

Joint Rebuttal to the BAMC's Recommendation on Reconsideration Request 19-4

Merck KGaA and Merck Registry Holdings, Inc. (acting on behalf of its parent company Merck Sharp & Dohme Corp.) (hereinafter referred to as the "Requestors", "Applicants" or "Parties") submit this Joint Rebuttal to the Board Accountability Mechanisms Committee's ("BAMC") Recommendation issued on 19 December 2019 (the "Recommendation") on Reconsideration Request 19-4. The Recommendation concerns ICANN's decision ("the Decision") to dismiss the Requestors' second mutual request to defer the Last Resort Auction to resolve the string contention for .MERCK generic top-level domain (gTLD).

BRIEF SUMMARY

The Requestors, the sole parties in the .MERCK contention set, are materially affected by the Decision as it limits the Applicants' ability to continue their efforts in discussing effectively and negotiating in good faith. The principal reason which led the Applicants to mutually request the postponement of the auction is the fact that the Requestors prefer to resolve not only the new gTLD issue but also integrally connected far broader dispute which is before numerous courts of law in ten jurisdictions subsequent to the Parties' applications for the new gTLD .MERCK in 2012. Because of ICANN's denial of the postponement request, the Parties are being forced into an auction rather than being allowed to continue towards resolving the .MERCK and broader dispute.

In their Recommendations, the BAMC concludes that *"ICANN Staff did not fail to consider material information or violate ICANN's Commitments, Core Values or established ICANN policy(ies) in its denial of Requestors' request for a second postponement of the .MERCK string contention auction."*

However, notwithstanding the above, the BAMC "*recommends that the Board ask ICANN org to seek an update from the Requestors on: (i) whether the Requestors have received any of the court rulings that the Requestors stated were expected this year that they indicated would assist them in resolving their dispute; and (ii) what progress, if any, the Requestors have made toward settlement. If the Requestors jointly declare they had made progress since filing Request 19-4 and that they are very close to private resolution, the BAMC recommends that the Board ask ICANN org to consider providing the Requestors with some form of discretionary relief that could allow them to finalize a settlement.*"

Despite the fact that the Requestors cannot fully agree with the arguments raised by the BAMC in support of the rejection of the Reconsideration Request 19-4 (**Section 1**), the Applicants are very appreciative of the BAMC's Recommendation to seek an update from the Requestors concerning the ongoing multijurisdictional litigation and proposing to the Board to consider providing the Applicants with the possibility to reach an amicable solution (**Section 2**). The Requestors have not yet received such request from ICANN org and are therefore proactively providing an update.

1. **SECTION 1: BAMC'S RECOMMENDATION TO REFUSE THE RECONSIDERATION REQUEST 19-4**

The Requestors submit that ICANN Staff did fail to consider material information (**Section 1.1**) and did violate ICANN policies favoring voluntary settlements (**Section 1.2**). Moreover, contrary to the BAMC's statements, the use of a rule against second postponement requests is inconsistent with ICANN's Commitments (**Section 1.3**). Finally, the Requestors do not challenge the Applicant Guidebook itself, but the motivation of the ICANN Staff who refused the second postponement of the auction (**Section 1.4**).

1.1 ICANN Staff Did Fail to Consider Material Information

In their Recommendation, the BAMC states that "[a]s an initial matter, the Requestors do not present any evidence to support their apparent belief that ICANN Staff failed to consider information about the history of their dispute, their pending litigation, and their hope that they could resolve their contention voluntarily if given more time when it denied the Second Request." (p. 9) The Requestors respectfully submit that strictly speaking, the only element they are required to present in any reconsideration request is "a detailed explanation of the material information not considered by the Board or Staff."¹ They are not required to present any evidence to support their belief that ICANN Staff failed to consider that material information. In fact, it is almost impossible to prove a non-consideration of any sort of argument in any kind of dispute. Analogously to the UDRP, the task of "proving a negative" is often impossible, requiring information that is primarily within the knowledge of the opponent.²

However, an indication that ICANN Staff failed to properly consider the information about the history of the dispute and pending litigation is highlighted by the BAMC's statement: "[t]he Requestors each have trademark rights involving the word "Merck," which have been and continue to be the subject of litigation in multiple jurisdictions for many decades." (p. 4) The Requestors submit that all of the current court cases have commenced after the applications for .MERCK in 2012. It is incorrect to consider that the two Parties have been in litigation in multiple jurisdictions for many decades. They have in fact coexisted for many decades until the new gTLD procedure came about. Court cases are pending since 2013.

¹ Reconsideration Request Form Version as of 21 September 2018, Section "Detail of Board or Staff Action/Inaction – Required Information"

² Paragraph 2.1 of WIPO Overview of WIPO Panel Views on Selected UDRP Questions, Third Edition ("WIPO Jurisprudential Overview 3.0") at <https://www.wipo.int/amc/en/domains/search/overview3.0/>

The BAMC further continued: "*[i]n the message denying the Second Request, ICANN Staff wrote, "[p]lease note, there is still time to pursue and complete the self-resolution of the contention set," showing that ICANN Staff was aware of and had considered the Requestors' ongoing efforts at voluntary settlement.*" (p. 9) This quoted fragment of the Decision (issued on 30 September 2019) also specified that "*[a]ll withdrawals as a result of self-resolution must be completed with ICANN no later than 16 October 2019*". Therefore, by saying "*there is still time to pursue and complete the self-resolution of the contention set*", ICANN Staff meant giving the Requestors approx. two weeks to reach an amicable solution. Contrary to what BAMC states, the Requestors' opinion is that the quoted-above phrase shows that ICANN Staff did not understand the full extent of the Applicants' ongoing efforts at voluntary settlement of the .MERCK contention set which are necessarily entwined with the ongoing multijurisdictional litigation. This is a perfect example of the tail wagging the dog as any settlement of the .MERCK gTLD dispute is integrally connected to the ongoing litigation. The Parties are therefore seeking resolution of the entire dispute not just the .MERCK new gTLD dispute and that is a complex and interdependent process. The proposed period of two weeks by ICANN Staff is completely inadequate and underlines the failure to consider the material information.

1.2 ICANN Staff Did Violate ICANN Policies Favoring Voluntary Settlements

The BAMC quotes Applicant Guidebook, Module 4, § 4.2.2 in the following way: "*ICANN Staff denied the Second Request in accordance with the process established under the Applicant Guidebook regarding requests for postponements of contention set resolution auctions, which provides: [i]f all parties agree and present a joint request, ICANN may postpone the auction for a three-month period while the parties attempt to reach a settlement before proceeding to auction. This is a one-time option; ICANN will grant no*

more than one such request for each set of contending applications." (p. 9) The Requestors submit that this fragment of the Applicant Guidebook is not applicable to them. In fact, the above-quoted fragment is inserted in the Section of the Applicant Guidebook entitled "Community Priority Evaluation" (CPE) and merits to be quoted in its totality:

"If more than one community-based application is found to meet the criteria, the remaining contention between them will be resolved as follows:

- In the case where the applications are in indirect contention with one another (see subsection 4.1.1), they will both be allowed to proceed to the next stage. In this case, applications that are in direct contention with any of these community-based applications will be eliminated.*
- In the case where the applications are in direct contention with one another, these applicants will proceed to an auction. If all parties agree and present a joint request, ICANN may postpone the auction for a three-month period while the parties attempt to reach a settlement before proceeding to auction. This is a one-time option; ICANN will grant no more than one such request for each set of contending applications.*

If none of the community-based applications are found to meet the criteria, then all of the parties in the contention set (both standard and community-based applicants) will proceed to an auction."

Given that none of the community-based applications in the .MERCK contention string - neither Merck KGaA nor Merck Registry Holdings, Inc. - were found to meet the criteria of the CPE, according to the above, the rule about the extension being a "one-time option" only is inapplicable. It is thus submitted that restricting the Decision to postpone on the grounds of the Applicant Guidebook is in breach of ICANN's Core Values, including the

requirement to make "decisions by applying documented policies neutrally and objectively with integrity and fairness".

Moreover, as the BAMC correctly notes, the prior version of the Auction Rules for New gTLDs which specified that "[a] postponement is intended to be a one-time option" was effective until 26 February 2014. It should be noted that the current version of the Auction Rules for New gTLDs does not mention at all that the postponement is a "one-time option". Given that the similar rule announced in the Applicant Guidebook is inapplicable to the Requestors since neither party passed the CPE (as discussed above) and given that in the current version of the Auction Rules for New gTLDs a "one-time option" rule is not included, the only text on which the BAMC is founding its analysis is the postponement form.

Finally, the BAMC states that: "*the Requestors have had more than five months to voluntarily resolve their competing applications since the auction for the contention set was first scheduled on 2 May 2019.*" (p. 12). The Parties submit that they have sought to resolve the .MERCK contention set during this time in good faith. However, and as we have sought to set out to ICANN, the picture is far more complex given the litigation which has ensued since 2013.

1.3 The Use of a Rule Against Second Postponement Requests Is Inconsistent with ICANN's Commitments.

BAMC indicates that "*Resolution 2013.07.13.NG04 does not support the Requestors' assertion that ICANN Commitments require the exercise of case-by-case discretion concerning requests for second postponements of string contention auctions.*" (p. 13) The Applicants respectfully submit that they did not imply that the Resolution 2013.07.13.NG04 concerns postponement requests in new gTLD application process. Our reference to this Resolution was to underline an example of flexibility and discretion that has been applied

when interpreting the Applicant Guidebook when considered necessary. The Parties submit, given the uniqueness of the circumstances here where they are completely aligned, that such flexibility and discretion is indeed necessary.

Moreover, while commenting on the Resolution 2013.07.13.NG04, the BAMC stated that: *"[i]n that context, the New gTLD Program Committee decided that granting dispute resolution providers the discretion to overlook minor violations of filing deadlines better served "fairness and reasonableness" than applying a categorical rule."* (p. 13) The Applicants respectfully submit that in our situation, in the interest of fairness and reasonableness, there is good reason not to apply the categorical rule of only one postponement, if such rule is actually applicable given neither party passed the CPE (as discussed above).

Further, the BAMC also stated: *"[a]s the remainder of that Commitment makes clear, it is an antidiscrimination provision, precluding ICANN org from "singling out any particular party for discriminatory treatment." ICANN org's existing rule treats every request for a second postponement equally, by providing that all such requests will be denied, and is therefore "neutral" "objective" and "fair."*" (p. 14) The Applicants submit that the question here is who is suffering discriminatory treatment. The provision specifically aims at preventing discrimination "singling out any particular party". Both parties heartily agree that there should be no discrimination in favour of one at the expense of the other. That would be biased, subjective and unfair. However, by not allowing the request ICANN is not discriminating against either of the parties, it is in fact discriminating against them both since they are in complete alignment to postpone the auction until they have resolved the ongoing and interlinked multijurisdictional litigation. This is a unique set of circumstances where both Applicants involved seek postponement and have proposed a realistic

timetable. Instead they appear to be falling afoul of, as per the BAMC decision top of page 14: "the use of a categorical policy against second postponements".

Finally, the BAMC indicated that "*[t]hat Commitment therefore does not require that ICANN Staff make a discretionary, case-by-case determination as to whether to accept each request for a second postponement of a string contention auction received, rather than applying a blanket rule that no subsequent postponements are allowed.*" (p. 14) Whilst there might not be a requirement to do so, surely it is incumbent upon ICANN to apply the discretion in the appropriate circumstances such as the current situation.

1.4 The Requestors' Disagreement With the Motivation of the ICANN Staff in Rendering of the Decision.

The BAMC stated that "*[t]he Requestors argue that a second postponement of the .MERCK auction will not harm ICANN org or anyone else, as they are the only two applicants for the .MERCK gTLD and disputes over other gTLDs have been pending for longer. Elsewhere, Requestors also question the use of the auction process more broadly. But these arguments amount only to disagreement with ICANN org's decision to follow a rule against second postponements of auctions. They do not [...] provide a basis for reconsideration of the denial of the Second Request, which was consistent with that existing rule. Moreover, any challenge to the Applicant Guidebook is time-barred [...]*" (p. 15) Our arguments included in the Reconsideration Request that the BAMC comments on in the above-quoted fragment actually refer to the motivation of ICANN Staff to deny the second postponement of the auction. They are therefore not intended to challenge the Applicant Guidebook but the Decision itself. The Requestors' claim is therefore not time-barred.

2. **UPDATE ON THE ONGOING MULTIJURISDICTIONAL LITIGATION AND BAMC's RECOMMENDATION TO GRANT THE REQUESTORS WITH A FORM OF DISCRETIONARY RELIEF**

Both Applicants are grateful to the BAMC for having recommended that the Board ask ICANN org to seek an update from the Requestors on whether the Requestors have received any of the court rulings which would assist them in resolving their dispute. As underlined in the Reconsideration Request 19-4, the litigation is ongoing in Australia, China, Germany, Hong Kong, India, Mexico, Singapore, Switzerland, the United Kingdom and the United States. Contrary to initial expectations, the judgements in China and in the United Kingdom were not rendered in the fourth quarter of 2019. As a consequence, the updated calendar of the upcoming events of significance for the ongoing negotiations concerning .MERCK would be the following:


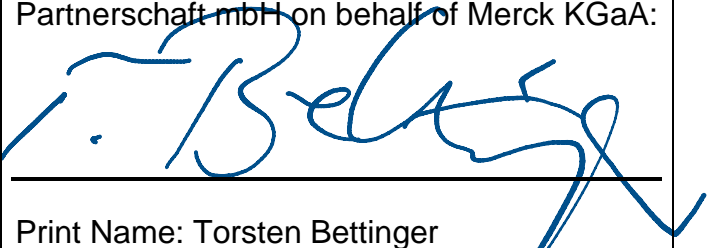
- Australia: trial in July 2020;
- China: final trial hearing and a first instance decision in H1 2020;
- India: completion of the hearings approx. by March or April 2020;
- Switzerland: second instance decision approx. in February 2020;
- US: status update on settlement talks and litigation schedule on January 29, 2020;
and
- UK: decision on the remitted issues in H1 2020.

In September 2019, the Applicants mutually requested the deferment of the auction (scheduled on October 23, 2019) for nine months. Despite the fact that we don't have full control of the multiple jurisdictions mentioned above, we initially anticipated that nine months would be a realistic delay and so we reiterate our request. Given that the first

applications for .MERCK in June 2012 were seven years ago and given numerous disputes on the contention set as well as the litigation that was spurred from the applications, the Parties are indeed very close to the resolution. Once we have the above-mentioned decisions and hearings, we will be in a better position to seek to finalize a settlement. As such, we would request a relief until at a minimum the end of H1 2020 and thus the end of June 2020, but ideally the end of August 2020 so as to take into consideration the Australian trial. Such discretionary relief would be a far better use of everybody's time and resources, including ICANN's, than pursuing the next stage in the accountability process of filing a Request for Independent Review.

Conclusion

Based on the foregoing and on the reasons expressed in Reconsideration Request 19-4, Applicants request that the Board provide them with a discretionary relief until the end of August 2020 that could allow them to finalize a settlement. As proposed by the BAMC, on Request of the Board, the Applicants can provide the Board with a more detailed update on the court rulings which are expected in January 2020 and the progress they have made toward settlement.

Signed by their legal counsel, David Taylor of Hogan Lovells, on behalf of Merck Registry Holdings, Inc.: 	Signed by their legal counsel, Torsten Bettinger of Bettinger Scheffelt Müller Partnerschaft mbH on behalf of Merck KGaA: 
Print Name: David Taylor Date: January 3, 2020	Print Name: Torsten Bettinger Date: January 3, 2020