



Merck KGaA · Germany · Frankfurter Str. 250 · 64293 Darmstadt

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Dear Mr. Chalaby,

I write to you at the suggestion of Erika Mann in your capacity as a member of the ICANN gTLD Program Committee. The attached note addresses our growing concerns about the protection of our trademark rights within the new gTLD process. (Please note that I have also sent this note to all Program Committee members, to representatives of the EU Commission and to Mr. Fadi Chehadé and Mr. Akram Atallah. We have finally signalled our concerns to participants in the GAC from countries where we own exclusive trade mark rights).

In view of our concerns, I trust that you will understand why we are respectfully asking ICANN to :

- instruct WIPO to review the decisions made in the **WIPO Cases LRO2013-0009, LRO2013-0010 and LRO201** on the basis of the true, correct and accurate facts and the LRO Standard;
- Revoke or amend ICANN's the gTLD Program Committee Resolution adopted on July 13, 2013 recommending the acceptance of late filings through the relevant DRSPs because it apparently took no account of the unique circumstances of our case.

Let me also make clear that Merck KGaA is entirely favourable to the eventual creation of the community gTLD ".Merck", provided that the process proceeds according to your established rules and in an open and transparent way.

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Commercial Register AG Darmstadt HRB 6164
Registered Office: Darmstadt
Chairman of the Supervisory Board:
Rolf Krebs

Executive Board and General Partners:
Karl-Ludwig Kley (Chairman),
Kai Beckmann, Stefan Oschmann,
Bernd Reckmann, Matthias Zachert

Thank you for your kind attention to these issues of great importance for Merck KGaA. I am at your personal disposal at the coordinates below for any further information you may require or questions you may have.

Yours sincerely,

François Naef

Merck Group General Counsel

Cc: Erika Mann, Member of the ICANN Board

Dr. Karl-Ludwig Kley, Merck CEO

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Summary

This note addresses the growing concerns of Merck KGaA about the protection of our trademark rights within the new gTLD process. In view of these concerns, we are respectfully asking ICANN to :

- Instruct WIPO to review the decisions made in the **WIPO Cases LRO2013-0009, LRO2013-0010 and LRO201** on the basis of the true, correct and accurate facts and the LRO Standard;
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Background to our ICANN concerns

Merck KGaA is the world's oldest chemical and pharmaceutical company, based outside Frankfurt. Merck's US company, Merck & Co., was expropriated after the first world war. The two companies have been entirely independent of each other ever since.

Since 1932 Merck KGaA - hereafter referred to as Merck - and Merck & Co. – hereafter referred to as MSD (reflecting various mergers in the US) - have been party to a series of territorial trademark agreements under which MSD owns the trademark and name rights to “Merck” for the US and Canada, and Merck for the rest of the world. This territorial arrangement has been fully accepted and lived by both parties well before the advent of the internet.

Today Merck are increasingly concerned that MSD is using the name “Merck” in a wide range of online communications outside the US and Canada and have been unwilling to adapt the existing trademark agreements to ensure that Merck's exclusive rights continue to be respected. This has led Merck to initiate lawsuits against MSD, notably in the UK, France and Germany.

The ability to fully enjoy these established trademark rights is of central strategic importance for Merck's future both within the EU and in high-growth developing economies around the world. There is no reason why the gTLD process cannot produce an outcome which is fair for both parties, provided ICANN's rules are respected.

I. WIPO Cases LRO2013-0009, LRO2013-0010 and LRO2011

Merck has filed a Legal Rights Objection (LRO) to MSD's application for „Merck”, which has been submitted by ICANN to WIPO for resolution based on specific substantive criteria set out in ICANN's Guidelines. WIPO has now rejected Merck's objection based on **wrong facts**. In addition, **WIPO has abdicated the responsibility conferred on it by ICANN to rule on the substance of Merck's objections.**

Misstating critical key facts of the Applicant's position

The Panel based his decisions in all three matters on the fact that Applicant MSD will take all necessary measures, including geo-targeting, to avoid Internet users in which the Objector Merck has trademark rights. To quote from the decisions:

*"It is possible that Applicant's (MSD's) use of the Disputed gTLD String could create a likelihood of confusion with Objector's (Merck's) mark as to the source, sponsorship, affiliation, or endorsement of the Disputed gTLD String. However, such possible confusion would not be greater than any that may already exist as a result of two similar companies using a similar trademark as the result of a common history. **Applicant has made it clear that it will take all necessary measures, including geo-targeting, to avoid that Internet users in the territories in which Objector has trademark rights, will be able to visit websites that use the Disputed gTLD String. Should Applicant use the Disputed gTLD String in a way that infringes the rights of Objector, Objector shall be free to take the appropriate legal measures.**" [emphasis added]*

As a matter of verifiable fact, it is rather the Objector Merck, not the Applicant/Respondent MSD in these cases that has made geo-targeting provisions! Objector Merck **already** employs similar technology on its current second-level domain spaces, and has affirmatively committed to using geo-targeting in its application for the .MERCK TLD space.

MSD on the other hand has made **absolutely no** provision for geo-targeting, and has made clear it will not take such steps should the contested TLDs be delegated to its control. Indeed, in its applications, MSD. has made very clear its intention to license domain names within the contested TLDs to affiliated entities located outside of North America, **despite the fact that its rights in the relevant trademarks do not extend outside this limited geographic region.** MSD has blatantly indicated that it will make no provisions to prevent trademark infringement, and is using these applications to inappropriately (and dramatically) expand the scope of its trademark rights.

Accordingly, the WIPO Panel has mis-attributed the arguments of the Objector Merck to the Respondent MSD, and has issued his decision in the matter on that basis. The decisions, therefore, are not only inaccurate, but are contrary to the facts of the case.

Misinterpretation of the LRO Standard

The WIPO Panel has essentially and incorrectly decided the case on the basis of Uniform Domain Name Dispute Resolution Policy (UDRP) jurisprudence and the wrong assumption that the determination whether the potential use of the applied-for gTLD by the applicant takes unfair advantage of the distinctive character or the reputation of the objector's registered or unregistered trademark requires a use of the gTLD in "bad faith". To quote from the decisions: "In essence there should not be a significant difference between the criteria for the Legal Rights Objection as included in the (ICANN) Guidebook on the one hand and the provisions included in the UDRP."

However, the LRO regulations **specifically require** the arbitration panel to **affirmatively decide** whether the granting of a gTDL is likely to infringe on third party's intellectual property rights.

Art. 3.5.2. of the Applicant Guidebook states:

In interpreting and giving meaning to GNSO Recommendation 3 (“Strings must not infringe the existing legal rights of others that are recognized or enforceable under generally accepted and internationally recognized principles of law”), a DRSP panel of experts presiding over a legal rights objection will determine whether the potential use of the applied-for gTLD by the applicant takes unfair advantage of the distinctive character or the reputation of the objector’s registered or unregistered trademark or service mark (“mark”) or IGO name or acronym (as identified in the treaty establishing the organization), or unjustifiably impairs the distinctive character or the reputation of the objector’s mark or IGO name or acronym, or otherwise creates an impermissible likelihood of confusion between the applied-for gTLD and the objector’s mark or IGO name or acronym.

The Panel does not cite any authority for this statement, which is not based on any plausible interpretation of the LRO Policy, the Guidebook, or any public recommendations from ICANN. Had ICANN intended to use the UDRP as the standard for the LRO mechanism, it would have been extremely easy to simply indicate this requirement in the Guidebook, instead of developing an entirely novel procedure based heavily on the tenets and wording of EU trademark law.

The LRO procedure was conceived by ICANN to resolve issues of **trademark infringement**, not mere abusive domain registration, the intent of the UDRP, and as such contains wording directly parallel to traditional EU trademark law. Thus, it is the Panel’s duty to review key trademark issues, such as the scope of the parties’ rights, the existence of trademark use agreements, and the potential harm caused by the use of the TLD by the Respondent.

This understanding has been upheld by the majority panel in the *Del Monte* decision (*Del Monte Corporation v. Del Monte International GmbH*, WIPO Case No. LRO2013-0001), which found it appropriate for LRO panels to prevent such abusive behavior. The situation in the *Del Monte* case is extremely similar, wherein the objector holds the dominant rights in the trademark, and the respondent is limited by contractual arrangement in its use of the relevant mark. The *Del Monte* panel took into account the prior co-existing use of the parties, the fact that the respondent’s conduct would vastly exceed the scope of its legal rights, and the impermissible detriment that the respondent’s global use of the mark (where it does not possess relevant rights) would cause to the objector. As stated by the panel:

“The Objector has established at least a prima facie case that the Respondent’s intended use of the applied-for gTLD, to the exclusion of the Objector and the other licensees, is likely to unsettle the delicate balance struck by the competing interests of the parties under the licensing arrangements and, more importantly, is likely to create an impermissible likelihood of confusion with the Objector’s Trade Mark as to the source, sponsorship, affiliation or endorsement of the applied-for gTLD. [...]

The Panel majority therefore concluded in the *Del Monte* decision, for the reasons specified above, that the Objection is valid and should be upheld.”

The Panel has failed in the WIPO Cases LRO2013-0009, LRO2013-0010 and LRO2011 to apply the LRO Policy, as confirmed in the *Del Monte* decision, and to rule whether the granting of the gTLD “.Merck” to MSD would infringe on Merck’s exclusive rights to the trademark Merck outside the USA and Canada.

The Panel further notes that the Objector is free to seek legal redress. This is not an appropriate response. The LRO mechanism was designed specifically to ensure that trademarks are protected in the new DNS, to prevent wide-scale infringement, and to avoid that the legal owner of

trademark rights be obliged to litigate the issue before the courts of over 160 countries to enforce its rights.

II. MSD's Community Objection

MSD's lawyers sent their community objection to Merck's application for „Merck” 11 minutes past the long-established March 14th deadline (and then lied about the reason). The ICC therefore refused to accept it. There then followed a bizarre sequence of events in which ICANN's ombudsman, under pressure from MSD's lawyers, recommended to overturn this ICC decision. On July 13th, ICANN's gTLD Program Committee (NGPC) adopted a Resolution recommending the acceptance of such late filings and forwarded it to the ICC, who sent the ball back to ICANN. On October 10th, the Governance Committee of the ICANN Board recommended that Merck's Request for Reconsideration of the NGPC's Resolution of July 13th be **denied**, thereby totally ignoring the fact that the NGPC made its decision after various members received one sided information from MSD only.

At no time before the resolution of the NGPC has Merck been kept informed or been heard in this matter of high consequence for us, despite our efforts once we became aware of it. Should the resolution of the NGPC be upheld, it would amount to a violation of long-established legal principles as well as a violation of the trust placed by all stakeholders in ICANN itself. In effect, ICANN would **abuse its power and monopoly** by making a retroactive modification of the process and rules for new gTLD applications in order to accept late filings, including MSD's objections to Merck's application, which was in addition based on one-sided information.

We have deep concerns regarding the NGPC's Resolution and the ICANN Board of Governance's recommendation of October 10, 2013, which urges the NGPC to deny the Reconsideration Request of Merck. Our concerns relate both to procedure and policy.

Procedural concerns

There are several reasons why the Governance Committee's ruling is disturbing. In the first place, it is extremely alarming that of the seven members of the ICANN Governance Committee, no less than four of these members are also a part of the NGPC (thus, over 57% percent of the Governance Committee). It is thus difficult to see the Governance Committees' decision as a neutral or impartial ruling.

Secondly, the Board has found that Merck's allegations did not constitute “a proper basis for Reconsideration.” This is an unjustified statement, as Merck did indeed clearly outline the numerous grounds for its challenge. Under Article IV of the ICANN Bylaws, establishing the Reconsideration Request process, a Reconsideration may be initiated where a party has been harmed by:

“- one or more staff actions or inactions that contradict established ICANN policy(ies); or
- one or more actions or inactions of the ICANN Board that have been taken or refused to be taken without consideration of material information, except where the party submitting the request could have submitted, but did not submit, the information for the Board's consideration at the time of action or refusal to act; or
- one or more actions or inactions of the ICANN Board that are taken as result of the Board's reliance on false or inaccurate material information.”

As alleged in Merck's Request for Reconsideration, the NGPC (on behalf of the ICANN Board) took actions that contradicted established ICANN policies. These policies are the

ICANN Bylaws, which the NGPC is expressly required to follow when making any modifications to the Guidebook procedures (Article 23(a)). The Bylaws require the NGPC, the Board, and any committee acting on behalf of the Board, to make “*decisions by applying documented policies neutrally and objectively, with integrity and fairness,*” and to ensure that all policy development mechanisms are undertaken in an “*open and transparent*” manner, to “*ensure that those entities most affected can assist in the policy development process.*”

Merck’s Reconsideration Request was therefore clearly and properly brought pursuant to the first point.

Thirdly, it is unacceptable that the Ombudsman could have extensive unilateral communications with MSD without informing us and that the NGPC failed to hear Merck before making its determination.

As to the fourth ground, the NGPC did act on the basis of incomplete information. As made very clear during the course of Merck’s Request for Reconsideration, there were (and are) sincere doubts as to the accuracy of the allegations of MSD regarding its late filing. Initially, MSD claimed that a “technical issue” prevented the filing of the complaint. However, once Merck provided evidence showing that MSD’s counsel was able to file its LRO actions just minutes before the midnight deadline and that MSD’s counsel was not stating the truth, MSD’s altered its line of argument, and claims of “human error” were raised.

Since it is clear ICANN staff and the Ombudsman were engaged in unilateral communications with MSD, and Merck was prevented from contradicting the claims of MSD, it is highly likely that the NGPC entered its ruling on the basis of inaccurate material information. All of these allegations were included in Merck’s Reconsideration Request, although the ICANN Governance Committee declined to consider the majority of these points.

If ICANN takes no action in this matter to rectify the current situation and reverse the NGPC’s inappropriate ruling of July 13, 2013 at least insofar as it is understood to apply to MSD’s late filing, Merck will have no recourse but to take further legal action, including claiming that ICANN’s conduct constitutes an abuse of dominant position

ICANN policy regarding late filings

In its July 13th meeting the NGPC adopted three resolutions: (i) a resolution on the .gay case, (ii) a resolution on the .axis case and (iii) a catchall resolution that in the “interests of fairness and reasonableness, DRSPs can use their discretion, in light of the facts and circumstances of each matter, as to whether or not to grant extensions or deviate from the deadlines in the Applicant Guidebook”.

First of all, it is not acceptable according to universally accepted legal standards that rules are retroactively modified to please a party which has failed to comply with the rules without any good excuse.

Should the Board of ICANN to accept this, this would undermine the entire credibility of the gTDL process and offer no legal certainty to applicants.

In any case, the minutes of the NPGC meeting mention the following reasons for the decisions made:

“Both reports and respective requests therein are presented in the spirit of fairness and reasonableness to the affected parties. Beyond the two Ombudsman reports, ICANN has received several other inquiries from objectors, applicants, and the DRSPs about issues

related to late filing and whether the DRSPs have the discretion to deviate from the specific deadlines set forth in the Applicant Guidebook.

In the interest of fairness and reasonableness, and after a review of the Ombudsman reports, the NGPC has determined that it is appropriate for the NGPC to ask the DRSPs, in light of the circumstances presented by the Ombudsman, to reconsider their strict adherence to the deadlines set forth in the Applicant Guidebook and apply reasonable judgment in such matters. Taking this action will have a positive impact on ICANN's accountability to the community, as it is appropriate to review all applicable circumstances when taking decisions that have significant impact on participants within ICANN.”

From the minutes it appears that other than the two cases mentioned above (.gay and .axis), the Ombudsman did not discuss any other specific cases having been filed late and that the catchall resolution should only be applied in the future. However, the Ombudsman clearly knew about the MSD case (.merck), in which MSD filed its objection after the deadline published in the Guidebook – indeed even after the grace period retroactively established.

It is therefore difficult not to conclude that the Ombudsman proposed a general regulation for fair and reasonable treatment of missed deadlines by the DRSPs although he was well aware that besides the .gay and .axis case there was another case (the .Merck case) in which an objection had been rejected due to a missed deadline for no mitigating reason. Moreover, an apparently misleading reference was made to several other inquiries from objectors, applicants, and the DRSPs about issues related to late filing and whether the DRSPs have the discretion to deviate from the specific deadlines set forth in the Applicant Guidebook.

It remains unclear in which cases such inquiries had been made – an analysis of all objection cases filed (at the end of this document) shows 6 cases filed within the grace period (5 minutes after the deadline) but no further case requiring the catchall resolution of July 13th. The impression remains that the recommendations were based in part on awareness of the .merck case although it had not been presented to all members of the NGPC. So the question arises:

Why had the .merck case not been presented (in an official report) although the Ombudsman and some members of the NGPC had been informed about the case before the July 13 meeting?

One reason is very likely that the situation of the .axis and .gay cases are not comparable to the .merck case:

- In the .gay case it was the dispute resolution provider ICC, not the filing party, who made a data entry error which resulted in the non-delivery of a deficiency notice.
- In the .axis case it was an applicant for the gTLD .axis not filing its defence to an objection after the window set by the applicant guidebook;
- In the .merck case it was the objector MSD filing its objection late.

If at all then only the .axis case shows some parallels to the .merck case as in the .axis case the missed deadline was a result of the failure of one of the parties - the defending

party. However, despite the Resolutions made on July 13th, WIPO did not accept on September 20th the late filing of the .axis defence based on the following arguments:

“As the ICANN Ombudsman’s report acknowledges, the WIPO Center does not perceive a legal basis for jurisdiction on the part of this ICANN Office over the WIPO Center as an external Dispute Resolution Service Provider. This question of competence aside, as previously pointed out to ICANN in communications of June 14 and July 31, 2013, the WIPO Center notes that, contrary to what is stated in the ICANN Ombudsman’s report, the LRO procedure, including notably the sanction introduced in Article 11(g) of the Procedure, was not established by the WIPO Center but by ICANN. Also contrary to what is stated in the report, the WIPO Center had neither at that time refused the Applicant’s response, nor accepted it, but had rather suspended action in the proceeding to seek guidance from ICANN. The WIPO Center has further noted that the report indicates that for the purpose of the report the Ombudsman contacted the Applicant, and that the report makes no mention of contact with the other party. In its letter of July 31, 2013, the WIPO Center requested clarification from ICANN whether the NGPC resolutions were intended as a specific instruction to accept the Applicant’s response. In a reply on August 27, 2013, ICANN, rather than confirming any such intent, requested “that WIPO review the facts and circumstances of the .AXIS objection, and inform all parties of its decision regarding whether it will accept the late filing of the response by the applicant.” In terms of the substance of the issue before it, the WIPO Center recalls that Article 11(g) of the Procedure states that “[i]f the Applicant fails to file a Response to the Objection within the 30-day time limit, the Applicant shall be deemed to be in default and the Objection shall be deemed successful”. The WIPO Center further recalls that the Objector expressly refused to agree to an extension of the relevant time period to enable the Applicant’s response to be considered.

In addressing the implication of Article 11(g) of the Procedure for the present case, the WIPO Center has carefully considered all the facts and circumstances. This review inter alia confirms numerous instances in which the Applicant was informed, including well before the formal notification of the proceeding, both of the applicable timeline for its submission of a response and of ICANN’s sanction in the event of failure to timely submit such a response. Relevant party communications were made by the WIPO Center on March 14, March 25, April 18, and May 14, 2013.

Even with broad discretion in applying Article 11(g) of the Procedure to all the facts and circumstances, the WIPO Center simply finds insufficient basis to accept the late-filed response. As a consequence of Article 11(g) forming part of the Procedure, the WIPO Center must therefore conclude that “the Applicant shall be deemed to be in default and the Objection shall be deemed successful.”

The WIPO Center shall not proceed any further with this case.”

In the .Merck case, the fact is that MSD has simply missed the deadline. There has been no technical failure and no mistake by a third party. MSD has just not complied with ICANN’s rules and in addition lied when asked for explanations. This behaviour can in no event be justified under the NGPC’s desire to act in the “interest of fairness and reasonableness”. On the contrary, accepting MSD’s late objections would constitute an arbitrary decision, which would definitively undermine the credibility of ICANN’s process and be unfair to those who have diligently complied with ICANN’s regulations.

The ICC has yet to decide about a reassessment of its rejection of MSD's objection for late filing. We urge ICANN to make clear that the NPGC Resolution of July 13th is not intended as a call for blanket approval of objections unjustifiably filed beyond the adopted grace period.

Analysis of all objections filed:

1. Community Objections

List of cases: <http://www.iccwbo.org/products-and-services/arbitration-and-adr/expertise/icann-new-gtld-dispute-resolution/pending-cases/>

The list contains in total 6 cases (page 133 – 139) which **had been filed within the grace period of 5 minutes**. All such cases are marked with the following information:

*Following ICANN's decision on the interpretation of timely filing of cases, this Objection is considered to be filed within the deadline of 13 March 2013.

2. String confusion objections at ADR

List of cases:

http://images.go.adr.org/Web/AmericanArbitrationAssociation/%7B84484e2b-a304-4a61-85e4-1a68383eed21%7D_ICANN_DRP_StringConfusion_Objections.pdf

None of the 67 cases had been filed late according to the information as published at the DRSP's website

3. Legal right objections filed at WIPO

List of cases:

<http://www.wipo.int/amc/en/domains/lro/cases>

None of the 69 cases had been filed late according to the information as published at WIPO's website