JORDYN BUCHANAN:

…and how we were approaching it, and I think what we agreed yesterday was that we were going to, once we've put together our hypotheses about possible market segments definitions, that we would take a close look at them and give them scrutiny and make sure they actually look like they were reasonable substitutes. And similarly, as we're creating the market definitions I think the one market definition that's still open is the language based one, we would make sure that those definitions were sufficient to encompass possible substitutes including in the case of, for example, Chinese might include pinion in addition to Chinese script, for example. So as much as trying to figure out what the language of definition was.

But in any case, we wanted each of the market definitions, I think we agreed yesterday, would try to include the relevant – all the TLDs in that definitional exercise would be reasonable substitutes for one another in the opinion of this group at least.

So I'm hoping we can do something. One thing we can do very quickly is maybe talk through the definition from the Language sub-team because Dejan had indicated yesterday they were a little stuck maybe. And then once that's done, I'm going to suggest we break up into our sub sub-teams for maybe half an hour or an hour and try to actually identify all of the hypothesized groupings just like we already basically have done for the topic groups. So Stan can probably take a nap or something during that time.

Yes, go ahead Stan.

Note: The following is the output resulting from transcribing an audio file into a word/text document. Although the transcription is largely accurate, in some cases may be incomplete or inaccurate due to inaudible passages and grammatical corrections. It is posted as an aid to the original audio file, but should not be treated as an authoritative record.

STAN BESEN: Well, I thought the definitions that people wrote were fine. In terms of words, both sets made sense to me, both the language and the script.

JORDYN BUCHANAN: So apparently there's disagreement within the Language sub-team about their own definition.

STAN BESEN: They made sense. What we didn't do is the next step, which was we'll take the definition and create some [candidates].

JORDYN BUCHANAN: Alright, so that's what we will do. We'll spend some time on shortly. Maybe, Dejan, do you want to summarize what the disagreement is with the Language Team?

DEJAN DJUKIC: [We] didn't disagree with the definition, but we didn't agree that this is the final version. We had some version circulated through the list and the latest version I sent yesterday to sub-team. And during our last e-mail correspondence we concluded it would be very helpful to ask the other members of sub-team what their opinion about the proposed draft of the definition. So we are interested in now what you think about this definition and if you agree with it, we don't have nothing to add or change.

JORDYN BUCHANAN: Okay, perfect. Thanks. That's a helpful clarification, Dejan. So at least Dejan has voted he thinks it's fine. Kaili, you look like you wanted to make a comment. Go ahead, Kaili.

KAILI KAN: I just want to say [inaudible] I do not believe in this kind of approach, segmenting the market according to whatever [market] area, because by this approach we're just like defining, for example, taking the language for example, we're defining well, as long as two gTLDs are not using the same language, then they do not belong to the same market.

There are two problems with this approach. Number one: by defining things not in the same market this way we cannot define what are in the same market. We just define this and that, it's not in the same market. No matter how far we go along this way, we will not be able to define what are in the same market. So that is not defining markets. We are defining non-markets. So these two are absolutely two different things. That's number one. There's a fundamental logic, okay.

Number two: again taking say language as a criteria, yesterday I mentioned does China's conglomerate CITIC standing for China Investment Corporation… China International… CITIC. Okay. So for gTLDs, CITIC has registered two gTLDs. Where is using the English abbreviation of .citic, another using Chinese characters zhong xin. Of course, they can use the Chinese pinion with zhong xin again. However, because they are the exact same entity so I would say they replace each other, and therefore substitutable mutually. All the three will be

mutually substitutable and then actually all those three encompass three different languages – one is English abbreviation, another is the Chinese character and the other is Chinese pinion spelling, strings. But because they are the same entity, they are [merely] substitutable and therefore by all definition these three belong in the same market because they are substitutable.

So that means crossing over the language barrier does not necessarily mean they're not in the same market. So that's just using the language criteria as an example. At least I see two problems. One is this way, we're defining non-markets, not defining markets itself. Secondly, this criteria can be easily crossed using CITIC as an example. I believe in other languages, I would imagine in other [especially] in the Asian-based languages –

UNIDENTIFIED FEMALE: [inaudible].

KAILI KAN :   Yes, right. So that means first, language may not be a criteria to distinguish different markets [except] first of all, this approach I do not think is logical. So therefore I – just using the language as an example – but I believe the same thing exists for geographical segmentation as well as that kind of a grouping practice as well.

JORDYN BUCHANAN: Alright. So we've got a little bit of a queue. I'm just going to make a very brief intervention and say, while I understand   your concerns I think as

Stan pointed out yesterday, if we don't do this we're making an implicit decision that everything is together in one market, too, which might be equally as flawed in terms of reasoning. So, we'll get back to you in a minute, Kaili, but I want to let the other folks speak first.

And I guess I'll just make a personal observation, I don't want the perfects to be the enemy of the good here. One of the things I think we should do probably as part of our work here is once we've come up with these hypotheses, is test them and we could ask maybe – you have to throw more stuff either into this registrant survey of maybe a follow up, specialized survey of existing registrants in some of these domains TLDs, would be to ask the registrants, "Would you consider these things as reasonable alternatives?" And then we could find out what the registrants think they're substitutes or not as opposed to just us hypothesizing. That's one possibility. But let's let Waudo and then Megan, and then we'll go back to Kaili.

WAUDO SIGANGA: I think I can say two things. First of all, I think when we're doing the segmentations we have to have some level of holding some things constant, some assumptions, and hold some things constant . That's the first thing.

The second thing, if I come back to the specific example that Kaili has mentioned, I believe that we still have the language market segmentation. Because if you take that example, you have a word which is in Chinese script. If I'm a registrant and I want to get something in Chinese script, let's say Beijing had a TLD in Chinese script, if I want to

get a domain in Chinese script, to me the market I'll be considering is the one for Chinese script. So for my market I would not really be considering the pinion or the what you call its Latin equivalents of the same. I would be looking for Chinese script and any script or any domain that I can get that is in Chinese script is the one which would be substitutable for me. So I still believe that we have the language market segmentation.

JORDYN BUCHANAN: Yes, that makes sense. So you're observation, Waudo, might be that CITIC might get multiple goods that are slightly different but when they're registering their Chinese script TLD or SLD – it's really just the Chinese TLDs that are going to be appealing for them – they might get citic.com.cn and then they might get the Chinese version in .beijing or the Chinese script .cn. In any case, Megan, Kaili, then Jonathan.

MEGAN RICHARDS: I agree a lot with what Waudo had said and I think that what we're looking at is not a limitation, but trying to group these aspects into boxes. And it doesn't mean that the boxes have hard edges. They obviously go beyond that. So there must be a market, as Waudo said, for Beijing written in Chinese script, but there probably also is a market for Beijing written in pinion and also in Latin script – Beijing, I don't know how you say it in Chinese. Anyway, you'd probably write it in pinion differently. Let's say it Peking. But those are different markets because you have those who are looking for it in Chinese script, those who are perhaps English speakers who are looking for it in English or in

pinion. So what we want to do is distinguish different parts. I don't think we're limiting in any way the assessment. But that's my –

JONATHAN ZUCK: I might say something similar so maybe way [inaudible].

JORDYN BUCHANAN: Go ahead, Kaili. Okay, go ahead Jonathan.

JONATHAN ZUCK: I think the answer may lie in taking a step back from the exercise which is what is the question we're asking in a segmented way? And so when we're talking about linguistic segmentation what we're saying is – has the number of choices for speakers of Chinese increased or been enhanced by the program? In other words, have new options become available for speakers of Chinese? So that specifically [excludes] the people that were using English in the first place, etc. It's more like, if we take people that speak Chinese, do they now have more options available to them? If people speaking Arabic , do they now have more options available to them? And so I would suggest that the English language version is not a substitute for the Chinese language version for the segmentation we're trying to create.

In another segmentation, which is geographic, they are all in that market. So the question we're trying to ask is – do Chinese speakers have more options now for strings that they can register than they did before? And so I think if we ask the question that way, it feels simpler to

answer it and in some respects what we're also saying is – do they now have an option other than English?

And so that the comparison isn't just substitutability between each other, but – do I now have something that is other than having to use special codes after the .dot to type in the URL, etc.? So that maybe more content will be created. I think we all know why we're asking the question, and so have more choices been created, I think, is the way to think about it.

JORDYN BUCHANAN: Yes, go ahead, Kaili.

KAILI KAN: Exactly, actually. I agree with all of you, especially Jonathan. You mentioned these three having the English abbreviation [one] and the Chinese character and they increase the choices. Exactly. And therefore, they are substitutes of each other. Exactly. So that means by the new gTLD we have, because they are substitutes of each other, so exactly these three are in the same market because – well, how do we define markets? Well, the [goods] are substitutes of each other. Then they are [in the same] market. So .citic, .zhonexin in Chinese characters, and dot [inaudible] the Chinese pinion – they are substitutes of each other. So these three are in the same market. So this exactly proves that the new gTLD has introduced competition.

So that's why I say we agree with each other, however, we need to get the right conclusion. By breaking the language barrier actually, we

[defined] a market. These three, although they're in different languages, they're in the same market because they're substitutes of each other.

Also coming back to Waudo, I agree with you. In some cases, different languages are barriers [because] they segment different markets. But in some other cases – like I just mentioned – they're not. So we cannot just say language we can segment the market with different languages. We need to look at them one by one in each different cases. Therefore, what I'm trying to say is, it's not doable to segment the market by some general criteria [like] languages or geography or even grouping.

JONATHAN ZUCK: Is it possible to answer the question whether the number of choices available to Chinese speakers has increased?

KAILI KAN: Yes it has. Just like for CITIC, the conglomerate. Now they [inaudible].

JONATHAN ZUCK: So if you can answer that question it ought to be possible for us to pose the question.

KAILI KAN: Now there are three choices for [inaudible]. The choice has been increased, and these three are in competition against each other because they're exactly the same entity. Anybody can choose to use any one of these, so the choice has increased and these three are in

competition, they're substitutes and these three are the same market. However, again, nothing else. I would not want to include CITIC, these three into any other market, not even in a brand new market, because BMW is not a substitute for CITIC and CITIC is not a substitute for BMW either. So overall speaking, I do not believe in this kind of grouping.

JORDYN BUCHANAN: Alright, we've got a queue, so I'm going to go Stan, Waudo, Stan. I'm just going to intervene and say I don't want all of our time today to get caught up in the meta conversation. I want to actually – unless Kaili has persuaded everyone that we should not engage in this exercise, in which case we shouldn't do it – I want to make sure we actually have some time to spend on the segmentation effort. I will say just as a point of reference, I think in Stan's original projects one of the implicit things we will get is treating all the new gTLDs together plus the existing gTLDs as one big market. And so we'll get that perspective as well, so that we could compare the dynamics of the one big market versus some of these segmentation efforts. I can come back to Kaili, but let me get some of these other folks.

KAILI KAN: [inaudible].

JORDYN BUCHANAN: One word.

KAILI KAN: You were saying that treating it as one market.

JORDYN BUCHANAN: Correct.

KAILI KAN: What I say is other way around. We treat it as a non-market. Overall, the market.

JORDYN BUCHANAN: Let's go to Stan and then Waudo.

STAN BESEN: Jonathan isn't quite right because the idea if you look at what Analysis Group did, it's much more than asking the question of whether or not the number of choices is increased. So if you go [back and] look at their table, they define a market and they actually report, if you like, market shares for that market. So it goes beyond the question of whether the number of choices has increased, it basically says – If this is a market, how concentrated is it?

Second – and quite frankly I've given up trying to convince Kaili of this – but we did exchange some offline e-mails and I came across what I thought was a really nice pithy description of what the activity involves, it comes from a Trade Press report. Let me just read it. It says: "Market definition is that imperfect art and science effort by which courts gauge a merger's competitive effects."

EN

So no one is pretending here this is physics. This is an imperfect approach, but you have to do it if you want to analyze competition. And I don't claim more for what we're doing than that it's an imperfect approach to this problem. But if the objective is perfection, then we might as well just give up.

JORDYN BUCHANAN: Alright, Waudo, Dejan. And we're going to try to wrap up this conversation.

WAUDO SIGANGA: I think I just reiterate what Stan has actually said – this is the imperfect nature of what we're doing. We really have to hold some things constant in the definition so that at least we're able to put together those groupings.

And in terms of this example of the Chinese, I think when we talk about Chinese language, we are really talking about that market that is just interested in the Chinese language. So I don't see how we can have the, like you say, CITIC in Latin script being in the same market. I don't think it's possible.

Maybe I'll give you an example. When we went for the ICANN meeting in Beijing, I recall that we were told that when you get to the airport the taxi people cannot speak English, they cannot read English, they just know Chinese. They can speak Chinese and they know their Chinese script. So we were given pieces of paper with our hotels, where they

are, so when you reach the airport you just give these people the piece of paper and they'll take you there.

So when you think of that market, the Chinese market, they're not really much interested in these other scripts. They are just interested in the Chinese language script. So if you are talking about for the Beijing or for the .cn or .whatever, it should be in the Chinese script.

JORDYN BUCHANAN: So, Kaili, if you have a very brief response, and then Dejan and then I'm going to suggest a path forward.

KAILI KAN: First of all, I agree with Waudo. As a matter of fact, what he just said is not everybody would agree on the substitutability. For example, the taxi driver which only reads Chinese, he would not agree onto CITIC is a substitute of zhong xin in the Chinese characters. However, for me it's perfectly defined. So that further complicates our definition of a market because not only is it different according to what we see but also depends on whoever is a subject of seeing. Is it me, a scholar, professor, or a taxi driver? So therefore, I'm not looking for perfection, as a matter of fact. At least I'm looking for some kind of reasonable reasonability, some kind of reason.

Okay, brand names – CITIC and BMW – so the fundamental, fundamentally speaking, what is the market substitutability? If we can substitute these two, then they are the same market. If they are not, then we cannot substitute, they're not the same market in that sense.

Just what Waudo said, for me professor, CITIC, .citic and .zhongxin – substitutable, and for that it is not. And also that kind of grouping, for example the house or home, rental is clearly not substitutable as a for sale. There's totally different meanings, as a matter of fact. So we the fundamental point is substitutability, whether they are the same market. So by this kind of grouping, it has nothing to do with substitutability. So therefore –

JORDYN BUCHANAN: I think we agreed yesterday, Kaili, that we're going to take a close look if we see problems where there's obviously non-substitutes in the same grouping, we'll change that.

The other thing I want to emphasize is I said earlier that it may be valuable to actually ask registrants. We don't need to rely purely on our judgement. We can actually get some data to ask people whether they [inaudible].

KAILI KAN: Or ask the end users.

JORDYN BUCHANAN: It's only the registrants that matter. They're the ones paying. It doesn't matter if the taxi driver agrees it's a substitute or not it only matters if the person that's paying for the domain registration agrees it's a substitute or not.

KAILI KAN:	I would say actually whether the registrants believe they are substitutes really depends on, for example –
UNIDENTIFIED MALE:	[inaudible].
KAILI KAN:	Right, Stan. You say Coke and Sprite.
STAN BESEN:	I didn't say anything.
KAILI KAN:	You did.
STAN BESEN:	You got to say something. Some people wouldn't substitute Coke for Sprite.
KAILI KAN:	And somebody else would.
STAN BESEN:	It would not do to put them in the same market. But it's not required for everybody to regard these two as substitutes being in the same market.

KAILI KAN: Right. Okay, so anyway that is subjectivity. It really depends on who is looking at it. Anyway, in any sense, I do not think – well, first of all, what is our job, our task? Is it to prove something or no, we're not to prove something? So what we want to do is why do we want to define the market at all?

JORDYN BUCHANAN: So I think the answer to that question is easy because we have various measures of concentration and competition and various analyses that we would like to perform, and in order to perform those analyses you need to have some hypothesis on these for what the market looks like. So I'm going to have to hold out just a minute. Dejan's been waiting a long time. I'm going to let Dejan talk and then I'm going to wrap things up because we're seven minutes longer into this conversation than I want. Alright, Dejan go ahead.

DEJAN DJUKIC: I wanted to return to relations between IDNs and ASCII domains and Stan has given a good example with these drinks. IDNs can be, for example, Sprite and if ASCII is Coke, [variant] can be Zero Coke or Diet Coke, but they are not completely different products. So Jonathan mentioned the same there. They are just another new options for local registrants or for someone who speaks language of IDNs.

I have some experience with IDNs [but] in ccTLDs [field]. And our experience is that IDN users didn't find IDN domain name as a

competition for ASCII. They are in the many cases decided to register both. And there's very small number of IDNs if you compare with the Latin domain names. In almost 100% of IDNs the registrations they are [forwarded] and continue through to renew their previous domain name. So users then don't see IDN as a competition for ASCII domain name.

JORDYN BUCHANAN: Thanks, Dejan. That's a helpful perspective on the actual registrant experience. What I'm sensing as the sense of the room here is that Kaili has an objection to this approach but the rest of the sub-team seems supportive of the segmentation effort. So what I'm going to suggest, Kaili, is we're going to go ahead and do this exercise and see what it results in. If at the end of the process and we do this analysis you still think that it's not yielding a satisfactory result or it's flawed, in the report that we produce we can note your objections and why there were concerns raised but we decided to do it anyways and explain why people who were supportive did it. And so that way, both perspectives can show up in the report.

But in the meantime, to make sure that we don't lose out the opportunity to at least try the analysis for those that are supportive, I want to make sure that we have some time to actually do this. Does that sound like the right approach to everyone? Jonathan's got a question.

JONATHAN ZUCK: Are we able to identify the sites in .com and .net, or some subset, that are already in non-Latin text in terms of content? Has that kind of study been done? Because it could be that we could get halfway to solving Kaili's objection by including in a way that'll make it more interesting , is to see whether these new options in fact prove to be competition is to say – The .com sites that are in Chinese language are in competition with the new IDNs where the domain is now in Chinese characters. But there's already plenty of .coms where the content is Chinese and so that is, in fact, part of the market in a sense. If we wanted to talk about things for as a language for Chinese speakers it's not just about the domain. It's going to include .com where people [who] are doing it now until there were IDNs.

My guess is that that work has been done to identify those – or at least get some numbers around them – but I don't know the answer to that.

ELEEZA AGOPIAN: I certainly don't have that data. My guess is there's probably market research out there on that data that might require some digging to find.

JORDYN BUCHANAN: Alright. That's an interesting suggested approach, Jonathan. So why don't we try to see if we can identify such data. It sounds like the sort of thing Verisign might include in their periodic reports on what's going on in com and net. So they may know the answer.

JONATHAN ZUCK: [They] may capture enough to give us some idea. We're doing Stan's calculations in that market. It includes new sales and things like that which is where [we think we'll see the] most adjustment [inaudible] those overall percentages. It might be worth incorporating that [data].

JORDYN BUCHANAN: Alright, thanks, Jonathan. That's a very helpful suggestion. Waudo, is your mic on for a reason?

WAUDO SIGANGA: I don't' know, just thinking about what Jonathan said about the two types of, for example, the one in Chinese script and the .com equivalent. And I think you're talking about the .com equivalent having Chinese content. According to me, I don't think those two would be competing. Language wise, they would be in two different markets altogether. Because this .com one, how do you reach it if you don't know Latin script?

JONATHAN ZUCK: People have been reaching it in China for many, many years by doing [escape] sequences. There are, in fact, Chinese content .com pages today and people just had to go through an exercise to get to it. So I would say that it's direct competition, that for the people that are trying to create content for Chinese speakers, they now have alternatives to doing escape sequences to type .com. But they've been doing it, it's just been inconvenient. It's not like there hasn't' been any Chinese content.

WAUDO SIGANGA: So what you're saying is that if you're a final registrant, you'd just be seeing the Chinese language. You would not be seeing the –

JONATHAN ZUCK: Sorry, I don't mean to drag it out. In many instances, they're actually able to use Chinese characters for the second level domains, and then have to use escape sequences to type in the .com.

WAUDO SIGANGA: The registrant?

JONATHAN ZUCK: The end user.

WAUDO SIGANGA: The end user.

JONATHAN ZUCK: So the registrant having not had a choice of an IDN has been registering a .com and what it looks like inside the Verisign database is something incomprehensible, but what it looks like when it's typed in China is Chinese characters. And so we've already had that for a while now where the left of the period was IDN essentially and the right was .com. So the only real change with IDNs is the ability to do the rest of it in Chinese characters. And so I would consider since this is all about generating content for a language community, that those two are perfect substitutes.

JORDYN BUCHANAN: Megan's got a quick point, then I'm still going to cut off this conversation because I want to find – let's find out if the data is available. This is a moot conversation if it's not. Go ahead, Megan.

MEGAN RICHARDS: I wanted to agree with Waudo and Jonathan. Now you're going to wonder how I'm going to do that. Because I agree with you on the Chinese characters and .com but then it has to be in the second level character. So it's not just the content. So you couldn't have – I don't know – Beijing.com and then the rest of the content in character. You have to have the string have some Chinese character. If that's the case, then I would agree because we're supposed to be looking at gTLDs and not just the content. I can give you all sorts of example of Greek websites where the content is all in Greek but the string is entirely in Latin characters. That's a different kettle of fish for me. So with that minor adjustment, if you would limit that –

JORDYN BUCHANAN: So let's see what data sources exist and that can help inform this conversation. So it's now 1:45. Here's what I'm going to suggest, that we break into sub sub-teams except… One thing actually, Stan, you could do is maybe work with Eleeza and figure out how to figure out how to translate Stan's spreadsheet –

UNIDENTIFIED MALE: [inaudible].

JORDYN BUCHANAN: Alright, I'll hand it over to you two. How to turn that into electronic versions of the groupings essentially so that we can operate on them. And then the other two sub sub-teams actually need to come up with their groupings.

When is the theoretical break next? 2:30 to 2:45? So from now until 2:30, you can run into the break if you're running behind, but we'll reconvene as a big group at 2:45 and see how we're doing, whether we need more time on this exercise or what. And Eleeza has an observation or a question.

ELEEZA AGOPIAN: I have a question. It's more of a larger procedural question. I'm looking at your high level research question, where does this exercise fall?

JORDYN BUCHANAN: Some of them yesterday we put stars next to. So for the ones where we think that it's appropriate to do a market segmentation for the particular research project then you would perform that same exercise for each of the identified market segments.

ELEEZA AGOPIAN: I'm trying to wrap my head around prioritizing as well. Maybe that's a discussion to be held at the end of our sub-team meeting today, but there's a lot of different requests that have come in and I need some help in determining what's a top priority and what's not.

JORDYN BUCHANAN: I think the things we flagged – we'll have to take a look and see if this is true or not – were largely the more mechanical sort of questions. I suspect once you had a spreadsheet that supported doing this for one market segment, that applying it to more would probably not be too hard. But maybe I'm wrong. You could just do a filter on – here's the equation and do it with this filter turned on for these particular TLDs and repeat that exercise once per market segment, or something like that. Anyways, we can talk about that after.

But it seems to me that it tended to be the ones that didn't require – it was taking existing data and running it through an equation as opposed to having to go and do a bunch of research per market segment which I agree would be very time-consuming. So we'll have to apply that feasibility test to the segmentation analysis.

Let's break up into our sub sub-teams. Maybe we'll send the Geography subgroup over into the corner over there and we'll leave the Language Team here at the big table, and Stan is going to work with staff on figuring out how to take his paper thing and turn it into an electronic thing. And we'll reconvene at 2:45 in this group and see how we're doing. Thanks.

Just to come back to the previous conversation, I think everyone's okay with the hypothesized language market definition. I didn't hear any objections.

JONATHAN ZUCK: Almost everyone. Right, exactly.

MEGAN RICHARDS: I'm happy with the definition, I just wanted to double check the technical correctness of IDN and ASCII. Is ASCII only in Latin characters with other umlauts or anything? Just to clarify that so we make sure we have the exact correct definition.

JORDYN BUCHANAN: Is Latin A through Z and 0 through 9 and hyphen and that's all that's included in non-IDNs. Anything with an umlaut or an accent or anything like that, that's what's called extended Latin and that creates an IDN. But there could still be a word like [hotice] – that's a Portuguese word that is rendered purely in ASCII.

                         Kaili, briefly.

KAILI KAN: One more thing. To be precise, agree with that kind of market segmentation. However you want to [cut up] the market is fine for me. However, what I want to emphasize – quite obvious – that it's not market definition. Market definition is substitutability, it's not to be cut up into pieces.

JORDYN BUCHANAN: What we're going to do is a market segmentation exercise right now. And we're going to do some analysis on these market segments.

KAILI KAN: However whether that's a market definition, that's another issue.

JORDYN BUCHANAN: That's a fair observation. So what we're agreeing to is a definition for market segmentation purposes for our current exercise. And we'll be back in 55 minutes.

[END OF TRANSCRIPTION]