

Via Email: Correspondence@icann.org

March 17, 2020

ICANN 12025 Waterfront Drive, Suite 300 Los Angeles, California 90094-2536, USA

Attn: Board of Directors

Dear ICANN Board Members:

## Re: Public Comments on Proposed Amendment to .COM Registry Agreement

I am writing to bring to your specific attention a study that we conducted on the Public Comments submitted in connection with the proposed amendment to the .COM Registry Agreement. Our study indicated that the public was <u>overwhelmingly against</u> the proposed price hike. This overwhelming opposition by the public at large was bolstered by several members of the ICANN community who submitted detailed and compelling comments explaining w*hy* ICANN <u>can and should reject</u> Verisign's request to increase the maximum price permitted or that ICANN should at least <u>conduct a study</u> prior to proceeding.

A copy of the study is attached herewith as a PDF, and is also available via CircleID:

http://www.circleid.com/posts/20200306\_report\_and\_analysis\_of\_public\_comments\_sub mitted\_to\_icann\_part\_i/ (Part I)

http://www.circleid.com/posts/20200306\_report\_and\_analysis\_of\_public\_comments\_sub mitted\_to\_icann\_part\_ii/ (Part II)

We trust that you realize the importance of public comments when it comes to billion-dollar issues such as raising the wholesale price of .com domain names. Indeed, on February 11, 2020, ICANN President and CEO, Göran Marby acknowledged that "Public Comment is an important part of ICANN's processes and is fundamental to the multistakeholder model of Internet governance" and "encourage[d] all stakeholders to get involved and submit their comments".

As we saw with the recent .org comment period, ignoring overwhelming public sentiment is likely to cause irreparable damage to ICANN's reputation and legitimacy. As our study discusses, in our view Staff did a disservice to the Board in its analysis of the .org Public Comment by substituting Staff's own views for those of the public, thereby depriving the Board of an accurate assessment of the .org Public Comment and hindering the Board's ability to conduct its oversight function.

The Board, who is responsible for ICANN's public service mission, would be well advised to make this billion-dollar decision itself rather than defer to Staff. Staff may have institutional interests at stake which conflict with ICANN's mission. ICANN's policy making process is broken if it defers to Staff to formulate policy on issues of such significance to the global public, especially considering that Staff negotiated the proposed registry amendments without first having sought or obtained stakeholder input.

In order to avoid a repeat of the severe miscalculations that were apparently made in connection with .org, we are providing you with our study of the Public Comments so that the Board as well as senior Staff can see for themselves just how vehement, widespread and well supported by strong rationales the opposition is. In our view it would be another severe miscalculation to proceed with the proposed amendment terms in light of the results of the Public Comments.

Sincerely,

# INTERNET COMMERCE ASSOCIATION

Per: Zak Muscovitch General Counsel, ICA

cc: Göran Marby, President and CEO, ICANNcc: Cyrus Namazi, SVP, GDD, ICANNcc: David Olive, SVP, Policy Development Support

#### Report and Analysis of Public Comments Submitted to ICANN on the Pricing Provisions in Proposed Amendment 3 to the .COM Registry Agreement

#### By Zak Muscovitch and Nat Cohen

March 6, 2020

#### **Overview of the Public Comments**

ICANN's call for Public Comment on Proposed Amendment 3 to the .com Registry Agreement yielded 9,040 public comments during the six-week comment period that ran from January 3, 2020 to February 14, 2020.<sup>1</sup> The public response was amongst the most robust if not the most robust, that ICANN has ever received.<sup>2</sup> To put this in context, the last several Public Comment periods received under 20 comments apiece.<sup>3</sup> This Public Comment produced nearly three times the number of comments received during the recent comment period regarding the .org registry agreement (3,332), which was itself nearly unprecedented.

The record volume of diverse comments demonstrates the substantial public interest in the proposed changes to the .com agreement and to .com's stature, as by far the dominant global TLD with over 140 million registrations. It also reflects the enormity of the proposed price increases which cumulatively amount to nearly \$1 billion<sup>4</sup> over the next four years followed by a perpetual cycle of further compounding price increases.

The ICANN Board's decision to approve or disapprove of the Proposed Amendment to the .com Registry Agreement is therefore one of the most significant decisions before the Board both because of the millions of registrants that will be affected by the decision and also because the Board will be called upon to justify how imposing price increases on registrants is in the public interest.

#### Background

The ICANN Board relies upon Staff reports summarizing and analyzing public comments to accurately inform the Board of the views of the public on the issues before the Board. The ICA conducted its own review and analysis of the public comments submitted regarding the pricing provisions of the proposed Amendment 3 to the .com Registry Agreement because, in the ICA's view, ICANN Staff regrettably failed to provide the ICANN Board with an accurate analysis and summary of the public

<sup>&</sup>lt;sup>1</sup> See: <u>https://mm.icann.org/pipermail/comments-com-amendment-3-03jan20/2020q1/date.html</u>

<sup>&</sup>lt;sup>2</sup> The only higher response level may be the .xxx Public Comment in 2010, where 13,000 public comments were received, yet approximately 80% of the comments were identical. See <u>https://kierenmccarthy.com/2010/05/18/summaryanalysis-of-dot-xxx-issue/</u>

<sup>&</sup>lt;sup>3</sup> See: <u>https://www.icann.org/public-comments</u>

<sup>&</sup>lt;sup>4</sup> See: <u>https://www.theregister.co.uk/2018/11/02/dotcom\_domains\_pricing/</u>

comments which were recently submitted in connection with the proposed renewal of the .org Registry Agreement.<sup>5</sup>

ICANN Staff prepared a "Staff Report of Public Comment Proceeding"<sup>6</sup> after the Public Comment period generated over 3,300 comments. 98.1% of those comments opposed the renewal terms,<sup>7</sup> in particular the elimination of price caps on .org. The section of the Staff Report devoted to an "Analysis of Comments" on "The Removal of the Price Cap Provision" contains no mention of these views. Instead Staff used that section to restate its own original rationale in favor of eliminating the price caps.<sup>8</sup>

The Staff Report's "Analysis of Comments" section suppressed the voice of the public. It failed to convey the breadth and depth of public opposition. It failed to analyze the numerous substantive arguments made by the public in opposition to the removal of price caps. Staff, in an implicit rebuttal of the views of the public, inappropriately substituted its own position in support of eliminating the price caps in place of the public's strong opposition to that position. Staff's acknowledgement of the public's views was limited to its statement that "ICANN org will consider the feedback from the community on this issue."

This cursory dismissal of over 3,300 public comments, without a genuine effort to analyze the arguments made, renders the entire Public Comment exercise, and the efforts of thousands of people to engage with ICANN, nothing more than a charade.<sup>9</sup> ICANN Staff was not to be dissuaded from proceeding with the decision that ICANN Staff had already made, regardless of the views of the public, nor did Staff fulfill its responsibility to provide an analysis of the public comments to the ICANN Board. This fundamentally self-serving approach to analyzing the public comments provided misleading guidance to the ICANN Board on a serious policy issue and undermined the Board's oversight function.

The ICANN Board's reliance on an unsatisfactory Staff report of the .org comments likely contributed to the ICANN Board's failure to appreciate the vehement opposition by the public to the proposed terms negotiated by Staff and led the Board to believe that it

<sup>&</sup>lt;sup>5</sup> See: <u>https://www.icann.org/public-comments/org-renewal-2019-03-18-en</u>

<sup>&</sup>lt;sup>6</sup> See: <u>https://www.icann.org/en/system/files/files/report-comments-org-renewal-03jun19-en.pdf</u>

<sup>&</sup>lt;sup>7</sup> See: <u>https://reviewsignal.com/blog/2019/06/24/the-case-for-regulatory-capture-at-icann/</u>

<sup>&</sup>lt;sup>8</sup> See for example under Part IV, "the Base gTLD Registry Agreement lays the framework for consistency for registries, registrars and registrants, and provides for operational efficiencies for ICANN org"; see also "Removing the price cap provisions in the .org Registry Agreement is consistent with the Core Values of ICANN org; see also "Enacting this change will not only allow the .org renewal agreement to conform to the Base gTLD Registry Agreement, but also takes into consideration the maturation of the domain name market and the goal of treating the Registry Operator equitably with registry operators of new gTLDs and other legacy gTLDs utilizing the Base gTLD Registry Agreement".

<sup>&</sup>lt;sup>9</sup> Also see reference to "charade", here at #2: <u>https://www.internetcommerce.org/ica-statement-on-icanns-announced-changes-to-the-com-registry-agreement/</u>

was appropriate for the Board to defer to Staff<sup>10</sup> on the consequential decision as to whether to approve the controversial terms that Staff negotiated for the renewal of the .org agreement.

As a result, ICANN "elected to plow ahead with [its] chosen course of action"<sup>11</sup> to remove price caps on the .org registry, in seeming disregard of the public's feedback as demonstrated by over 3,300 public comments against the new terms, and despite ICANN's Bylaws requiring it to be "responsive" to public comments.<sup>12</sup>

ICANN's decision regarding .org was made by ICANN Staff and not the ICANN Board as one would have expected for such a substantial and high-profile issue,<sup>13</sup> particularly where the public was so overwhelmingly opposed. The Board's dereliction of its duty to safeguard the public interest arguably led in part to the current .org crisis: the uproar over Ethos Capital's announced intention to acquire the .org registry.<sup>14</sup> Although Ethos Capital has denied that ICANN's decision to remove price caps on .org factored into its decision,<sup>15</sup> it is undeniable that had ICANN not removed price caps the acquisition would have been less attractive financially to Ethos Capital and may have even discouraged it from happening in the first place. Moreover, Ethos Capital would not be in the position it is today of intending to unilaterally raise prices by 10% per year on average for eight years and by as much as it would like thereafter.<sup>16</sup>

ICANN's failure to heed the public interest as expressed by the public so clearly through the Public Comment forced members of the public to develop separate channels for making their voice heard outside of the Public Comment framework, resulting in over 34,000 individuals and over 800 organizations voicing their strong opposition.<sup>17</sup> This in turn led to ICANN coming under scrutiny by the California Attorney General,<sup>18</sup> members

<sup>&</sup>lt;sup>10</sup> "ICANN has still yet to explain why it decided to ignore 98 per cent of the 3,600 comments that argued against lifting .org price caps. Or why that decision was made by staff and not the board, despite it being of significant interest to the community."

https://www.theregister.co.uk/2019/12/11/icann\_transparency\_org/

<sup>&</sup>lt;sup>11</sup> "What is the Purpose of ICANN's Comment Periods", *Ibid.* 

<sup>&</sup>lt;sup>12</sup> See Section 3.1 of ICANN's Bylaws: <u>https://www.icann.org/resources/pages/governance/bylaws-en/#article1</u>

<sup>&</sup>lt;sup>13</sup> See <u>https://www.icann.org/en/system/files/correspondence/namazi-to-muscovitch-26jul19-en.pdf</u>

<sup>&</sup>lt;sup>14</sup> See: <u>"Ethos Capital to Acquire Public Interest Registry from Internet Society"</u>, November 13, 2019.

<sup>&</sup>lt;sup>15</sup> See: <u>https://www.keypointsabout.org/faq</u>

<sup>&</sup>lt;sup>16</sup> See: <u>https://www.keypointsabout.org/pressrelease</u>

<sup>&</sup>lt;sup>17</sup> See: <u>https://savedotorg.org/</u>

<sup>&</sup>lt;sup>18</sup> See: https://www.icann.org/en/system/files/correspondence/ca-ago-to-icann-board-23jan20-en.pdf

of Congress,<sup>19</sup> the French Ambassador for Digital Affairs,<sup>20</sup> and the National Association of State Charity Officials,<sup>21</sup> amongst others.

The clear lesson here is that an accurate assessment of public comments is crucial and that ICANN's ability to fulfill its mandate to act in the public interest is undermined when ICANN ignores the public. As Michael Karanicolas stated in his article, ignoring such substantial public opposition leads to the question of "whether any level of public opposition would have been sufficient to force [ICANN] to change [its] strategy".<sup>22</sup> If ICANN ignores the public and the public interest, its legitimacy and stewardship of the domain name system come under severe scrutiny and criticism. ICANN cannot afford to let this happen again.

The .com Public Comment period has just been completed which involved, in part, a proposal to increase the .com registry's pricing by 7% in four out of six years of the current Registry Agreement.<sup>23</sup> As with .org, the public outcry was enormous and nearly universally opposed to the price increase. Due to ICANN's failures with .org, many observers are now understandably skeptical of ICANN's willingness to be responsive to the public as required by its Bylaws. Nevertheless, ICANN has the opportunity to do right by the millions of .com registrants on whose behalf concerns were delivered to ICANN through the Public Comment process and to avoid making a similar policy error as with .org.

Some hope exists that ICANN will take a different approach than it did with .org. ICANN President Göran Marby acknowledged that "Public Comment is an important part of ICANN's processes and is fundamental to the multistakeholder model of Internet governance" and encourage[d] all stakeholders to get involved and submit their comments".<sup>24</sup> This is in stark contrast to comments by the ICANN Ombudsman relating to the .org decision, in which he dismissed many public comments as being "akin to spam."<sup>25</sup> Those comments, to the contrary, were genuine expressions of the views of thousands of individuals who on their own initiative chose to participate in the Public Comment period.<sup>26</sup>

It is not enough for ICANN to go through the motions of receiving Public Comment while setting aside the substance of those comments. It ill-serves the ICANN Board, the

<sup>&</sup>lt;sup>19</sup> See:

https://www.warren.senate.gov/imo/media/doc/2020.01.16%20Letter%20to%20ICANN%20about%20sale %20of%20.ORG%20registry.pdf

<sup>&</sup>lt;sup>20</sup> See: <u>https://www.icann.org/en/system/files/correspondence/verdier-to-marby-07feb20-en.pdf</u>

<sup>&</sup>lt;sup>21</sup> See: https://www.nasconet.org/wp-content/uploads/2020/01/NASCO-ltr-011720.pdf

<sup>&</sup>lt;sup>22</sup> See: <u>http://www.circleid.com/posts/20190914</u> what is the purpose of icanns comment periods/

<sup>&</sup>lt;sup>23</sup> See: <u>https://www.icann.org/public-comments/com-amendment-3-2020-01-03-en</u>

<sup>&</sup>lt;sup>24</sup> See: https://www.icann.org/news/blog/com-public-comments-and-facts

<sup>&</sup>lt;sup>25</sup> See: http://domainincite.com/24720-org-price-cap-complaints-more-like-spam-says-ombudsman

<sup>&</sup>lt;sup>26</sup> See: <u>https://www.internetcommerce.org/wp-content/uploads/2019/09/Letter-to-ICANN-Ombudsman-September-12-2019.pdf</u>

legitimacy of ICANN as an institution, and the public for whose benefit ICANN ostensibly exists. For Public Comment to be meaningful, ICANN must have an accurate understanding of the nature of the public comments and be respectful of and responsive to them. It is equally crucial that the ICANN Board this time be directly involved and not rubber-stamp a decision by ICANN Staff which goes against the public interest and which is overwhelmingly opposed by the public.

#### Summarizing the Public's Sentiment

A combination of manual review and use of a tool developed to search through the public comments yielded the following results. First and foremost, nearly all public comments were against the Proposed Amendment. Only seven (7) commentators<sup>27</sup> submitted comments which were identified as being clearly in favor of the Proposed Amendment out of a total of 9,040, as represented by the below chart wherein those public comments in favor of a price increase are so miniscule as to be imperceptible.



The vast majority of public comments came from members of the public who identified themselves as .com domain name registrants. Several registrars such as Namecheap,<sup>28</sup>

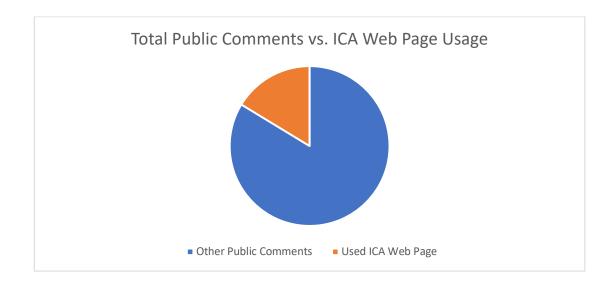
<sup>27</sup> While we endeavoured to identify all comments in support of the price increase there may be additional ones that the search tool and manual searching have not yet identified. The ones identified are: <a href="https://mm.icann.org/pipermail/comments-com-amendment-3-03jan20/2020q1/000056.html">https://mm.icann.org/pipermail/comments-com-amendment-3-03jan20/2020q1/000056.html</a>, two submissions by the same commentator (<a href="https://mm.icann.org/pipermail/comments-com-amendment-3-03jan20/2020q1/000293.html">https://mm.icann.org/pipermail/comments-com-amendment-3-03jan20/2020q1/000293.html</a> and <a href="https://mm.icann.org/pipermail/comments-com-amendment-3-03jan20/2020q1/000323.html">https://mm.icann.org/pipermail/comments-com-amendment-3-03jan20/2020q1/000323.html</a>, <a href="https://mm.icann.org/pipermail/comments-com-amendment-3-03jan20/2020q1/000320.html">https://mm.icann.org/pipermail/comments-com-amendment-3-03jan20/2020q1/000320.html</a>, <a href="https://mm.icann.org/pipermail/comments-com-amendment-3-03jan20/2020q1/000386.html">https://mm.icann.org/pipermail/comments-com-amendment-3-03jan20/2020q1/000386.html</a>, <a href="https://mm.icann.org/pipermail/comments-com-amendment-3-03jan20/2020q1/000550.html">https://mm.icann.org/pipermail/comments-com-amendment-3-03jan20/2020q1/000550.html</a>, <a href="https://mm.icann.org/pipermail/comments-com-amendment-3-03jan20/2020q1/000550.html">https://mm.icann.org/pipermail/comments-com-amendment-3-03jan20/2020q1/000550.html</a>, and Verisign's comment: <a href="https://mm.icann.org/pipermail/comments-com-amendment-3-03jan20/2020q1/000550.html">https://mm.icann.org/pipermail/comments-com-amendment-3-03jan20/2020q1/000550.html</a>, and Verisign's comment: <a href="https://mm.icann.org/pipermail/comments-com-amendment-3-03jan20/2020q1/008989.html">https://mm.icann.org/pipermail/comments-com-amendment-3-03jan20/2020q1/008989.html</a></a>

<sup>&</sup>lt;sup>28</sup> See: <u>https://domaininvesting.com/namecheap-help-us-avoid-com-price-increases/</u>

NameBright,<sup>29</sup> Dynadot<sup>30</sup> and GoDaddy<sup>31</sup> contacted their customers towards the end of the Public Comment to inform them of the Public Comment opportunity and to invite them to submit comments to ICANN.<sup>32</sup> The vast majority of all comments were submitted during the last few days of the Public Comment period, shortly after this outreach by the registrars, apparently by customers of one of the aforementioned registrars. Indeed, many commentators note in their comment that they were submitting a comment after being alerted to the issue by their respective registrar.<sup>33</sup>

The Internet Commerce Association created a web page to make it more user friendly for the public to submit a public comment<sup>34</sup> and NameBright in particular directed its customers to this page. The web page encouraged users to identify themselves by their interest and enabled users to submit a comment either "for" or "against" the Proposal, as they wished. Indeed, all the comments, aside from Verisign's own comment, which were identified as supporting the price increase, were submitted using ICA's web page.

Approximately 1,474 public comments out of the 9,040 total were identified as being submitted through the ICA web page (about 1 in 6 or 16.3%).<sup>35</sup>



<sup>&</sup>lt;sup>29</sup> See: <u>https://domaininvesting.com/namebright-upcoming-price-hikes-for-com-voice-your-opinion/</u>

<sup>&</sup>lt;sup>30</sup> See: https://domaininvesting.com/dynadot-shares-important-industry-updates/

<sup>&</sup>lt;sup>31</sup> https://domaininvesting.com/godaddy-let-your-voice-be-heard/. GoDaddy contacted only a small number of its larger customers.

 <sup>&</sup>lt;sup>32</sup> See <u>https://domaininvesting.com/namecheap-help-us-avoid-com-price-increases/</u>
<sup>33</sup> Based on a manual search combined with a text search of all submitted comments.

<sup>&</sup>lt;sup>34</sup> See: https://domaininvesting.com/ica-oppose-price-hikes-com/

<sup>&</sup>lt;sup>35</sup> Calculation based on those comments identified as employing phrases offered for election by users on the ICA developed web page.

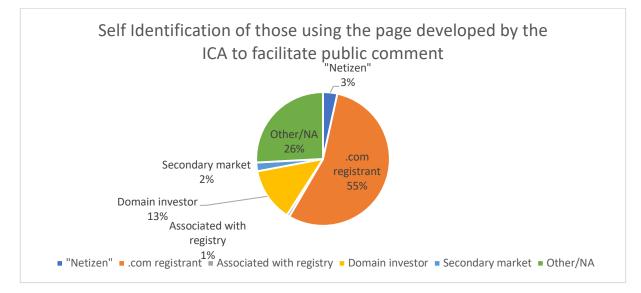
The ICA had previously created a similar web page to facilitate public engagement with the Public Comment period for the .org registry agreement renewal. Some ICANN community members dismissed all public comments submitted on the .org agreement as being the handiwork of domain investors.<sup>36</sup> In order to clear up such misconceptions and to better enable ICANN staff to determine the interests of those who used the ICA-developed web page to submit a comment with regard to the .com agreement, the form encouraged users to self-identify according to their particular interest in the subject. The options were as follows:

#### STEP 1: LET ICANN KNOW WHO YOU ARE

It is important that you let ICANN know that you are a real person with a legitimate viewpoint. Please select the one category that best describes you:

- $\bigcirc$  I use the Internet but I am not a .com registrant.
- $\bigcirc$  I am a registrant of a .com domain name.
- $\bigcirc$  I am associated with a registry.
- $\bigcirc$  I am a domainer (I invest in domain names as a business).
- $\bigcirc$  I am associated with the secondary market in domain names.

A total of 51 commentators selected, "I use the Internet but I am not a .com registrant". A total of 810 indicated that they were a registrant of a .com domain name. Ten were associated with a registry. A total of 191 were domain investors and a further 31 were otherwise associated with the secondary market in domain names. The remainder of those using the ICA web page did not clearly self-identify their interest.



Though the ICA web page was promoted within the domain investor community and by NameBright - a registrar that caters to a large number of domain investors in addition to its other customers - only 15% of those who used the ICA web page indicated that they are a domain investor or otherwise have a connection with the domain aftermarket. The

<sup>&</sup>lt;sup>36</sup> "In a world where the domainers can gin up 3k ridiculous comments" at <u>https://atlarge-lists.icann.org/pipermail/at-large/2019q4/006685.html</u>

majority of all those using the form indicated that their interest is simply "as a .com registrant".

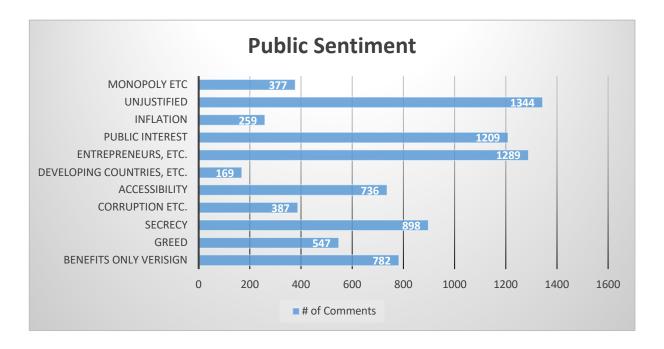
# Arguments Made in Opposition

The public comments of the approximately 99.9% of members of the public who were against the Proposal made frequent note of the following themes in particular:

- a) Verisign's monopoly power;
- b) .com pricing is already higher than justified;
- c) The proposed price increases are higher than the rate of inflation;
- d) The terms are not in the public interest;
- e) The negative impact on entrepreneurs and small businesses;
- f) The negative impact on those in developing countries and those who are poor;
- g) Making an online presence less accessible;
- h) The appearance of corruption, often in relation to the \$20 million payment;
- i) Secrecy or the lack of transparency;
- j) Greed of the parties involved; and
- k) Only Verisign wants a price increase;

Based on keyword and phrase analysis, the below chart illustrates the frequency of various arguments within the universe of near total opposition to the proposed price increases.<sup>37</sup>

<sup>&</sup>lt;sup>37</sup> The data here is illustrative only and is not meant to be a comprehensive accounting. These sentiments were phrased in a wide variety of ways and only certain of the most common formulations are tabulated in this chart.



# PUBLIC COMMENTS FROM ICANN CONSTITUENCIES

Several ICANN Constituencies submitted public comments.

*Intellectual Property Constituency:* <sup>38</sup> The IPC "did not take a specific position on price increases" beyond stating that registries should not be permitted to set prices too high or too low.

**Business Constituency:**<sup>39</sup> The BC "has no practical objection to price increases" however noted that "some BC members are concerned that Verisign has not provided justification for increasing .COM prices". The BC also stated that based on its previous positions and in consideration the receipt of \$20 million in funding and the inclusion of Spec 11, that the BC supported the price increase limits set forth in Amendment 3 to the .COM agreement.

**Registrar Stakeholder Group:**<sup>40</sup> The RrSG noted that .com has a 74% market share of all gTLD registrations and 40% of all domain name registrations including ccTLDS. It stated that before agreeing to remove any pricing restrictions for.COM, ICANN should

<sup>&</sup>lt;sup>38</sup> See <u>https://mm.icann.org/pipermail/comments-com-amendment-3-</u>

<sup>03</sup>jan20/attachments/20200214/8b6db50c/IPCRevisedCommentsreAmendmentFINAL14Feb2020.pdf <sup>39</sup> See: <u>https://mm.icann.org/pipermail/comments-com-amendment-3-</u>

<sup>03</sup>jan20/attachments/20200214/8a5c706e/BCCommenton.COMRegistryAgreementAmendment3.pdf <sup>40</sup> See: <u>https://mm.icann.org/pipermail/comments-com-amendment-3-</u>

<sup>03</sup>jan20/attachments/20200214/a83f9e31/RrSGresponsetoProposedAmendment3tothe.COMRegistryAgr eement-2.pdf

conduct an economic study of whether competition can effectively constrain prices. It stated that performing such a study is consistent with ICANN's obligations under its Bylaws and is consistent with the September 2018 recommendations of the Competition, Consumer Choice, and Consumer Trust Review Team (CCT-RT). It stated that since the burden for an increase falls on the registrant, it is incumbent on ICANN to ensure that any decisions made are based on relevant data and that any price increases have been duly considered with the entire community's best interests in mind.

The RrSG stated that the proposed price increases are without sufficient justification or an analysis of its potentially substantial impact on the DNS. It stated that ICANN has not explained how increased domain name prices are in the public interest or how this furthers the security and stability of the DNS. It stated that the price increases appear to only to benefit one company, which has the right to operate .com in perpetuity (and without a competitive bidding process). It stated that this is inconsistent with ICANN's bottom-up multi-stakeholder model.

The RrSG stated that ICANN and Verisign agreed in 2016 to cap prices at \$7.85 through 2024 and that ICANN has not provided any explanation or justification for why this arrangement must be changed now.

The RrSG stated that without sufficient transparency and community oversight, the \$20 million payment to ICANN by Verisign "gives the payment a questionable appearance".

The RrSG stated that significant and substantial changes to a registry agreement that will have long term and far-reaching impact on the Internet should occur only after consultation with the ICANN community, and because ICANN did not undertake such consultation it is not clear that ICANN negotiated the Proposed Amendment with the interests of the community ahead of those of Verisign or ICANN org.

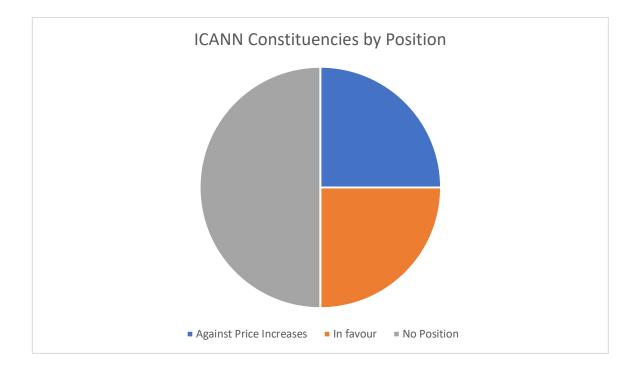
*At-Large Advisory Committee:*<sup>41</sup> The ALAC submitted a lighthearted Valentine's Day greeting to the ICANN Board and did not comment on price increases at all.

No comments were identified as being from NCUC, NPOC, Registries Stakeholder Group, or Internet Service Providers.

The following chart represents the public comments of the above-identified constituencies.<sup>42</sup>

 <sup>&</sup>lt;sup>41</sup> See: <u>https://mm.icann.org/pipermail/comments-com-amendment-3-</u>03jan20/attachments/20200214/1dd7ba4b/AL-ALAC-ST-0220-03-00-EN.pdf
<sup>42</sup> Treating ALAC as a constituency, as it sometimes calls itself:

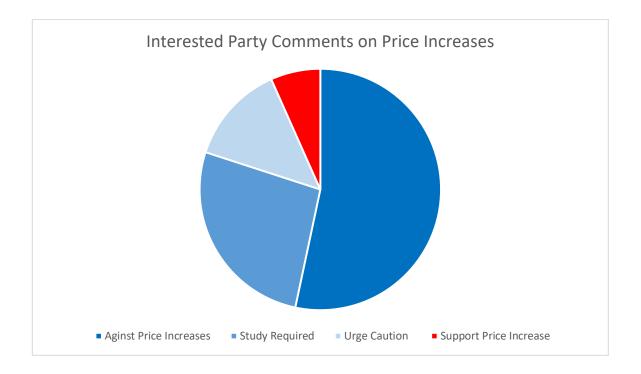
https://atlarge.icann.org/advice statements/9441



## SUMMARY OF PUBLIC COMMENTS FROM OTHER CONCERNED PARTIES

Numerous notable concerned parties submitted public comments<sup>43</sup>. The only substantive comment identified as clearly supporting price increases came from Verisign itself, as indicated in the below chart.

<sup>43</sup> In addition to the comments identified below, thoughtful comments were submitted in opposition to price increases by Dr. Susan Grogan (<u>https://mm.icann.org/pipermail/comments-com-amendment-3-03jan20/2020q1/008909.html</u>), Kevin Ohashi/Review Signal (<u>https://mm.icann.org/pipermail/comments-com-amendment-3-03jan20/2020q1/003568.html</u>), and John Poole (<u>https://mm.icann.org/pipermail/comments-com-amendment-3-03jan20/2020q1/073cdddad/JohnPoole DomainMondo COM Comment 2020Feb10.pdf</u>).



The below chart identifies the commonalities between substantive comments submitted by interested parties on the issue of price increases.

	Against Price Increase / No	Required on Competition/	on price	Supports price increase	Reject Price	Amendment 3 is anti- competitive	Verisign has market power / dominance	The perpetual no-bid contract is objectionable	Not in the public interest / Consumers will be harmed	Verisign has undue influence at ICANN / \$20 mil Payment Appears Questionable	Lack of Transparency and Community Input
ARIF ALI	√				1	1	√		1	1	1
ICA	√				1	1	√	1	1	1	1
Alpine Start	✓								1		
GoDaddy		1							1		1
NameCheap	1	1			1	1	√	1	1	1	1
Automattic/WordPress	1					1	√	1	1	1	1
TurnCommerce	1				1	1	√	1	1		1
LOFF	1				1	1	~	1	1	1	1
First Place Internet	✓				1	1	√		1	1	1
Greg Thomas						1	√	1	1	1	1
AFNIC		1	1				√			1	1
Mark Monitor			1								
INTA - no position											
AEI		1									
Verisign				1							

The below are summaries of the comments submitted by interested parties:

#### ARIF ALI, DECHERT LLP<sup>44</sup>

Mr. Arif Ali, a lawyer with Dechert who is very familiar with ICANN governance and has represented numerous parties in ICANN related matters, wrote an extraordinarily detailed and comprehensive critique of the LOI and of Amendment 3.

Mr. Ali noted that two of ICANN's most important obligations are to operate for the benefit of the Internet community as a whole and to enable competition and open entry in Internet-related markets, and that the proposed price hikes do not support these obligations and instead strengthen Verisign's dominance of the DNS at the expense of other market participants.

Verisign has been described as "having a virtual monopoly on Internet domain names" that gives it "unrivaled power" and that its "exclusive contract with ICANN gives the company a significant barrier to entry for other competitors".

Verisign's "market power is so significant that the United States Department of Commerce ("DOC") specifically imposed a price cap on the price of .COM registrations to protect the public interest through its Cooperative Agreement with Verisign".

Instead of restricting Verisign's influence over the DNS, ICANN's proposed Amendment and LOI will only help Verisign cement and expand its monopoly

Amendment 35 merely *permits* Verisign and ICANN to agree to amend Section 7.3(d)(i) (Maximum Price) but nowhere does Amendment 35 *require* ICANN and Verisign to increase the prices for .COM registry services, let alone raise them to the maximum amount permitted by Amendment 35.

Any price increase is unnecessary and entirely unwarranted. Nothing about the nature or circumstances of Verisign's .COM registry services necessitates a yearly price increase. Rather, Verisign's revenue continues to increase on a yearly basis, and its operating margin exceeds 60%—among the highest of any S&P 500 company. By contrast, Verisign's yearly costs and expenses have decreased over the past decade. At bottom, there has been no change to the DNS, generally, or the circumstances surrounding Verisign's management of the .COM gTLD, specifically, that would warrant a price increase, let alone annual price increases instituted at Verisign's unilateral discretion.

The evergreen price increases authorized by the Amendment will have long-lasting and devastating consequences for the Internet community. Hundreds of millions of domain name registrants will suffer. Domestic and international businesses, non-profit and charitable organizations, religious institutions, humanitarian groups, and individual persons alike will pay more (and then more and then even more) for their .COM domain names, year after year, while Verisign's profits surge. Even worse, perpetual price

<sup>&</sup>lt;sup>44</sup> See: <u>https://mm.icann.org/pipermail/comments-com-amendment-3-</u> 03jan20/attachments/20200213/2d94b832/2020.02.13-Commenton.COMPriceChanges.pdf

increases like those permitted in the Amendment risk creating a cost-prohibitive barrier to the .COM gTLD, eliminating access to the world's most important gTLD to those who cannot afford to pay the price of admission.

The Internet community has rightly been concerned about the nature of ICANN's relationship with Verisign for years now. Because Verisign's domination of this critical resource will renew automatically for the foreseeable future, Verisign's actions should be subject to heightened scrutiny. Instead, the proposed Amendment and accompanying LOI perversely grant Verisign more power with less oversight. The only rational explanation for this inexplicable proposal is that ICANN's and Verisign's relationship is far too familiar, and has resulted in an arrangement where ICANN and Verisign profit themselves at the expense of the public. ICANN's responsibility is to the Internet community and public as a whole, not to Verisign.

ICANN's tolerance of Verisign's efforts to increase its profits from the .COM domain extends to Verisign's clear efforts to circumvent and even re-write ICANN policies and procedures - further confirming the hand-in-glove nature of their relationship.

Mr. Ali urges ICANN to reject both the Amendment and LOI as they are presently drafted. In order to act for the public benefit and protect competition in the DNS, ICANN must not further strengthen Verisign's position as the .COM registry.

## Internet Commerce Association (ICA)<sup>45</sup>

The ICA, which is the author of this report and which represents domain name investors, domain name registrants, secondary marketplaces and related service providers, questioned the legitimacy of the public comment process and ICANN's ability to represent the public interest as a result of the fact that ICANN made "exactly zero" changes to the .org Registry Agreement despite overwhelming opposition and condemnation from stakeholders during the corresponding public comment period.

The ICA echoed the view of the Business Constituency which has repeatedly implored ICANN to see community input *before* reaching any proposed agreement, as otherwise, ICANN's position is already firmly entrenched and its direction already established, thereby putting the cart before the horse.

The ICA took issue with how ICANN repeatedly and apparently reflexively, repeats the mantra, that "ICANN is not a price regulator", as if it makes any sense. ICANN has been setting prices of years and negotiates prices every time it enters into a contract. ICANN as the steward of the .COM Registry, is of course entitled to determine what its service provider, Verisign, can charge in respect of a public resource that ICANN is supposed to manage in the public interest.

<sup>&</sup>lt;sup>45</sup> See: <u>https://mm.icann.org/pipermail/comments-com-amendment-3-</u> <u>03jan20/attachments/20200115/336fd30f/LettertoCyrusNamazi-January152020.pdf</u>

The Antitrust Division of the U.S. Department of Justice specifically determined in 2008 that Verisign possesses significant market power as the operator of the .COM Registry because many registrants do not perceive .com and other gTLDs and ccTLDS to be substitutes. This market power means that Verisign is not constrained by competitive forces from raising prices on its captive base of .COM registrants especially given the prohibitive switching costs for registrants. As there is no genuinely adequate substitute TLD for .COM, Verisign is the only source for new registrants wishing to enjoy the distinct benefits of branding on a .COM domain name

If there was ever any hope that the new gTLDs would present effective competition to .COM that prices would naturally be constrained by market forces, the results are in and it didn't happen.

The ICA posits the question, 'if ICANN is not a price regulator, then who is?' The Department of Commerce does not set prices for the .COM Registry. Rather, it leaves it up to ICANN. And if neither the DOC nor ICANN sets prices, then who gets to set prices? Verisign, the service provider with market power? That is an absurd situation which if allowed to occur, would surely cause untold damage to the public interest.

Setting prices is a policy matter when it comes to the .COM Registry. If ICANN intended to adopt such a radical policy of permitting Verisign to set its own prices, that is a matter for stakeholders to determine, and there has never been any such policy development nor agreement amongst stakeholders.

The ICA also disputed ICANN's claim that the Proposed Amendment "fulfills commitments that ICANN and Verisign made in 2016 when they previously amended the .COM RA", and pointed out that ICANN *never* committed to raising the Maximum Price that Verisign was permitted to charge for .com registrations.

Amendment 35 to the Cooperative Agreement merely states that "the yearly price for the registration and renewal of domain names in the .com registry *may* be changed" [emphasis added], and that "ICANN *may* agree to amend" the Maximum Price [emphasis added].

NTIA's Statement on Amendment 35 expressly stated that Amendment 35, under the heading of "Pricing Flexibility", merely "*permits* Verisign to pursue with ICANN an up to 7 percent increase in the prices of .com domain names" [emphasis added].

It is therefore clear from the .COM Registry Agreement, Amendment 35, and NTIA's Statement, that NTIA *did not* require or impose a 7% increase in price and that it remains up to ICANN whether to agree to give Verisign any increase at all, or if an increase is to be granted, whether it should be within the maximum of 7% instead of at the maximum.

Since Amendment 35 requires no increase in price whatsoever, and at most provides "flexibility" of up to a maximum 7% annual increase in 4 out of 6 years, it would be consistent with Amendment 35 if no changes at all were made to the .COM Registry

Agreement. At most, all that ICANN is required to do pursuant to its .COM Registry Agreement obligations is to consider whether allowing Verisign to charge more, is justifiable.

The ICA stated that it is an extraordinarily serious concern that ICANN would apparently assume that it "has no choice" but to give Verisign permission to raise its prices, when there is no such legal obligation.

If the proposed fee increases go into effect, by the end of the six-year agreement term, the fee for each .com domain name will increase to \$10.29 per year, a 30% jump from current levels. Even conservatively assuming that in six years' time there are only 140 million .com domain name registrants, that increase of \$2.44 per year, per domain name, would result in \$341,000,000 more revenue for Verisign per year.

Without any price increase and as things already stand now, Verisign, has a market capitalization of nearly \$25 billion dollars and had net income in 2017 of US \$457 million on revenue of \$1.14 billion. Verisign enjoys an incredible operating margin of around 60%.

Despite benefiting from the economies of scale from operating the largest domain name registry together with the .net registry, Verisign already charges far more for its registry services than other registry operators. For instance, as reported by Domain Name Wire, a recent bid to manage the registry for India's .in domain name was made by Neustar at just 70 cents per domain name per year, and registry operator Afilias offered to run it for \$1.65 per domain name per year. Afilias runs the much smaller .org registry, with its 10 million domain names under management for approximately \$1.80 per domain name per year.

Accordingly, by any reasonable estimation, Verisign is not suffering for lack of revenue nor is it deserving of increased revenue. The current rate of \$7.85 is already far in excess of market and there is no justification for increasing prices.

# Alpine Start Advising / Greg Rafert – Economic Analysis<sup>46</sup>

Greg Rafert, Ph.D. submitted an Economic Analysis based on his training as an economist, his review of the available evidence, and experience with ICANN and the TLD marketplace.

The conclusion is that "there is no economic rationale for Verisign to increase prices for .COM and that increased prices will very likely harm consumers".

The rationale of "heightened competition" has been provided as a reason for increasing .COM pricing, however this would typically lower, not increase prices. Moreover,

<sup>&</sup>lt;sup>46</sup> See: <u>https://mm.icann.org/pipermail/comments-com-amendment-3-</u> 03jan20/attachments/20200214/153335a1/RafertResponsetoProposedAmendment3tothe.COMRegistryA greement.pdf

Verisign has not provided a rational as to why increased competition would require it to increase prices for .COM.

Verisign's gross profit and operating margins have grown significantly over time and are currently high relative to other firms, which suggests that changes in Verisign's costs are not driving Verisign's interest in increasing prices for .COM.

An increase in the price of .COM registrations will harm consumers worldwide, as consumers are unlikely to switch to other, less expensive TLDs due to the high costs associated with switching from a .COM domain.

While Verisign may argue that it will use increased revenues from .COM price increases to further improve the security and stability of the internet, thus benefiting consumers, this is unlikely. In particular, even though Verisign's net income has continued to grow, reaching approximately \$612 million in 2019, Verisign's R&D and capital expenditures have remained constant.

The argument that .COM is facing increased competition from new gTLDs and ccTLDs is not supported by the available evidence. .COM enjoys a dominant position in the TLD marketplace, which will allow Verisign to continue increasing prices (if permitted to do so), thus harming consumers.

## GoDaddy47

The proposed wholesale price increases in .COM that will negatively impact current and future registrants of .COM.

While the new gTLD registries are facing a significantly new world of competition, this is not true for legacy gTLDs, particularly .COM. From an end user's perspective, Verisign's .COM does not have natural competitors to constrain retail pricing within the market.

There is no effective competition to assist in establishing what is a reasonable price for .COM. Before ICANN agrees to price increases for .COM, ICANN should conduct an independent economic study of the domain name market and the effectiveness of competition on legacy gTLD pricing levels. The study should be conducted and considered prior to the first increased pricing year. Further, such a study should also take into consideration whether competition can effectively constrain prices should it ever be considered to remove price caps on .COM. Performing such a study is consistent with ICANN's obligations under its Bylaws and is consistent with the September 2018 recommendations of the Competition, Consumer Choice, and Consumer Trust Review Team (CCT-RT).

As the burden for an increase on .COM ultimately falls on the registrant, it is incumbent on ICANN to ensure that any decisions made are based on relevant data and that any

<sup>&</sup>lt;sup>47</sup> See: <u>https://mm.icann.org/pipermail/comments-com-amendment-3-</u> <u>03jan20/attachments/20200214/18ae3dbf/GoDaddyCommentonProposedAmendment3to.COMRegistryA</u> <u>greement.pdf</u>

price increases have been duly considered with the entire community's best interests in mind.

#### Namecheap<sup>48</sup>

Namecheap, the third largest registrar with over 10 million domain names under management, demands that ICANN actually use the public comments to modify the Proposed Amendment 3 to align with the overwhelming and unified opinion of the ICANN community. Incorporating feedback from the vast majority of the ICANN community is essential for maintaining the integrity of ICANN's multi-stakeholder model. Failure to do so will show that ICANN org will use the multi-stakeholder model when it fits ICANN staff's whimsy, but not when a broad cross-section of the community is universally aligned against ICANN staff's unilateral decisions that will significantly harm the community.

Under the Proposed Amendment 3, within 10 years, .com domains could cost approximately 70% more than the current wholesale price of \$7.85 - and this cycle will continue in perpetuity. The .com registry is well established, so due to gained efficiencies, the cost of .com domain names should remain static or go down

It is not clear how much registrars will pass these price increases along to consumers, but it is likely that most of this increase will be paid for by domain name registrants.

The changes to the .com agreement will have a much bigger impact on the Internet due to the dominance of Verisign and the .com TLD. There are 359.8 million total domain names, of which 144 million are .com – representing 40% of all domain names. With 161.8 million country specific TLDs (ccTLDs), there are 198 million generic TLDs (gTLDs). That means that .com is 73% of gTLD domain names. Verisign also operates the .net TLD (13.4 million domains). Verisign is the dominant force in domain names. responsible for setting the wholesale price for 79% of all gTLD domain names.

Since 2012, the wholesale cost for a .com domain name was capped at \$7.85 for consumer protection. During that time, the number of .com domains increased from 106.2 million to 144 million (an increase of 35%). During this same period, Verisign's net income rose from \$320 million in 2012 to \$612 million in 2019 (an increase of 91%). It is estimated that the cost for Verisign to operate the .com TLD is approximately \$1.00 to \$3.00 per domain name,6 with the remaining wholesale price representing a significant profit for Verisign's no-bid contract with ICANN. Consumers would be better protected if ICANN allowed the .com (and other pre-2013 TLD) contacts to proceed to competitive bidding to ensure consumers (rather than corporations) are protected. Absent allowing other entities to bid on the contract to operate the .com TLD, ICANN must ensure that strong consumer safeguards are in place if this monopoly is allowed to continue.

<sup>&</sup>lt;sup>48</sup> See: <u>https://mm.icann.org/pipermail/comments-com-amendment-3-</u> <u>03jan20/attachments/20200214/60b56277/NamecheapcommentreProposedAmendment3.pdf</u>

ICANN and Verisign agreed in 2016 to keep the wholesale price capped at \$7.85 through 2024.7 It is not clear why ICANN is allowing this early amendment, which only benefits a multibillion dollar company and its shareholders, to the detriment of Internet users (including the 144 million .com domain name registrants).

ICANN has previously conducted marketplace studies, and it is imperative that such a substantial change to the DNS should only proceed after the completion of an independent and unbiased market analysis based upon evidence and community feedback (following ICANN's established multi-stakeholder model).

#### Automattic/WordPress<sup>49</sup>

The Head of Domains at WordPress and Automattic, an ICANN accredited registrar, "took issue with the process by which this amendment has been negotiated and several changes proposed".

Verisign operates from a position of extraordinary privilege with the presumptive renewal of its highly lucrative contract to operate both .COM and .NET TLDs. TLDs which represent three-quarters of all gTLD registrations. This proposed amendment for the .COM contract, having been negotiated without the prior consultation of the wider ICANN community, represents a significant blind spot of the ICANN organization to uphold the multi-stakeholder model.

The .COM TLD has benefited from a nearly three-decade head start on the majority of its gTLD competition. During that time the company has enjoyed the benefits of Moore's Law, and yet still sought wholesale price increases for its services. It is deeply flawed to believe that competition will restrain wholesale prices. There is no competition for this specific wholesale product as there might be with a physical good. Verisign has to compete with no one, however, Registrars must compete on the razor's edge of what Registrants are willing to pay. Consider that Verisign has taken every price increase opportunity afforded it.

Beyond objecting to the removal of price caps while Verisign maintains presumptive renewal rights it is alarming to allow the ability to raise prices for "extraordinary purposes" including the implementation of Consensus Policies, etc. This is simply unacceptable. This is part of the business of running a registry and technology company.

The proposed amendment would remove the stay on price caps through 2024 which ICANN and Verisign committed to in 2016. What good are such obligations if they are simply reverted at their request? This erodes what is left of the trust the community has in the ICANN organization.

The \$20MM USD payment Verisign is questionable at best, and far worse in less charitable optics when considering the shortfall of the ICANN budget. There

<sup>&</sup>lt;sup>49</sup> See: <u>https://mm.icann.org/pipermail/comments-com-amendment-3-03jan20/2020q1/008692.html</u>

is a complete lack of accountability behind this payment and without oversight, there is no guarantee it will be used for anything other than general ICANN operations.

ICANN is urged to heed the community commentary regarding this proposed amendment. The Internet community cannot afford the continued discounting of our collective concerns as it has become the norm each time a public comment period is opened.

#### TurnCommerce<sup>50</sup>

TurnCommerce which operates the registrar, Namebright and which is associated with Huge Domains, noted that "the mere fact that Amendment 35 allows Verisign to raise .com registration prices does not create an obligation on the part of ICANN to agree to any price increase".

ICANN's proposed acquiescence to Verisign's demands for a price increase to the maximum extent allowed by the U.S. Government only proves that ICANN has failed in its duty to represent the interests of its stakeholders and ensure robust competition in the management of Internet names and addresses. It is ICANN's duty to regulate and supervise the operation of the .com Registry, including the prices that the registry operator may charge, and to carry out those duties in the public interest. Amendment 3 is a breach of these duties.

The root problem is Verisign's perpetual, no-bid contract to operate the .com registry. If ICANN is to meet its obligations, it must abandon this anticompetitive arrangement and require competitive bidding.

ICANN has attempted to justify this anticompetitive arrangement on the basis that a change in registry operators could be disruptive, and that a registry operator without a presumptive right to renew would have fewer incentives to invest in the TLD. However the U.S. Department of Justice, Antitrust Division has forcefully rejected these arguments:

"Opponents of competitive bidding on renewals have contended that ICANN needs to grant perpetual registry contracts in order to motivate registry operators to invest in their registries. However, incumbent registry operators have an incentive to make investments in order to maintain their competitive advantage in a rebid situation. Thus, the effect of innovation of potential termination of a registry agreement is at worst inconclusive. Further, experience demonstrates that any concern about the risk of transferring a new gTLD registry after a rebid is misplaced. Management and operation of many gTLDs and ccTLDs have been successfully transferred without imposing undue burdens on the DNS stability or

<sup>&</sup>lt;sup>50</sup> See: <u>https://mm.icann.org/pipermail/comments-com-amendment-3-</u> <u>03jan20/attachments/20200214/cbe4c183/ICANNAmendment3PublicCommentCOM.pdf</u>

security. For example, VeriSign successfully transferred the .org registry to the Public Interest Registry in January 2003."

Every time that a registry operator has faced competition for a registry contract, lower prices have resulted. In 2005, for example, Verisign faced competitive bidding for the .net registry agreement. To ensure it maintained its position as the .net registry operator, Verisign was forced to submit a bid that was 30% lower than its then-current registration price under the prior contract.

ICANN and Verisign already negotiated the price of .com registrations through 2024, and there is no good reason why ICANN should agree to a price change more than four years early. The only explanation for ICANN's agreement is the \$20 million kickback it will receive for violating its duty to its stakeholders in a secret, backroom deal it negotiated with Verisign.

# Leap of Faith Financial Services Inc. (LOFF)<sup>51</sup>

LOFF inter alia noted that it was a major policy blunder for ICANN to have agreed in the past to presumptive renewal, a decision that has had a multi-billion dollar negative impact upon registrants compared to a situation where there are regular competitive tenders. Mr. Kirikos also noted that the U.S. government has argued for competitive tenders for both initial agreements and for renewals of agreements, referencing the advice that the Department of Justice provided the Department of Commerce and ICANN in 2008 which was apparently ignored by ICANN.<sup>52</sup>

# First Place Internet (FPI)<sup>53</sup>

FPI opposed Amendment 3, and stated that since ICANN is the body in charge of overseeing registry operators such as Verisign, is in a position to approve or not approve the requested change to the Registry Agreement.

There is a pattern of complicity between protected organizations charged with running the Internet infrastructure and fostering the public interest, wherein operators take advantage of monopoly pricing power and lifting price caps to the detriment of the public and intellectual property owners.

The \$20 million payment which ICANN negotiated for itself has an appearance of impropriety and is wrong.

The investigation by the California Attorney General was a result of ICANN the .org registry operator price control relief.

<sup>&</sup>lt;sup>51</sup> See: <u>https://mm.icann.org/pipermail/comments-com-amendment-3-03jan20/2020q1/008785.html</u>

<sup>&</sup>lt;sup>52</sup> See: <u>https://www.ntia.doc.gov/files/ntia/publications/icann\_081218.pdf</u>

<sup>53</sup> See: https://mm.icann.org/pipermail/comments-com-amendment-3-

<sup>03</sup>jan20/attachments/20200214/04142135/PublicCommentfor.compricingchange-final-FirstPlaceInternetInc..pdf

#### **Greg Thomas**<sup>54</sup>

A former senior employee of Verisign with direct responsibility for its policy programs including .com and .net, stated that ICANN is unavoidably conflicted in matters involving its contracted parties. The recently announced investigation by California's Attorney General into the proposed sale of Public Interest Registry along with the lucrative concession rights to operate the .ORG registry should be seen as a sign that others are becoming aware of ICANN's conflicts.

The proposed Amendment further fans the flames by creating the widespread perception that ICANN has engaged in a quid pro quo by trading approval of .COM price increases for \$20 million — a stain of self-dealing that no amount of security, stability, and resiliency (SSR) whitewashing can remove.

A federal court could find that the presumptive right of renewal to be inherently anticompetitive and incompatible with industry self-regulation of the DNS. California's Attorney General may expand his inquiry and come to the same conclusion. This presumptive renewal and the resulting sense of entitlement causes significant harm.

ICANN has been neutered as a credible regulator and sold the public interest down the river.

## AFNIC<sup>55</sup>

The .fr registry and a CCNSO member and a technical backend registry for various new gTLDs "took no particular position on wholesale pricing on .com", however reminded ICANN of the dominant position of .com and urged ICANN to refer to the best experts of anti-trust and competition to ensure that there are no anti-competitive effects on the market. AFNIC also objected inter alia, to "giving special responsibility and status to Verisign in the policy development process rather than treating it as one member of the ICANN community.

#### Mark Monitor<sup>56</sup>

Mark Monitor, a registrar and advocate for .com domain name owners, inter alia "recognized the very high threshold for the removal of price caps in .com", and was pleased that there is no proposed change to that threshold.

Mark Monitor, while recognizing that higher priced domains could serve as a deterrent to bad faith actors, nevertheless "demanded caution and restraint on price increases in such a high-volume TLD, noting that even a modest increase multiplied across the volume of domains that [its] clients own would represent a significant expense".

<sup>&</sup>lt;sup>54</sup> See: <u>https://mm.icann.org/pipermail/comments-com-amendment-3-03jan20/2020q1/008999.html</u>

<sup>&</sup>lt;sup>55</sup> See: <u>https://mm.icann.org/pipermail/comments-com-amendment-3-03jan20/2020q1/008912.html</u>

<sup>&</sup>lt;sup>56</sup> See: <u>https://mm.icann.org/pipermail/comments-com-amendment-3-03jan20/2020q1/008878.html</u>

# International Trademark Association (INTA)<sup>57</sup>

INTA submitted public comments on other important issues raised in the Proposed Amendment but did not comment on the proposed price increase.

# American Enterprise Institute (AEI)58

AEI<sup>59</sup> commented that while it is appropriate to question how wholesale price increases impact consumers, it is also important that ICANN consider other factors affecting the real cost of TLDs including "registrar pricing" and the "unregulated secondary market". AEI's conclusion is that "there is not enough empirical information available" about domain name pricing and recommended that ICANN "remedy this problem by conducting or commissioning a thorough study of TLD pricing".

## Verisign<sup>60</sup>

Verisign, which is of course the beneficiary of the proposed price increases, submitted an unsigned comment just before the Public Comment period closed. Its comment chiefly complained about the Public Comment Period itself and expressed dissatisfaction with the results of the Public Comment period which went against its interests in raising the price that it is permitted to charge. It also leveled various accusations against those it believed responsible for the public comments.

# **CONCLUSIONS AND STEPS FORWARD**

Based on this review of the public comments, there is no question that judging from *both* the number of comments *and* the arguments presented by stakeholders, severe concerns exist regarding the Proposed Amendment.

The overwhelming opposition to raising prices as proposed by ICANN Staff is clearly evident and if Public Comments are to be meaningful, they must have an impact on the direction that ICANN chooses to take. If the volume and substance of public comments has no effect on decision-making and cannot cause ICANN to reconsider its course, then it calls into question the legitimacy of the Public Comment process and causes concern as to whether ICANN is truly responsive to the public interest as it is required to be. It is hoped that the ICANN Board will give serious consideration to the submitted .com public comments in its deliberations and that it will discharge its duties faithfully in the public interest.

- <sup>57</sup> See <u>https://mm.icann.org/pipermail/comments-com-amendment-3-</u>
- 03jan20/attachments/20200214/38372045/INTACommentsDotCom3rdAmend.pdf <sup>58</sup> See https://mm.icann.org/pipermail/comments-com-amendment-3-
- 03jan20/attachments/20200214/1daafcc9/LaytonComment14Feb2020.pdf

<sup>60</sup> See: <u>https://mm.icann.org/pipermail/comments-com-amendment-3-</u>03jan20/attachments/20200214/00fd9745/VerisignPublicComment .pdf

<sup>&</sup>lt;sup>59</sup> Some AEI fellows have been associated with Verisign. See; <u>https://www.aei.org/profile/shane-tews/</u> and also see <u>https://www.aei.org/profile/jim-harper/</u>.

The authors wish to thank Michael Sumner for his work creating the online comment form and the tool for searching through the public comments.