

15 November 2016

To the attention of:

ICANN Board Governance Committee  
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Our ref 1656362

**LETTER OF RESPONSE TO RECONSIDERATION REQUEST 16-12 FILED BY MERCK KGAA**

Dear Members of the Board Governance Committee

On 25 August 2016, Merck KGaA ("KGaA") submitted Reconsideration Request 16-12 in relation to the Report of the Community Priority Evaluation Panel ("Panel") appointed by The Economist Intelligence Unit ("EIU") concerning application number 1-980-7217 for .MERCK. The Report is an assessment of KGaA's application for .MERCK and its claimed status as a Community, based upon the policies and criteria set out at Section 4.2 of the New gTLD Applicant Guidebook ("AGB").

In the interest of full disclosure, Merck & Co., Inc, ("Merck") submitted its Community-based application for .MERCK (application number 1-1702-73085) for Community Priority Evaluation ("CPE") by the EIU.

**1. EIU CPE REPORT – KGAA CLAIMS**

Having carefully considered Reconsideration Request 16-12, Merck strongly disagrees with the arguments put forward therein and it is respectfully submitted that this Reconsideration Request should be rejected in its entirety.

In Reconsideration Request 16-12 KGaA claims that the Panel failed to *"take reasonable care in evaluating the Requester's evidence and misapplied standards and policies developed by ICANN in the Applicant Guidebook, resulting in a denial of due process to the Requester in the context of its Community Priority Application."*

KGaA claims that the Panel failed to correctly assess its application with regard to Criterion 2 of the CPE Criteria *"Nexus between Proposed String and Community"*.

As set out in the AGB, Section 4.2.3, there are a maximum of four points available under Criterion 2. Criterion 2 is split into sub-criteria, namely Nexus, worth three points and Uniqueness, worth one point.

KGaA's claims in relation to these points are examined below.

## 1.1 Nexus

In the CPE Report for application number 1-980-7217, the Panel awarded zero points for the sub-criterion of Nexus. The Panel found that:

*"Although the string Merck matches the name of the community as defined by the applicant [KGaA], it also matches the name of another corporate entity known as "Merck" within the US and Canada. 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 is therefore a substantial entity also known by the name "Merck". The Panel has therefore determined that the string is "over-reaching substantially beyond the community" it defines 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."*

KGaA disputes this finding and falsely claims that the Panel has "misapplied the policy by equating "over-reaching substantially beyond the community" with anything less than absolute world-wide exclusivity."

KGaA attempts to justify this position by citing the following CPE guidelines from the AGB at Section 4.2.3:

*"...since the evaluation takes place to resolve contention there will obviously be other applications, community based and/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"."*

However, the above guidelines cited by KGaA are not applicable to the scoring methodology for the sub-criterion of Nexus. The above cited guidelines are only applicable to the sub-criterion of Uniqueness, which has an entirely different scoring criteria and set of guidelines.

Based upon this incorrect misunderstanding, or deliberate misapplication, of the CPE process and guidelines, KGaA states that:

*"...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."*

This conclusion on the part of KGaA is utterly without foundation and the CPE Policy scoring criteria and guidelines make this clear.

KGaA's application scored zero points on the sub-criterion of Nexus because of the existence of Merck. As such, the Panel found that *"that the string [.MERCK] is "over-reaching substantially beyond the community" it defines 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."*

KGaA's arguments should be disregarded as without basis.

## 1.2 Uniqueness

Due to the obvious failure of KGaA's application to achieve a score on the Nexus sub-criterion, the Panel did not need to consider the sub-criterion of Uniqueness.

KGaA disputes this on the mistaken grounds outlined above under 1.1 and brashly asserts that its application should have scored the one available point on the grounds that:

*"The name MERCK has no other meaning than the name of the family owning the majority of Requester's community."*



However, this assertion is completely false as it is the same family name that is the basis for Merck's name. Thus it is nonsensical to claim that the string MERCK is in any way unique to KGaA, given the shared origins of both KGaA and Merck.

## 2. FACTUAL BACKGROUND

Merck would also like to take this opportunity to correct some of KGaA's more egregious statements in the Reconsideration Request.

### 2.1 Claims relating to Coexistence Agreement between KGaA and Merck

KGaA makes multiple erroneous statements concerning the Coexistence Agreement.

Firstly, it claims that the agreement has been in place since the 1930s.

This is not true. The 1932 Agreement was challenged by the US Department of Justice under the US Sherman Act and in 1945 was cancelled by a Consent Decree in the New Jersey Courts. The relevant agreement and provisions have been in place since 1955 (the 1955 Agreement being superseded by the 1970 Agreement which contained formalistic amendments caused by a change of company name of KGaA's predecessor).

Secondly, KGaA claims that Merck's rights are "*territorially limited to two countries within North America*" and that KGaA "*retains those rights throughout the rest of the world*".

This does not accurately reflect the situation. Furthermore, the use of words such as "*limited*" and "*retains*" in this context is a poor attempt by KGaA to show itself as the "superior" rights holder when this is clearly not the case.

In reality, the Coexistence Agreement provided for a global division of rights consisting of three parts:

#### i) United States and Canada

In the United States and Canada, Merck had exclusive rights to the trade mark MERCK.

E Merck (as KGaA's predecessor was known, KGaA only having been formed in 1995) was permitted to use a firm or corporate name "E. Merck" with a geographical identifier in a specific format.

#### ii) Germany

In Germany, E. Merck had exclusive rights to the trade mark MERCK.

Merck was permitted to use "Merck &Co., Inc." as a firm or corporate name with a geographical identifier in a specific format. Merck was also permitted to use Merck, Sharp & Dohme as a firm or corporate name with a geographical identifier other than Germany.

#### iii) Rest of the world

In all other countries Merck was permitted to use "Merck Sharp & Dohme" as a **trade mark** and as a firm or corporate name. The parties agreed that "Merck Sharp & Dohme" was not confusingly similar to any trade marks or names E. Merck owned.

Merck was also permitted to use "Merck & Co., Inc." as a firm or corporate name with a geographical identifier.

E. Merck was permitted to use MERCK as, or as part of, a trade mark and name, provided that any marks or names adopted in future were not confusingly similar to Merck's permitted marks or names.

In Cuba and the Philippines, both parties had unrestricted rights to use MERCK as a trade name and a trade mark. Each party agreed to take appropriate steps to distinguish its goods from those of the other to avoid confusion.

The result of the Coexistence Agreement is that, with the exception of the United States, Canada and Germany, both parties were permitted to use MERCK in some form as a trade mark.

The fact that Merck is permitted to use MERCK SHARP & DOHME as a trade mark throughout the world (except in Germany) is an important fact that KGaA fails to mention in its Reconsideration Request. It should also be noted that KGaA was not granted the right to use a MERCK variation as a trade mark in the United States or Canada – a fact that KGaA also fails to mention.

## 2.2 Claims relating to exclusivity

As can be seen from 2.1 above, KGaA's claims regarding the territorial differentiation of rights are a complete misrepresentation of the reality of the situation. KGaA's repeated descriptions and claims of its global "exclusive" rights are extremely misleading.

KGaA's claim regarding how much geographic territory it covers is completely irrelevant to the borderless Internet. In addition, the claims of exclusivity and being a single source identifier are also completely false. KGaA does not have "exclusive" rights to use of the name MERCK. Furthermore, KGaA fails to mention that Merck is the fourth largest pharmaceutical company in the world with revenues nearly three times the size of KGaA.

Thus, in terms of the size of the respective entities, global sales and philanthropic activities, Merck is the larger and better known of the two companies.

## 2.3 Claims relating to use of MERCK on the Internet

KGaA makes the absurdly false claim that Merck is prohibited *"by contract and existing trade mark and name rights from using the name MERCK on the Internet"*.

This statement is clearly ridiculous given that Merck is the owner of the domain name <merck.com> which it registered in 1992 and has used for nearly 25 years.

While KGaA has recently taken legal action across several jurisdictions regarding certain of Merck's uses of MERCK on the Internet, no final binding decision has yet been made in this respect and Merck is vigorously defending against all such claims.

Moreover, the 1970 Agreement was signed before the Internet existed and thus makes no reference to the Internet.

KGaA then makes a series of inaccurate assertions regarding the court proceedings in the UK, France, and the court of Frankfurt, Germany, claiming that these courts have *"confirmed that the use of Merck & Co. infringes the contractual and intellectual property rights"* of KGaA.

These assertions are not true.

In the UK courts, the Judge found use of MERCK in the domain name <merck.com> and email addresses ending in "@merck.com" did not constitute infringing use.

It should also be noted that the Judge's order, dated 3 March 2016 (and not 15 January 2016 as wrongly stated by KGaA), has been appealed and is stayed, pending the outcome of that appeal.



In any event, it should be noted that use of .MERCK by Merck would not necessarily be trade mark or infringing use.

In the French courts, KGaA's legal action was based on the grounds of trade mark infringement and not a breach of the Coexistence Agreement. Thus it is a misrepresentation to assert that the French courts found that Merck had infringed the contractual rights of KGaA.

With respect to the French court's ruling on trade mark infringement, unfair competition and company and name rights, only one of Merck's uses was found to be infringing. This was related to occasional uses of "MERCK" to refer to the US companies of Merck's corporate structure on the websites found at [www.msd-france.com](http://www.msd-france.com) and [www.msd-sante-animale.fr](http://www.msd-sante-animale.fr).

In France, contrary to KGaA's assertions, the use of the email addresses ending in '@merck.com', of "MERCK" as metatag data and "Manuel Merck" as a title of books were not considered acts of trade mark infringement or unfair competition.

Turning to the court of Frankfurt, Germany, KGaA sought a preliminary injunction against the use of the gTLD .MERCKMSD solely based on alleged infringement of KGaA's rights to the trade mark "MERCK" in the European Union and its rights to the trade name "MERCK" in Germany. As in the French proceedings, KGaA's legal action was not based on a breach of the Coexistence Agreement. Thus it is yet another misrepresentation on the part of KGaA to claim that the Frankfurt court found that Merck had infringed the contractual rights of KGaA.

It is also important to note that the first instance decision of the Frankfurt District Court is currently under appeal. As a result no final decision has yet been made by the court and thus it is a falsehood to claim that the court of Frankfurt has "*confirmed that the use of Merck & Co. infringes the contractual and intellectual property rights*" of KGaA.

#### **2.4 Claims relating to Merck's proposed use of the .MERCK gTLD**

KGaA's claims regarding Merck's proposed use of the .MERCK TLD are based upon KGaA's wilful misinterpretation of the statements contained in Merck's application for .MERCK and are simply untrue and unsubstantiated.

#### **2.5 Claims relating to geotargeting**

KGaA claims that it will take all necessary measures, including geotargeting to avoid internet access by users in territories in which Merck has trade mark rights.

However, such claims regarding geotargeting do not stand up to scrutiny.

It should be noted that during the 2012 New gTLD Application Program, KGaA submitted two gTLD applications:

- Application number 1-980-7217 for the gTLD .MERCK
- Application number 1-980-60636 for the gTLD .EMERCK

These applications were published on the ICANN website on 13 June 2012.

At the time of their publication, the applications contained no provisions or statements whatsoever regarding the use of "geotargeting" technology.

In March 2013, KGaA submitted change requests to ICANN concerning geotargeting for its applications for .MERCK and .EMERCK.

It is pertinent to note that these change requests to KGaA's new gTLD applications were made just prior to (i) the commencement of its multi-jurisdictional litigation against Merck, and; (ii) the

submission of its Legal Rights Objections (LRO) to the World Intellectual Property Organisation (WIPO) (LRO) against the new gTLD applications filed by Merck.

When viewed in this context, it is clear that the statements concerning geotargeting were inserted into KGaA's applications for .MERCK and .EMERCK solely in order to strengthen KGaA's strategic position with regard to its litigations and the new gTLD application process.

Therefore, contrary to KGaA's posturing in relation to geotargeting, the truth of the matter is that KGaA decided to introduce the concept of geotargeting purely for legal strategic reasons prior to filing its first litigation. Presumably this was done because KGaA incorrectly thought it would look better in the multiple litigations filed against Merck.

Prior to this, KGaA had, for many years, blatantly and openly used MERCK on its websites that were accessible to Internet users in the United States and Canada. This was done without any concerns or regard for remaining in compliance with the 1970 agreement.

Since adopting geotargeting for its US and Canada directed [www.emdgroup.com](http://www.emdgroup.com) website, KGaA has continued to make widespread use of MERCK in exactly the same way that it has criticised Merck. As the website is directed to the US and Canada, the only explanation for this is that such use is deliberate, showing that KGaA's assurances with regard to geotargeting are worthless.

The new language that KGaA inserted into its applications for .MERCK and .EMERCK was as follows:

#### **.MERCK**

*"Moreover, in order to avoid trademark-related concerns within North America, the Applicant will use geo-targeting tools to prevent any Internet traffic originating from the US or Canada from accessing websites within the .MERCK space. As defined above, all members of the Merck Community maintain their principal places of business outside of North America, and thus no domain names within the space shall be registered by entities headquartered within this geographic locale."*

#### **.EMERCK**

*"Moreover, in order to avoid trademark-related concerns within North America, the Applicant will use geo-targeting tools to prevent any Internet traffic originating from the US or Canada from accessing websites within the .EMERCK space, and will not license the use of domain names within the TLD to affiliated entities whose principal places of business are located within North America."*

However, far from making use of "geo-targeting tools to prevent any Internet traffic originating from the US or Canada from accessing websites within the .EMERCK space", KGaA is actively permitting Internet users from the US and Canada to access websites and content within the .EMERCK domain name space.

Thus, KGaA has totally failed to adhere to its own definition of geotargeting with the use of the .EMERCK gTLD. Either KGaA had no intention of implementing geotargeting as it outlined in the application for .EMERCK or it found that it was unable to implement it due to technical limitations<sup>1</sup> and financial constraints.

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<sup>1</sup> Based upon how the DNS currently works, it is unlikely that geo-targeting can be implemented at the DNS root and apex without changing its current structure. Any such change would result in the need for a security and stability evaluation by the Registry Services Technical Evaluation Panel (RSTEP). At the time of writing no RSTEP evaluation has been started for such a proposal.



This blatant misrepresentation within its application for .EMERCK and the actual use of the .EMERCK gTLD raises serious questions regarding KGaA's integrity and conduct throughout the entire New gTLD Program.

Furthermore, geotargeting is not an effective solution. It is easily circumvented by the use of proxy DNS services or the use of a Virtual Private Network which effectively renders geotargeting useless as Internet users can circumvent any geotargeting restrictions that have been put in place.

The effectiveness of geotargeting is further compromised when large multinational corporations are taken into consideration. Such entities will often have geographically dispersed locations for their technology networks. Access to the Internet will not always be from an IP address based in the same geographic location as the Internet user. Thus it is entirely possible that an Internet user located in the US or Canada could appear to be using an IP address from France.

### 3. CONCLUSION

Reconsideration Request 16-12 is full of inaccuracies. This has been the *modus operandi* of KGaA throughout the New gTLD program.

Yet again, it is disappointing to see the Board Governance Committee's time being wasted with such a clear abuse of the Reconsideration Request process.

Reconsideration Request 16-12 should be rejected in its entirety for not only being an abuse of the Reconsideration Request process but also for being a blatant misinterpretation of the CPE rules and guidelines.

Respectfully submitted

A handwritten signature in black ink that reads "D. Taylor". The signature is stylized, with a large, bold "D" and a cursive "Taylor".

David Taylor