

Australian Competition and Consumer Commission
Submission to the second Public Consultation Report of the
auDA Name Policy Advisory Panel

The ACCC welcomes the opportunity to submit its views on the Panel's public consultation report on allocation policies and eligibility criteria for the Australian segment of the Internet Domain Name System. The ACCC applauds the Panel's efforts in revising the policies and maintaining a high degree of integrity within the system, while catering to the special needs of its users.

The ACCC makes the following comments in its capacity as a regulator of electronic addressing, including the DNS, in Australia. The ACCC has powers under Division 3 of Part 22 of the *Telecommunications Act 1997* as amended by the *Telecommunications Legislation Amendment (Electronic Addressing) Act 2000*. These powers include making recommendations to the ACA for it to declare a manager of electronic addressing. Once such a declaration is made, the ACCC may issue directions to a declared manager in relation to matters affecting competition and consumer protection.

The ACCC supports the bulk of the recommendations in the report. It commends the Panel for its focus on preventing practices that may result in dampening uptake of the Internet as an alternative means of communication, conducting business and disseminating information. It supports the Panel's goal in making the system as conducive to automation as possible and in relaxing the current policies where appropriate. It welcomes the Panel's willingness to look at new ways of freeing up the .au DNS through the addition of new 2LDs and the possibility of making generic and geographic names available.

Registration of Products and Services and Application of Trademark Law

The ACCC notes the advantages of having a hierarchy of 2LDs that are purpose driven, and of having rules that can be applied consistently. It has been argued that this structure is the reason there have been far fewer disputes over rights to names in the .au domain than in other less restricted domains - particularly the generic Top Level Domains (gTLD). The criteria that have developed to ensure that the integrity of the system is maintained have also, in the majority of cases, allowed applications to be treated consistently. The ACCC sees consistency as a key factor in providing certainty to the users and therefore confidence in the DNS, and the Internet as a whole.

Another factor in providing confidence in the DNS is the degree of certainty that a user has in his/her ability to retain their chosen domain name. On this point, the ACCC notes the recommendations that trademarks be included as a criterion for eligibility for a name (rec. 3.1.3d), and that a domain name simply have a connection to the registrant instead of being derived from the name of the registrant (rec. 4.1.1). This represents a fundamental shift from the way in which domain names are presently registered. Under these recommendations, it will now be possible for product names or services and other activities to be identified by a domain name.

The report also recommends that applicants acknowledge that their entitlement to a domain name may be challenged by a third party with superior legal rights in the words forming the domain name (rec.3.1.3f). The ACCC would be concerned if the application of these recommendations, either singly or in combination, led to the unjustified precedence of

trademark or other intellectual property rights over the existing rights of licence holders, as this may raise issues of market power and consumer protection under the *Trade Practices Act 1974*.

The ACCC is unaware of any law or legal ruling that suggests that one right is superior to another in this area. In the absence of guidance provided by such instruments, it would be appropriate for the Panel to consider the nature of domain names and trademarks separately before attempting to weigh the relative rights of one against the other. It is not apparent from the Report that the Panel has done this.

Proceeding on this assumption, section 17 of the *Trade Marks Act 1995* (TMA) defines a trademark to be a sign used, or intended to be used, to distinguish goods or services provided in the course of trade by one person from the goods and services so provided by another person. Domain names are user-friendly masks for Internet Protocol (IP) numbers. IP numbers are used to identify the physical location of computers connected to the Internet - in short, they act as addresses, although domain names may represent secondary benefit to their holders as a means of marketing and branding.

The rights conferred by registration of a trademark include exclusive use of the sign, the right to authorise other persons to use the sign, and to obtain relief for infringement of the sign (s20 TMA). Registration of a trademark also confers personal property rights (s21 TMA). Domain names are not property (according to one US court ruling) but are for conditional use by the registrant under a limited licence from the authority for the DNS, in this case auDA.

Under the limited examination above, it is apparent that domain names are a means of distinguishing one computer from another, and not a means of distinguishing the goods and services of competing businesses. It would therefore appear the DNS is not substitutable for the trademark system. The question of the degree to which the opportunity for marketing and branding from a domain name is affected by trademark law is complex and unresolved, so attempting through this forum to attribute trademark rights to Internet addresses may be premature. Trying to extend the trademark system into the DNS may therefore result in unintended and unforeseen conflict with other law, as well as the practical consequence of potentially dampening demand for participation in, and provision of, online services.

Should users, for whatever reason, believe that trademarks confer superior rights to a domain name, then the ACCC remains concerned that there may be a rise in disputes and a trend in domain names accruing to larger businesses. This accrual may occur because smaller parties generally lack the resources to fight the matter through the ADR process or further, or because the entire process may be slanted towards registrants who have trademarks. This situation is likely to be exacerbated by the recommendation that *applications* for trademarks be accepted as the basis for registrations (rec. 4.1.2), even though such applications may later be rejected by the Registrar of Trademarks.

The ACCC notes that the present registration system has resulted in some persons registering company and business names solely for the purpose of registering a domain name. The ACCC agrees that this results in poor allocative and productive efficiencies for the administrators of Corporations Law and for the registrants themselves. It should be noted however, that expanding the eligibility criteria to include applications for trademarks may also lead to some persons applying for trademarks for purposes unrelated to the goods and services they provide. These purposes may include establishing bona fides for the use of a

domain name - whether legitimate or not, protection of an existing domain name, or prevention of others from registering the name. As such, eligibility criteria based on trademarks by themselves will not necessarily lead to improvements in market conduct, falling costs, or improvements in the integrity of the DNS.

Additionally, allowing the registration of products and services potentially creates inconsistencies with a number of other recommendations that should be resolved before presentation to the auDA board. The retention of the system of purpose-driven 2LDs is based partly on making the DNS easy to use for all Australians. Allowing domain names to be based on products and services as well as registrants' names may make it harder for people who use intuitive navigation to reach the address they are seeking. Similarly, the inclusion of products and services may unnecessarily complicate the administration of other allocation rules such as those relating to generic and geographic names, particularly if other 2LDs should be introduced that cover these type of domain names.

Also, the purposes of the various 2LDs as they currently stand are predicated on names being derived from the name of the registrant. The proposed change will require review of the wording of each purpose if consistency across all policies is to be retained.

Finally, allowing registration of products and services as domain names may pre-empt consideration of what new 2LDs might be created in the future. auDA has already extended the NPAP's terms of reference to include consideration of how and what new 2LDs might be introduced. One potential 2LD would be one that caters for products and/or services. However, the proposed recommendations may effectively obviate the need for such a 2LD, but would do so without the necessary consideration that would be given to the proposal if it was made in accordance with the extended terms of reference.

The ACCC supports the recommendations that allow registered trademarks to be used to satisfy eligibility criteria only to the extent that the trademark applies to the name of the registrant, and to the extent that the trademarked name acts to distinguish the goods and services of the registrant from those of its competitors.

The ACCC does not support the recommendations that allow products and services to be registered as domain names within the same 2LD as entity names.

Consistency and Retrospectivity

The ACCC continues to receive complaints that a small percentage of individual applications have been processed in contravention of the current policies. One complainant provided a list of over 1300 registered domain names that appear to be inconsistent with existing guidelines. Complainants generally are concerned about the disadvantage they suffer by comparison with the licensees of these domain names. The more evidence there is that policies are applied inconsistently, the greater the loss of confidence in the registration system. The ACCC understands that the policies have been changed over the years, and that this is part of the reason for the apparent inconsistency. However, this is small comfort to those parties who feel aggrieved by it.

If the recommendations of the Report are adopted by auDA, then there will be a further layer of inconsistency in the types of names that have been registered. The ACCC notes the preference of some parties for maintaining the existing rights of existing licence holders, but draws the Panel's attention to the requirement for licence holders to satisfy the eligibility

criteria at the time of licence renewal (rec. 3.1.2). This might provide a viable means of removing inconsistency of policy application in a staged way, which will allow affected parties to plan and manage the change.

The ACCC recognises that enforcing retrospectivity will be affected by a number of factors. These would include additional cost to affected parties, the windfall advantage gained by the parties, and the effect of perceived inconsistency in policy application on penetration of business and other users into the online environment.

The ACCC therefore reserves its opinion on whether the Report's recommendations should or should not be applied retrospectively, but notes that without retrospectivity, consistency of policy application is unlikely. It is therefore unlikely that without retrospectivity the system will encourage the level of user confidence that would otherwise be possible. The ACCC suggests that auDA monitor this issue, irrespective of its final decision, and revisit it as part of any future review of its domain name policies.

Alternative Dispute Resolution

In view of the concerns outlined above, consideration should be given to how a future ADR mechanism may be evenly balanced in its treatment of the competing rights of those who use it. The report proposes that a Uniform Dispute Resolution Policy (UDRP) implemented by auDA apply to 2LDs only on an opt-in basis (rec. 6.2.1). The ACCC questions the effectiveness of such a process if not all parties are bound by it. The danger may exist that some parties that would be subject to complaint or dispute may use the opt-in clause to avoid resolution of those disputes except by costly legal means.

The ACCC suggests that an opt-out ADR process would give greater comfort to the Internet community. Under this arrangement, all parties would be subject to a UDRP unless auDA had made an individual exemption on specific grounds that it might choose to develop.

Proposed Pricing Structures

The ACCC notes the Report's comments on the cost implications associated with a derivation rule (rec. 4.1.2a and 4.1.2b). In general, and unless it has a legislative responsibility for price setting, the ACCC is of the view that a regulatory body should not make recommendations on pricing structures, or otherwise unnecessarily influence the pricing decisions of firms in a competitive market. The ACCC sees the level of fees charged by registrars for registering domain names under different derivation rules as a matter for those registrars based solely on their own cost structures and business plan.