BETTINGER
Rechtsanwälte · Patentanwälte

Bettinger Scheffelt Kobiako von Gamm
Partnerschaft mbB

Bavariaring 14
80336 München

Tel +49 (0) 89 548 86 70-0
Fax +49 (0) 89 548 86 70-22

mail@bettinger.de
www.bettinger.de

Dr. Torsten Bettinger, LL.M. [1, 2]
Rechtsanwalt

Dr. Michael Scheffelt [3]
Rechtsanwalt

Iouri Kobiako von Gamm [4,5]
Patentanwalt, Dipl.-Phys.

Martin Müller
Rechtsanwalt

Dr. Friederike Manz, LL.M.
Rechtsanwältin

Prof. Dr. Claudius Eisenberg [6]
Of Counsel

1 Fachanwalt für gewerblichen Rechtsschutz
2 Fachanwalt für Informationstechnologierecht
3 Fachanwalt für Bau- und Architektenrecht
4 European Patent Attorney
5 European Trademark Attorney, European Design Attorney
6 Nicht als Rechtsanwalt zugelassen

BETTINGER Rechtsanwälte • Patentanwälte, Bavariaring 14, 80336 München

ICANN Board of Directors
12025 Waterfront Drive, Suite 300
Los Angeles39,
CA 90094

Only via email

Munich, 12/04/18

Your Ref.:
Our Ref.: M60371 TB/js

Reconsideration Request 16-12
Response to FTI Consulting, Inc.'s Independent Review of the Community Priority Evaluation Process

Dear Members of the BAMC,

We are writing on behalf of our client, Merck KGaA, regarding your invitation to submit additional information and arguments based upon the FTI's CPE Process Review Reports (CPE Process Reports).

1. The CPE Process Review Reports are part of ongoing discussions related to various aspects of ICANN's Community Priority Evaluation Process (CPE process) including issues that were identified in the Final Declaration of the Expert Panel in an Independent Review Process (IRP) proceeding initiated by Dot Registry, LLC. (ICDR Case No. 01 - 14 - 0001 – 5004).

   In that case, the IRP decision found that the ICANN's Board Governance Committee (BGC), failed to make the proper determination

as to whether ICANN staff and the EIU complied with ICANN's bylaws in turning down the application, and failed to be transparent about its reconsideration process. The IRP found that both the EIU and ICANN staff were required to follow ICANN's bylaws, and that the BGC was required to "exercise due diligence and care in having a reasonable amount of facts in front of them" to examine "whether the EIU or ICANN staff engaged in unjustified discrimination or failed to fulfill transparency obligations" under those bylaws.

2. This criticism of the BGC and the EIU Panel's CPE reports raised by the IRP Panel was shared by the other applicants which had elected to participate in CPE (see Requests for Reconsideration 14-30 (.LLC), 14-32 (.INC), 14-33 (.LLP), 16-3 (.GAY), 16-5 (.MUSIC), 16-8 (.CPA), 16-11 (.hotel) filed in connection with the respective EIU Reports) and was confirmed by the Expert Opinion of Professor William N. Eskridge Jr., who was retained by the Applicant Dotgay LLC to provide an independent expert opinion on the validity of the CPE Report in connection with the community application for the gTLD <.gay> (Second Expert Opinion of Professor William N. Eskridge, Jr., in Response to FTI Consulting, Inc.'s Independent Review of the Community Priority Evaluation Process).

   The Expert Opinion of Professor William N. Eskridge Jr., addressing EIU evaluation of the Nexus Criterion, concluded that the EIU misread ICANN's Applicant Guidebook and ignored its Bylaws.

3. In its request for reconsideration of the CPE Report, Merck KGaA has specified in detail that in determining that Merck KGaA application for <.merck>, the CPE Report:

   (1) made interpretative errors by misreading or misapplying the Nexus Criterion laid out in in ICANN's Applicant Guidebook ("AGB"), and;

   (2) ignored important evidence that supports Full credit under the Nexus Criterion.

4. FTI's CPE Process reports supports these conclusions. FTI Report Scope 2 completely failed to evaluate whether the EIU Panel committed interpretive errors by applying the

"Nexus Criterion" laid out in ICANN's Applicant Guidebook. FTI Report Scope 3 revealed that EIU only consulted three Wikipedia articles in its evaluation of the Nexus factor (the factor that led to the rejection of community status). This confirms that the CPE process was grossly inadequate and that the EIU failed to conduct proper due diligence and research in its assessment.

a) *The FTI Report completely failed to evaluate whether EIU Panel committed interpretive errors in applying the "Nexus Criterion" laid out in in ICANN's Applicant Guidebook ("AGB") to the <.merck> application*

(1) As set forth in the AGB, the Nexus Criterion is measured by two sub-criteria (i) 2-A "Nexus", and (ii) 2-B "Uniqueness.

An application may receive a maximum of four points under the Nexus criterion, which includes up to three points for "Nexus" and one point for "Uniqueness". An application merits 3 points if "the string matches the name of the community or is a well-known short-form or abbreviation of the community." (AGB, p. 4-12). "Name" of the community means 'the established name by which the community is commonly known by others." (AGB, p. 4-13.)

For a score of 3, the essential aspect is that the applied-for string is commonly known by others as the identification/name of the community."

An application merits 2 points if the "string identifies the community, but does not qualify for a score of 3" (AGB, p. 4-12.).

"Identify" means that "the applied-for string closely describes the community or the community members, without over-reaching substantially beyond the community." (AGB, p. 4-13). "As an example, a string could qualify for a score of 2 if it is a noun that the typical community member would naturally be called in the context." AGB, p. 4-13. If the string appears excessively broad (such as a globally well-known but local tennis club applying for .TENNIS) then it would not qualify for a score of 2. Zero points are awarded if the string "does not fulfill the requirements

for a score of 2." It is not possible to receive a score of one for this sub-criterion. (AGB, p. 4-12).

(2) Applying these criteria to Merck KGaA's application for <.merck> the EIU Panel awarded Merck KGaA 0 points for Criterion #2, including 0 out of 3 possible points for the nexus element (CPE Report, p. 4.). Since Merck KGaA secured 11 points from the remaining criteria and needed 14 points for approval, Criterion # 2 was the main reason for its shortfall.

The reasoning the EIU presented for its conclusion was based on clear legal and factual errors. The EIU observed that "although the string Merck matches the name of the community as defined by the applicant, it also matches the name of another corporate entity known as "Merck" within the US and Canada and that "this US-based company, Merck & Co, Inc., operates in the pharmaceutical, vaccines, and animal health industry, has 68,000 employees, and had revenue of US$39.5 billion in 2015." It therefore concluded that the string is "over-reaching substantially beyond the community" (AGB) because the applied-for string also identifies a substantial entity—Merck in the US and Canada—that is not part of the community defined by the applicant. The Panel determined that the applied-for string does not match or identify the community, or the community members as defined in the application and therefore does not meet the requirements for Nexus. (CPE Report, p 4).

As the FTI Report Scope 3 revealed (FTI Report Scope 3, p. 56), the CPE Report did not reflect any references to research or reference material for its evaluation of the 2-A, Nexus and only consulted three Wikipedia web articles and a Bloomberg article which is no longer available on the Internet:

- https://en.wikipedia.org/wiki/Merck_%26_Co (Merck Sharp & Dohme's (MSD) Wikipedia page); (Merck KGaA's Wikipedia Page);
- http://www.merckgroup.com/en/index.htm (Merck KGaA's and Merck KGaA's Wikipedia page) and

- http://www.bloomberg.com/news/articles/2014-02-10/a-tale-of-two-mercks-as-protesters-takeonwrong-company (This is no longer an active link).

The CPE Report does not devote not a single word to the relationship between the two companies. It ignores the fact that the two companies currently exercise their rights in the "Merck" trademark and company name under a reciprocal use agreement, which has been in force (through various versions and revisions) since the 1930s. The CPR Report fails to acknowledge that Merck & Co.'s rights are territorially limited to two countries within North America, whereas Merck KGaA's community covers 99% of the world's jurisdictions, is home to 95% of the world's population, and that the community has existed for 348 years.

Furthermore, the CPE Report fails to take into account that Merck & Co. is actually prohibited by contract and existing trademark and name rights from using the name "MERCK" on the internet and otherwise in almost all countries.

All of these facts were known to ICANN due to a Request for Reconsideration against CANN's acceptance of the Expert Determinations in the Legal Rights Objection Procedures against Merck Registry Holdings, Inc.'s applications for <.merck> >. A current copy of the agreement had been submitted to ICANN and a in connection with Merck KGaA's legal rights objection against MSD's application for <.merck>, as well as in connection with an Independent Review Process filed by Merck KGaA against ICANN (Independent Review Process Case No. 01-14-0000-9604, MERCK KGaA v. Internet Corporation for Assigned Names and Numbers).

By failing to consider these facts, including Merck & Co.'s contractual obligations to refrain from all use the name Merck outside the US and Canada, the EIU came to the clearly erroneous conclusion that the string <.merck> is excessively broad and identifies another substantial corporate entity.

The CPE Report also makes no mention of the fact that Merck KGaA explicitly stated in its application and in a Public Interest Commitment that it will take all

necessary measures, including geo-targeting, to avoid internet access by users in the few territories in which Merck & Co. has trademark rights. Merck & Co. has not done the same. Indeed, Merck & Co. has indicated in its applications that not only it intends to use the .MERCK space internationally (where it has no rights in the MERCK trademark whatsoever), but also that it intends to sell and license domain names to affiliates and other entities throughout the world, including territories where Merck KGaA has exclusive rights.

By providing a public interest commitment not to use it in the two territories where Merck & Co. has rights, including restricting internet access, Merck KGaA has eliminated the prospect of "over-reaching" on the face of its application. Any "over-reaching" beyond the community is due to the current and proposed intrusion by MERCK & Co. into the Requester's territories. This unlawful intrusion, namely Merck & Co.'s use of MERCK on the Internet, is that the basis of the panel's erroneous finding that the string <.merck> is "over-reaching substantially beyond the community."

(3) FTI's CPE Process Review Reports do not address any of these issues that were raised in Merck KGaA's Request for Reconsideration, nor do they reevaluate EIU's application of the Nexus criteria or assess the propriety or reasonableness of the research undertaken by the CPE provider.

With regard to the Nexus Requirements, FTI limited itself to observing that "the CPE Provider determined that the applications underlying the 11 CPE reports, and among them Merck KGaA application for <.merck>, received zero points for the Nexus sub-criterion because the CPE Provider determined that the applied- for string "did not identify the community as it substantially overreached the community as defined in the application by indicating a wider or related community of which the applicant is a part but is not specific to the applicant's community". (FTI Scope 2 Report, p. 37).

The FTI states without any basis or analysis that "CPE Provider engaged in a consistent evaluation process that strictly adhered to the criteria and requirements set

forth in the Applicant Guidebook and CPE Guidelines and that there were no instances where the CPE Provider's evaluation process deviated from the applicable guidelines pertaining to the Nexus-criterion".

FTI then concludes that the CPE Provider "consistently applied the Nexus criterion in all CPEs" and that "the scoring decisions were based on the same rationale, namely a failure to satisfy the requirements that are set forth in the Applicant Guidebook and CPE Guidelines."

This is not a "compliance investigation" as FTI claims to have done, but a mere description of its outcomes. (see FTI Report Scope 2, p. 3 where FTI describes its investigation as "analyzing applicable policies and procedures and evaluating whether a person, corporation or other entity complied with or *properly* applies those policies and procedures").
The FTI report does not evaluate or analyze the questions of whether EIU *properly* applied the Nexus criterion to the <.merck> application and whether the CPE report was based upon sufficient evidence.

FTI's conclusion that it found no evidence that the CPE Provider's evaluation process or reports deviated in any way from the "applicable guideline" is not based on any interpretative analysis of the nexus criterion nor on an investigation of whether the EIU ignored important facts that supported a full credit under the Nexus Criterion.

As much as the EIU, FTI showed no interest in or knowledge of the historical and contractual relationship between Merck KGaA and Merck & Co. and that the corporate entity which used the name Merck is prohibited from doing so in almost all countries of the world, except the U.S. and Canada.

As much as the EIU's CPE Report, FTI makes no mention of the Public Interest Commitment made only by Merck KGaA that it will take all necessary measures, including geotargeting, to avoid internet access by users in the few territories in which Merck & Co. has rights in the trademark Merck.

In addition, the FTI personnel who conducted the review did not rely upon the substance of the reference material, assess the reasonableness of the research undertaken by the CPE Provider or take into consideration the information and materials provided by Merck KGaA.

Accordingly, the FTI Report 2 provides no useful information and has no significance with respect to Merck KGaA's Request for Reconsideration against EIU's CPE Report on its <.merck> application.

b) FTI Report Scope 3 confirms that the CPE Provider was ignoring important Evidence that support Merck KGaA's full credit under the Nexus Criterion

The FTI Scope 3 Report describes FTI's compilation of the reference materials relied upon by the EIU for each of the eight pending Reconsideration Requests, including that of Merck KGaA's application for <.merck> (FTI Scope 3 Report p. 55 - 57).

A review of the FTI Scope 3 Report confirms Merck KGaA's objection against EIU Panel's CPE Report on the .Merck application. Specifically, the FTI Scope 3 Report reveals that EIU's personnel were completely ignorant of the contractual obligations between Merck KGaA and Merck & Co. and Merck KGaA's Public Interest Commitment to take all necessary measures, including geo-targeting, to avoid internet access by users in the few territories in which Merck & Co. has trademark rights.

It also revealed that the EIU Panel actually consulted only three Wikipedia websites and one Bloomberg article to evaluate whether there is a "Nexus" between the string <.merck> Merck KGaA application for <.merck>.

It is obvious that this was grossly inadequate and that the EIU failed to conduct proper due diligence and research in its assessment.

However, the FTI did not raise the question about whether the evidence assembled by the EIU supported its conclusion. Indeed, FTI itself sates that it did not (1) reevaluate the CPE Applications, (2) assess the propriety or reasonableness of the research undertaken by the

CPE Provider, (3) interview Merck KGaA or take into consideration the information and materials provided by Merck KGaA (see FTI Report Scope 3 p. 7).

The Board cannot rely on the FTI's review and still comply with the requirements of ICANN's Bylaws that require that decisions must be made by applying documented policies neutrally and objectively, with integrity and fairness.

5. Finally, Merck KGaA notes that the FTI Report Scope 1 concluded that there is no evidence that the ICANN organization had any undue influence on the CPE Provider with respect to the CPE reports issued by the CPE Provider or engaged in any impropriety in the CPE process. This conclusion was based upon FTI's review of publicly available documents, but also upon FTI's interviews with relevant personnel and internal and external communication among relevant ICANN organisation personnel which were not disclosed to Merck KGaA.

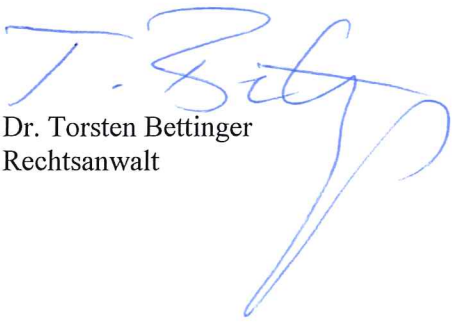
"Transparency is one of the essential principles in ICANN's creation documents, and its name reverberates through its Articles [of Incorporation] and Bylaws. (see Dot Registry, LLC v. ICANN , ICDR Case No. 01-14-0001-5004, Declaration of the Independent Review Panel (29 Jul. 2016), 117 at https://www.icann.org/en/system/files/files/irp-dot-registry-final-declaration-redacted-29jul16-en.pdf). ICANN is therefore required to act in a transparent manner under the Articles and Bylaws, and must disclose the materials and research used by FTI in its independent review. None of Reasons for nondisclosure of these documents set forth in ICANN's Documentary Information Disclosure Policy is applicable here.

6. Based on the forgoing, Merck KGaA respectfully requests that:

(1) the Board sets aside and disregards the CPE Report relating to the Community Priority Evaluation of Merck KGaA's application for <merck>
(2) the Board request the CPE Provider to perform a de novo evaluation of Merck KGaA's <.merck> application, with instructions and guidance to insure that all policies are fairly and correctly applied;

(3) the Board discloses all documentary information and communications between the ICANN organization and the CPE Provider relating to the Community Priority Evaluation of Merck KGaA's application for <merck>.

Sincerely,



Dr. Torsten Bettinger
Rechtsanwalt