allocation/managed auction process should publish, via ICANN, a documented allocation/managed auction process, following guidelines.

Overstock recommended that the proceeds from the allocation be used to manage the allocation process and cover ICANN's administrative costs, with 1/3 of the remaining funds be used contribute to the general expenses of ICANN, contribution to contingency and reserve funds for ICANN, and another 1/3 for use in capacity building. Capacity building categories could include:

1) Participation of developing countries in ICANN's activities, including financial support for increasing means of participation by all stakeholders;
2) Initiatives that create and enhance capacity building in areas of security directly related to ICANN's mandate, e.g. DNS-SEC, etc.
3) Awareness/training/educational events that expand the capacity of developing country participants who are interested in participating in the IDN and new gTLD award processes, such as workshops that explain the process; orientation sessions held in the regions; language translation of relevant documents; etc. Support is not intended to fund applications, due to the issues involved regarding ICANN liability, perceptions of potential collusion, etc.

Finally, Overstock suggested that ICANN create a restricted fund or foundation to manage the funds generated from the allocation of single-character domain names. The fund or foundation should be subject to accountability and transparency standards and managed by an independent advisory group.

Jon Nevett submission on behalf of Network Solutions noted "we support using an auction to release the [single-letter] names". He noted that a first come, first served system could be gamed and that a lottery proposal might raise legal concerns around the use of lotteries. He wrote "an auction would maximize revenue that could be used in ways to benefit the broader Internet community" but "the auction process must be fair and transparent." See http://forum.icann.org/lists/allocationmethods/msg00030.html and http://forum.icann.org/lists/allocationmethods/pdfUoy3uT6Ys5.pdf.

Network Solutions suggested that ICANN publish a Request for Proposal for an auctioneer to manage the auction process, carefully consider some of the auction proposals submitted into the comment forum, and hire an expert to advise it on how best to maximize revenue.

Network Solutions did not support limiting the auction to parties "with previous interest or prior rights in a particular name. We believe that anyone should be allowed to bid on any single

character name that they desire. In this way the auction process will promote competition." The company also did not support giving immunity to an auction winner from UDRP challenges.

Mr. Nevett wrote "the auction process should provide the greatest benefit to the largest portion of the Internet community as possible. Lowering the costs of domain names would be the most tangible broad-based benefit."

Network Solutions supported the idea that funds created from the release of single character names should be used to reduce the ICANN transaction fee as this provided "an opportunity for ICANN to help offset such unjustified registry fee increases."

Ray Fassett submitted a position statement on behalf of the gTLD Registry Constituency (RyC), supporting the recommendation of the RN-WG but opposing a "one-size fits all allocation method". Instead, the RyC believes the best approach is to allow each operator to select its own allocation method. See http://forum.icann.org/lists/allocationmethods/msg00035.html and http://forum.icann.org/lists/allocationmethods/pdfdWqSlWRMNE.pdf.

13 RyC members (out of 15) participated in the creation of the position statement. Nine voted in support of the statement, while six constituency members did not vote. The RyC position is as follows:

> The gTLD Registry Constituency (RyC) supports the recommendation in the report of the GNSO Reserved Names Working Group (RN-WG) that "single letters and digits be released at the second level in future gTLDs, and that those currently reserved in existing gTLDs should be released." The reservation of single-digit domains is a contractual condition for each of the existing 16 gTLD registries and we support the RN-WG's removal of this contractual condition in future gTLDs. Adoption of this recommendation would be in accordance with the principles of equity and fairness that should guide ICANN's contractual relationships with all registries.

> Due to the fact that there are significant differences amongst the existing 16 gTLD registries, the RyC recognizes that finding an appropriate allocation method (or methods) and determining potential uses of revenue is not an easy task. It is for this reason that there are significant differences that we strongly oppose a one-size fits all allocation method, both for existing registries and for future gTLD registries.

> For existing registries, the RyC believes that the best approach is to allow each operator or sponsor to choose its own method of allocation. We note that the Registry Services Technical Evaluation Process exists as one method for each registry to develop a fair, predictable and timely procedure for ICANN to handle requests for authorizations, approvals or consents required by our contracts or related contractual amendments. In short, we believe a process exists today to enable each existing gTLD registry or sponsor to implement an allocation method of single-digit domains in a manner most likely to be consistent to its individually delegated purpose and mission.

Michael Palage submitted a comment on the RN-WG group dynamics and issues regarding registry allocation of single-letter domain names at the second level. He directed emphasis to the wording in the RN-WG recommendation that "more work may be needed" on the use of appropriate allocation frameworks. Mr. Palage also noted that the wording was unanimously approved by the working group, which was comprised of diverse interests from those that supported the use of the existing process for registry services requests to "other participants

that favored a more regulatory (i.e. one size fits all) approach that would be mandated on all gTLD providers through a PDP." See http://forum.icann.org/lists/allocationmethods/msg00032.html.

Mr. Palage noted that relying on reliance on Sunrise and first come, first served registration processes was not sufficient in promoting adopting and use of TLDs. He referred to RFP processes and unique allocation proposals of recently launched sTLDs as examples of registry innovation. Mr. Palage supported "deference to registries via the funnel request process regarding reserved name allocation."

Mr. Palage wrote it was "somewhat troubling that ICANN feels that it is part of its mandate to analyze 'potential uses' of additional revenue that a registry operator might recognize through the normal operation of its business….If ICANN believes that it needs more money to fund its continued growth, than it should look to other non-gTLD sources as oppose to the gTLD sources that continue to bear the financial burden of ICANN's operations."

Finally, he noted "A uniform one size fits all approach simply does not work, and is not in the best interest of competition and innovation. Through the funnel process, the ICANN community already has built in safeguards to ensure that the new proposed registry service is an 'appropriate allocation framework.'"

Rob Hall posted a document titled *Blueprint for the Allocation of Single Character Domain Names*, in support of an auction process for single-letter domain names in order to provide a secure and stable funding source for ICANN, and fair and balanced allocation process. See http://forum.icann.org/lists/allocationmethods/msg00034.html.

> "While it may not be a populist view to consider these Domains assets of ICANN, they are in fact exactly that. As such an Asset, I believe they should be used to further the goals of ICANN. In the case of these Domains, that would be mainly through the financial support of ICANN….It is also important to note that the initial allocation of these Domains is critical. Given the expected value of these Domains, there will likely be very little turnover of them."

Mr. Hall's *Blueprint* examined the different auction models available for consideration (English auction, sealed bid, and Dutch auction). He supported the use of the Dutch auction model as the model for generating the most revenue with the least amount of gaming.
He wrote that with the Dutch auction, "Issues such as technology failure, shill bidding and other auction gaming are eliminated. It also ensures the privacy of the bidders, as no bid is ever public, as only the first bid matters, that being the highest and the ultimate winner."

Further, "[t]he beauty of this type of auction is in its simplicity. This type of auction is extremely easy to implement. One basically publishes a schedule of the prices, and then allows bidders to ring in when they want the domain at that price. There would be very little system development required, if any."

> "Although Dutch Auctions provide for the least possibility of gaming, the Auction provider must at all times be vigilant of bidders playing games with each other…If company X were to issue statements designed to intimidate other bidders, they should be immediately disqualified from the auction. I can easily see a situation where company X states they will sue anyone else who wins the domain. This tampering with an auction, while seemingly simply on the face of it, must not be allowed."

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Mr. Hall stated that the goal of the auction must be to provide ICANN with an ongoing revenue source, and proposed that participants in the auction bid on the annual registration price for the domain name. "For example, if the winning bidder was to bid 4 million dollars for X.com, then their annual renewal price would be 4 million dollars."

He wrote "Until ICANN goes through the market driven process of allocation, it is unknown what the global value of a domain is. Self interested entities that argue for a one time fee are simply opportunists and do not have the continued success of ICANN in mind."

He proposed "to keep things simple" and noted "ICANN is going to, through its own methods and policies, determine what it desires to spend money on, and how much it needs each year. We should simply allocate any funds to ICANN in general, and let the budget process work."

Mr. Hall's *Blueprint* also suggested that the registrar constituency create a non-profit company to become an ICANN-accredited registrar, and that this collective registrar be responsible for the allocation and maintenance of all single-letter domain names. He wrote that the funds brought into the registrar would be given to ICANN as earlier stated in the proposal. Registrants of single-letter domain names would have to agree not to transfer the names to another registrar. He also suggested that the UDRP could still apply to single-letter domain names, but a successful claimant would be responsible for the originally bid annual registration fee.

Mr. Hall did not support pre-qualification for bidding or limiting the bidding to those parties with existing rights.

Dominik Filipp wrote in support of allocation of single-letter domain names via a "one-shot auction process. Everyone interested in single letter names should have legitimate opportunity to take part in such an auction on equal basis giving the same chance to all bidders. A suitable auction company could be chosen among eligible and credible auction companies in a separate tender held by ICANN." See http://forum.icann.org/lists/allocationmethods/msg00036.html.

He noted that auction tender provisions could set a "fix-price fee clause for each name sold on auction instead of profiting on percentual basis…the ICANN steering committee could then choose the auction company offering the lowest fix-price fee per successful auction transaction."

Mr. Filipp did not support pre-allocating names or providing preferential treatment for trademark owners. He did support the suggestion from Ms. Doria for establishing a foundation responsible for offering grants in areas related to Internet community needs.

Resolution of Claims of Legitimate Rights

Faith Zulu submitted three comments in support of a sunrise period of at least 30 days for the holders of trademark rights "to avoid unnecessary litigation": see
http://forum.icann.org/lists/allocationmethods/msg00017.html,
http://forum.icann.org/lists/allocationmethods/msg00023.html, and
http://forum.icann.org/lists/allocationmethods/msg00028.html. This commenter also suggested "Make the process simple; invite parties with established rights to apply for them, draw a list of acceptable documents to confirm rights, if more than 1 apply for the same name allocate them on first come first served basis, offer them on a fixed fee basis. This will ensure a just and equitable distribution."

JFC Morfin submitted a comment on confusion and trademark rights issues related to single-letter domain names. See http://forum.icann.org/lists/allocationmethods/msg00021.html. He noted "I am not sure how this simplifies the life of the users. But I am sure lawyers will enjoy battle between ibm.l.com and ibm.1.com and IBM.I.com registrants….I suggest that first we start with 'o.com' and '0.com' for an initial six month test. Then that we run a review by an external expert."

Scott Lowry wrote "The first allocation should be to those that have rightfull claims to the single letter domain names. I for one was rightfully assigned 'e.com' and then had it taken away." See http://forum.icann.org/lists/allocationmethods/msg00022.html.

DNS and Security Uses

InfraGuard National Members Alliance (INMA) submitted comments focusing on security and potential uses from the allocation of single-letter domain names. INMA is the private sector side of the US Federal Bureau of Investigation's InfraGuard program. See http://forum.icann.org/lists/allocationmethods/msg00025.html and http://forum.icann.org/lists/allocationmethods/pdfqUbjwFcSG2.pdf.

INMA noted "We understand that pursuing a more vigorous security agenda will require resources and that the creation of single letter domains offers an opportunity to capture additional resources. We believe that ICANN can appropriately use these new resources to pursue security outcomes, particularly in building capacity in the top-level domain (TLD) and the registry/registrar communities."

The Cyber Conflict Studies Association (CCSA) submitted a comment in support of allocation of single-letter domain names for security purposes. "The CCSA believes that the establishment of single letter domains will expand the opportunities for ICANN to use its resources to pursue greater security in and among the TLD and registrar communities. CCSA also believes that ICANN must continue its efforts to deal with inappropriate uses of domain names, combat growing risks from botnets, and foster a dialogue on security and stability across its broad stakeholder base."
See http://forum.icann.org/lists/allocationmethods/msg00027.html and http://forum.icann.org/lists/allocationmethods/pdfBfH5hJJUFJ.pdf.

Paul Kurtz submitted a comment on behalf of Richard Clarke of Good Harbor Consulting on the release of single-letter domain names.
> "I understand that certain approaches to the allocation of single letter domains would yield revenue to ICANN. Given growing concerns about the security and reliability of the Internet, I request that the Board adopt revenue generating proposals and prescribe that the significant share of any revenue derived from allocating these domains be dedicated to strengthening the Internet. For example, funding could be used to expand use of DNSSec, IPv6, and secure BGP, as well as fund additional research into other means to strengthen the fundamental protocols and unique identifier systems of the Internet. Taking such a step will demonstrate ICANN's commitment to the long term security and reliability of the Internet." See
> http://forum.icann.org/lists/allocationmethods/msg00029.html .

Daniel Dardailler of the World Wide Web Consortium (W3C) suggested that a trust fund or foundation such as a "DNS Foundation" be created to manage the proceeds generated by the

allocation of single-letter domain names (as well as future funds generated from the creation of new TLDs).

Mr. Dardailler wrote:
- The Trust Fund shall have as its mission to support the ongoing technical development of the Internet and Web for the global, common good, and to promote the stability, utility, and universal accessibility of these platforms.
- The Trust shall be managed by a multi-stakeholder board, with public accountability, transparency, and a clear mission statement.
- A portion of the funds shall be used to support Standards Development Organizations (or "SDOs", including the W3C, the IETF, and the Unicode Consortium) whose global mission aligns with that of the Trust fund.

He noted "If, as ICANN intends, the TLD market is to open significantly, it may be time to recognize the fundamental role of these SDOs and to provide them with support." See http://forum.icann.org/lists/allocationmethods/msg00033.html.