

**MEMORANDUM**

TO: Cross Community Working Group to Develop an IANA Stewardship Transition Proposal on Names Related Functions ("CWG")

FROM: Sidley Austin LLP ("Sidley")

RE: Counterparty to Community Agreement with IETF Trust ("IETF Trust")

DATE: 24 August 2016

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**Overview and Qualifications**

It is anticipated that in connection with the IANA transition, ICANN will transfer ownership of certain registered IANA intellectual property rights (i.e., trademarks, services marks and domain names) ("IANA IPR") to the IETF Trust, and a community agreement will be entered into between the IETF Trust, on the one hand, and the three operational communities: numbers, protocols/parameters and names, on the other hand (the "Community Agreement"). The CWG has been considering the appropriate counterparty to the Community Agreement on behalf of the names community. One entity that CWG is considering as a counterparty is ICANN, and ICANN has indicated a willingness to serve in that role if requested by CWG.

The names community has the following primary responsibilities under the Community Agreement, which would be fulfilled by ICANN if designated to act on behalf of the names community:

(1) Appoint three individuals to serve as representatives of the names community on the IANA Community Coordination Group ("CCG") under the Community Agreement. The CCG's role is to provide advice and counsel to the IETF Trust regarding the IANA IPR. In addition, ICANN would appoint one of these CCG representatives to serve as one of the three co-Chairs of the CCG (the other two co-Chairs being appointed by numbers and protocols/parameters). The CCG co-Chair's role for the names community is to notify the IETF Trust when the relevant service arrangement between the IANA operator and the names community has been or will be terminated as a result of the process of community engagement and review contemplated by the ICANN bylaws.

(2) Monitor the use of the IANA trademarks within the IANA IPR to ensure consistency with the standards determined by the names community for the IANA services provided for its benefit.

(3) If there is a change in the IANA operator (i.e., ICANN and PTI), request that the IETF negotiate a new license with a new IANA operator, have the IETF consult with ICANN on the new license, and be a party to any mediation if the new license is not agreed upon.

(4) Consult with the IETF Trust regarding matters of registering and protecting (i.e., enforcing and defending) the IANA IPR with respect to third parties, although such decisions ultimately are reserved to the IETF Trust.

(5) Agree to terminate the Community Agreement on behalf of the names community or withdraw the names community from the Community Agreement.

(6) Upon the direction of the names community, submit a written request to the IETF Trust asking that it seek approval from the IETF to amend the governing documents of the IETF Trust to permit transfer of the IANA Intellectual Property under certain circumstances, including in the case of a material breach of the license by the IETF Trust or upon dissolution or liquidation of the IETF Trust.

CWG has asked Sidley to consider what mechanisms and processes could be implemented if ICANN were the counterparty to the Community Agreement to ensure that ICANN represented the names community in fulfilling its responsibilities under that agreement.

Please note that our analysis, which addresses the legal issues regarding ICANN as the counterparty to the Community Agreement is preliminary in nature, tailored to the discussions between the CWG and Sidley, and provided to help facilitate CWG's consideration of this alternative. It should not be relied upon by other persons for other purposes. This draft memorandum reflects our preliminary independent evaluation and has not been reviewed by any third parties.

### **Providing Direction to ICANN**

#### **1. How does ICANN select the three CCG representatives?**

A number of the rights of the operational communities under the Community Agreement are delegated to the CCG. ICANN could be given direction on how to select the three representatives of the names community to the CCG. CWG should consider whether there are certain SOs/ACs from which to draw the representatives that would be most representative of the names community. For example, one representative could be selected by ICANN, one could be selected by GNSO and one could be selected by ccNSO. Alternatively, CWG could direct that representatives be drawn from the CSC membership, or if CWG becomes an unincorporated association and remains in existence post-transition, CWG could select some or all of the representatives by consensus from among its membership (similar to how CWG selects its co-Chairs currently).

#### **2. How does the name community provide input, advice and direction to ICANN on other points under the Community Agreement?**

Certain decisions under the Community Agreement would be made by ICANN as the signatory to the Community Agreement rather than the CCG. A mechanism could be created where the relevant stakeholders of the names community could provide input to ICANN on these decisions. For example, a policy memorandum or agreement with ICANN could specify that certain SOs/ACs (or CWG or another body) would need to be consulted before all or certain key consultations or decisions were provided by ICANN under the Community Agreement. This could be merely a consultation right with ICANN having the final decision, there could be a

rebuttable presumption that the community advice would be followed by ICANN or there could be an agreement that these groups and ICANN would act by consensus.

As noted above, one of the responsibilities ICANN would have under the Community Agreement, acting on behalf of the names community, would be to notify the IETF Trust if the IANA operator had materially breached its obligations with respect to the provision of IANA services for the names community, and the IETF Trust would consult with ICANN about the appropriate course of action, including potential termination of the license agreement, if so directed by ICANN on behalf of the names community. It would be appropriate for the names community to have input on this process since ICANN would both be the party notifying the IETF Trust of a breach of the license agreement and the party allegedly breaching the license agreement. A community group could be provided with the authority to direct ICANN to report a material breach to the IETF Trust and then ICANN could be required to make that report to the IETF Trust. This community group could be a periodic or special IANA functions review team (this would require an ICANN bylaw amendment to expand the scope of the IANA function reviews), the CSC (this would require a change to the scope of its charter) or another SO/AC, such as GNSO and ccNSO or a combination of SOs/ACs (these groups would need to agree to this). This community group could also have input in the negotiations of the license agreement with the new IANA operator. Alternatively, if ICANN is in material breach of the license agreement, the Community Agreement could contain a provision that would allow the names community to assign the Community Agreement from ICANN to another group or party that represents the names community.

As noted above, another one of the responsibilities ICANN would have under the Community Agreement, acting on behalf of the names community, would be to terminate the Community Agreement on behalf of the names community or withdraw the names community from the Community Agreement. As with a decision on a course of action regarding a material breach of the ICANN/IETF Trust license agreement, this decision could be subject to a similar community input process.

### **Documenting the Understanding with ICANN**

In terms of documenting the processes that would apply to ICANN under the Community Agreement, there are several alternatives with varying degrees of formality and enforceability:

1. **CWG requests that ICANN serve as the counterparty to the Community Agreement; there is no legally binding agreement (Scenario 1)**

CWG could request that ICANN serve as the counterparty of the Community Agreement. This could be documented in a formal letter from the CWG co-Chairs, on behalf of the CWG, to ICANN. There would not be a legally binding agreement between CWG and ICANN; however, CWG and ICANN could agree on a policy memorandum that would guide ICANN's decisionmaking under the Community Agreement. The periodic and special IANA functions reviews conducted under the ICANN bylaws could be expanded to cover ICANN's performance under this IPR policy memorandum; however, this would require an amendment to the ICANN bylaws. Even if the IANA functions reviews were not so expanded, if ICANN did not follow the policy memorandum, the Empowered Community under the ICANN bylaws could indirectly have oversight over ICANN's fulfillment of the policy memorandum through its power to elect the ICANN directors.

**2. CWG forms itself as an unincorporated association and enters into a legally binding agreement with ICANN pre-transition (Scenario 2)**

CWG could decide to become an unincorporated association. If CWG were a legal entity, then the policy memorandum in Scenario 1 could instead be a formal agreement between CWG and ICANN. If ICANN breached the formal agreement, CWG could directly enforce the agreement against ICANN. The disadvantages of this approach are the same as the ones identified under the Sidley memo provided on 17 August 2016 of having CWG be the signatory to the Community Agreement – namely that this would require CWG to be a permanent organization and have some means of funding any litigation that could arise from a breach of the agreement with ICANN.

**3. CWG requests that ICANN serve; there is no legally binding agreement at time of transition; CWG forms as an unincorporated associate after transition and enters into a legally binding agreement with ICANN (Scenario 3)**

Initially, the approach in Scenario 1 could be followed (i.e., no formal agreement), and then the approach in Scenario 2 could be implemented post-transition (i.e., a formal agreement with CWG). The disadvantages of this approach are the same as the ones identified under the Sidley memo provided on 17 August 2016 of having CWG be the signatory to the Community Agreement.

**4. Another SO/AC (or the CSC) forms as an unincorporated association**

The approach in Scenario 2 or Scenario 3 (a legally binding agreement with ICANN in place at transition or post-transition) could be followed but instead of the CWG forming an unincorporated association and being the counterparty to the agreement with ICANN, an SO or AC (or the CSC) could form as an unincorporated association and take on this role, or one of the existing SOs/ACs that is already an unincorporated association could take it on.