

Written Summary of Merck KGaA's presentation to ICANN's Board of Governance Committee (March, 29, 2017)

Good afternoon. I am Torsten Bettinger, and I appreciate the opportunity to speak to you on behalf of our client, Merck KGaA.

Next to me is Jonas Koelle, General Counsel Trademarks, Merck KGaA.

Our firm is representing Merck KGaA in this matter because we believe that the EIU made fundamental mistakes in its evaluation of Merck's application for community priority status.

We believe that the EIU misapplied the "nexus requirement" contained in Module 4.2.3. of the AGB because it ignored material information during its analysis, and that this failure contradicts an established procedure.

As it was recently put by the Despegar IRP Panel, "the Request for Reconsideration is not a mere administrative "box ticking" exercise to see whether mention was made of the relevant policy or procedure by a panel formed by a third party service provider such as the EIU, but requires that the BGC looks into how the relevant policy or procedure was actually applied by the EIU, and whether in doing so, the BGC could have a reasonable degree of assurance that the EIU had correctly applied the policy or procedure.

Now, how can you have a reasonable degree of assurance that the EIU correctly applied ICANN's policy as implemented in the AGB?

You are supposed to ensure that the information the EIU relied on is accurate and that the EIU did not ignore any material information during its analysis. Then, you need to make an independent judgement and decide whether the EIU has applied ICANN's policies correctly to these facts. I will briefly explain how the EIU contradicted ICANN's policies:

- (1) The EIU determined that the community defined by Merck met the criterion for "Community Establishment" in the Applicant Guidebook, as the "community" defined in the Requestor's application demonstrates sufficient delineation, organization and pre-Existence. The EIU awarded a maximum score of 4 point under criterion 1.
- (2) The Panel also determined that Registration policies set out in the application met the criteria for Eligibility, Content of use and Enforcement and awarded a maximum score of 4 point under criterion 3.
- (3) The Community Priority Evaluation panel further determined that the application fully met the criterion for Community Endorsement specified in section 4.2.3 of the Applicant Guidebook, as Merck had documented support from the recognized community member organizations. It awarded 3 out of 4 points.

However, Merck failed in the CPE process because it received a score of 0 points out of 4 points with regard to the so-called "Nexus Requirement. Out of four points available under the nexus requirement, 3 points relate to the issue of whether the applied for string matches the name of the community and one point relates to the uniqueness of the string.

The nexus requirement as defined in the applicant guidebook refers to the “Nexus” between the applied for string and the name of the community. To obtain three points the applicant must show that the applied for string closely describes the community, without overreaching substantially beyond the community.

According to the application, the community served by the <.merck> TLD space is the collection of corporate entities, their affiliates and subsidiaries, which together comprise the Merck Community.

To be recognized as a member of the Merck Community, a registrant must meet the Eligibility Requirements, which are as follows:

- the registrant is Merck KGaA or a company which is a fully owned subsidiary of Merck KGaA,
- the registrant uses “Merck” as the sole element or as a component of its company name, and the registrant uses as its umbrella brand the trademark “MERCK

There can be no doubt that the TLD <.merck> closely describes the Merck community, as defined in the Applicant Guidebook. Nevertheless, the EIU awarded Requestor 0 points.

So what was the key issue of the EIU consideration of the nexus requirement?

The key issue was whether the applied for gTLD <.merck> was “overreaching substantially beyond the community”.

It was the EIU’s understanding that in order to score three points under the nexus requirement it was necessary to show that there is no other entity known by the same name. The EIU panel equated “over reaching substantially beyond the community” with anything less than world wide exclusivity.

This is not the definition in the Applicant Guidebook and the CPE guidelines take this fact into consideration as they state “since the evaluation takes place to resolve contention there will obviously be other applications, community based or standard with identical or confusingly similar strings in the contention set to resolve, so the string will clearly not be “unique” in the sense of “alone”.

Under the panel’s interpretation applied in the CPE for <.merck>, it is likely that no string could ever be awarded more than zero points for this criterion, a result clearly inconsistent with the standards and policies developed by ICANN for this process.

The Applicant Guidebooks provides one example for a gTLD that would be “overreaching substantially beyond the community”. It says: “If a local tennis club applies for “.tennis” claiming to represent the tennis community, the string TLD would be excessively broad.”

The Requestor is not comparable with a local tennis club. Requester’s community covers 99% of the world’s jurisdictions, home to 95% of the world’s population. The Merck community has existed for 348 years. The Requester has exclusive rights to use MERCK in isolated form in 191 out of 193 UN countries.

EIU in its evaluation of the Nexus requirement also contradicted ICANN'S non-discrimination policy because in other cases the EIU concluded that the mere existence of another entity with the same name does not require than absolute world-wide exclusivity.

The Requestor can point out now at least four cases in which an applicant was awarded three points under the nexus requirement although there were other entities using the same name: .ECO, .RADIO, .SPA and .ART.

As a result, the Requester's application clearly and completely addressed the over-reaching issue, and the application of the policies and standards developed by ICANN to the Requester has to result in an award of 3 point for Nexus.

The Requestor is aware that the BGC has regularly disregarded blatant misapplication of an evaluation standard by third party service providers, such as the EIU, stating that the Reconsideration process does not permit evaluation of a third party service provider's substantive conclusion. There has been a multitude of inconsistent and wrong determinations rendered in the name of ICANN by third party service providers, which the BGC refused to revoke. Many parties and among them the Requestor have been left out in the rain with blatantly wrong decisions by third providers such as Legal Rights Objection Panel, String Confusion Panels and also the EIU.

The failure of ICANN's accountability mechanisms to effectively prevent the wrong application of objection or evaluation criteria by third party providers was widely criticized on many fronts during the review of the Rights Protection Mechanisms conducted by Competition, Consumer Trust and Consumer Choice Review Team.

However, this Request for Reconsideration does not only address the wrong interpretation and application of the Community Priority Evaluation criteria. It also addresses the fact that EIU disregarded material information when applying the nexus criteria set out in the AGB.

Even if the BGC concludes that the EIU's wrong interpretation of the "nexus requirement" cannot be addressed in this Procedure, the CPE Panel's Report has to be set aside and new evaluators have to be appointed to conduct a new CPE because the CPE ignored material facts in its analysis of the "nexus requirement".

The CPE denied a "Nexus" between the applied for string <.merck> and the Merck community because there is another corporate entity also known by the name "Merck".

It did, however ignore the fact, that this other corporate entity exercises its right to use the name "Merck" under a reciprocal use agreement, which has been in force since the 1970s.

Merck & Co.'s rights to use the trademark and tradename "Merck" in isolated form are territorially limited to two countries within North America, whereas Requester retains those rights throughout the rest of the world.

It also ignored the fact that the Requester 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 two countries, the US and Canada, in which the other corporate entity has trademark rights.

Merck & Co has not done the same. Indeed, Merck & Co has indicated in its applications not only that 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 Requester has exclusive rights.

Various court proceedings are currently pending in the UK, Switzerland, Germany, France on the grounds of Merck & Co.'s trademark infringement and breach of the "Coexistence Agreement". If the BGC finds these court proceedings to be of relevance for its analysis, the Requestor will provide the BGC with updated information on the status quo of these proceedings on request.

Any "over-reaching" beyond the community is due to the current and proposed unlawful intrusion by Merck & Co. into the Requester's territories.

As a result of the unlawful intrusion, namely Merck & Co's global use of the name MERCK on the Internet, it is not surprising that the panel has been misled when undertaking the internet search to be utilized according to the CPE guidelines to help to understand whether the string identifies the community.

These facts have been neglected by the CPE because ICANN did not transmit this information to the EIU. The information was available to ICANN. These facts have been the cause of several legal rights objection procedures and Request for Reconsideration Procedures. It was ICANN's duty to transmit this information to the CPE Panel in case it regarded the existence of the other corporate entity using the name Merck as relevant for the evaluation of the Requestor's community priority status.

What are we asking the BGC to do after this hearing?

Please do your due diligence. Closely review all the information regarding the Merck application, including the Requestor's Public Interest Commitment, the Coexistence Agreement between the Requestor and Merck & Co and all other facts we brought to your attention today and which are relevant for the evaluation of the Requestor's community priority status.

Request from the CPE Panel the underlying materials used for its analysis. You will see how the CPE Panel misapplied the nexus criteria and neglected important information when applying these criteria.

Set aside the CPE Panel's report and have new members be appointed to conduct a new CPE for the Requestor's application. Transmit all the information regarding the Merck application, including the Requestor's Public Interest Commitment, the Coexistence Agreement between the Requestor and Merck & Co and the information brought to your attention today to the new evaluators.

I thank you very much again for the opportunity to make this presentation today.