

**ICANN  
Transcription  
GNSO New gTLD Subsequent Procedures Working Group**

Note: Although the transcription is largely accurate, in some cases it is incomplete or inaccurate due to inaudible passages or transcription errors. It is posted as an aid to understanding the proceedings at the meeting, but should not be treated as an authoritative record. The audio is also available at: <https://audio.icann.org/gns0/gns0-new-gtld-subsequent-22jan19-en.mp3> [audio.icann.org]

Adobe Connect recording: <https://participate.icann.org/p5i5ee1cd3f/>

Attendance of the call is posted on agenda wiki page:  
<https://community.icann.org/x/t4IWBg>

The recordings and transcriptions of the calls are posted on the GNSO Master Calendar page <http://gns0.icann.org/en/group-activities/calendar>

Operator: The recording has started.

Michelle DeSmyter: Great. Thanks, Peggy.

Well, welcome, everyone. Good morning, good afternoon, and good evening to all, and welcome to the New gTLD Subsequent Procedures Working Group call on the 22<sup>nd</sup> of January, 2019, at 15:00 UTC.

In the interest of time today, there will be no roll call. We have quite a few participants online. Attendance will be taken via the Adobe Connect room. If you're only on the audio bridge today, would you please let yourself be known now?

Jessica Hooper: Hi, this is Jessica Hooper, Verisign.

Michelle DeSmyter: Thanks, Jessica. I'll go ahead and note that.

Kristine Dorrain: This is Kristine Dorrain.

Michelle DeSmyter: Thanks, Kristine. We'll go ahead and note your name, as well.

And as a reminder to all participants, if you would please state your name before speaking for transcription purposes and please keep your phones and microphones on mute when not speaking to avoid any background noise.

And with this, I'll hand the meeting back over to Jeff Neumann. Please begin.

Jeff Neumann:

Thanks, Michelle. This is Jeff Neumann. I know there's a little bit of an echo because I'm kind of in an empty conference room that doesn't have much in it. So, I apologize. I hope (inaudible) too bad.

So, as always, thank you, everyone, for coming to the call. We have our agenda on the top right-hand side of the Adobe Connect. I know there's a few people not in Adobe. So, I'll kind of go through the agenda and then see if there's any comments.

So, really – and then actually we have a change to the agenda. What we're going to spend our time on really is working on – we'll get some updates from the Working Group and then spend really the rest of the time on an auctions discussion, and I'll give a little intro to that when we get to that topic. So, we've invited Monte Cahn on from Right of the Dot to talk to us about their experiences.

And then we'll do a little bit on the – we'll talk a little bit about the comments that we've received from the Supplemental Initial Report.

So, I'm hearing some background. I'm not sure if other people are hearing that? Hopefully, everyone can hear me okay.

So, I'll continue to assume that everything is okay.

And then we'll really probably begin (inaudible). So, Jim, I know you're (inaudible) #5 with some data, and I kind of brought that up a little bit on the call, as well. So, we have some data, but I don't think it's in a position yet where we're ready to share it, because it's not all of the data and we'd rather just get all of it and kind of submit it to the group at once. Because obviously with only half of it we'd anticipate the questions relating to the other half of the data. So, we'll end the call – we'll really not do #5. So, we'll do agenda items 1 through 4.

And I'll ask if there's any other business that anybody wants to add to that?

Okay. Not seeing anything that anyone wants to add, let me ask if there are any updates to any statements of interest that have been filed?

Okay. Not seeing any or anyone in the – and I see Jim's question. So, a revised timeline. So, we'll get an update – we'll (inaudible) business. We'll do that after – at the end.

Okay. Let's ask the Working Group co-leads to just give us a quick update on where they are, really with the kind of an eye on how much – how many more meetings do they think they're going to need to finish all of the materials. I think the groups are making pretty good progress.

So, I will start with Sub-Group A, since the co-leads are myself and Robin. And with Sub-Group A, I think we really – I think we were making good progress in Sub-Group A. We've gotten through all of the comments on what I'll call a lot of the deep, more controversial issues, with the exception of one that will be coming up either in the next meeting or a meeting following that of Sub-Group A on freedom of expression. I definitely think that that one will be a nice lengthy meeting topic to get overview of the comments that came in.

But the other sections, a lot of them are – this is not to downplay the other sections – but I think a lot of them are either ones where there's general (inaudible) agreement on a lot of

the areas. There's – it's more administrative (inaudible) very controversial things like should we use an applicant guidebook or call it something else, (inaudible) work between applicants and ICANN. And again, not to downplay its importance – it's very important – but it was not some of the more controversial topics.

So, I don't think that we will necessarily, at least for Sub-Group A, need more than a couple additional meetings of that sub-group before we're ready for the full group.

And Robin's not on – oh, Robin is on here now. I don't know if, Robin, you want to add anything to that, if you're even on the line?

Robin Gross: No. I think you've summed it up well. Thanks.

Jeff Neumann: Okay. Great. So, Sub-Group B, which deals with a lot of the technical, evaluation, fees issues, we have Christa Taylor and Rubens. And I'm not seeing either of them, at least on the chat. There is a Sub-Group B call that's coming up in a few hours, unless that was – I don't know if I'm mistaken. Let me just double check to make sure there's no one on here.

So, we'll just skip that update since the call is coming up. Julie Hedlund is typing. Let me make sure I still have that right. Yes, Sub-Group B, it's coming up at 20:00 UTC. So, that's just in a few (inaudible). So, we won't spend any time on that one.

And then, Sub-Group C, which is Michael Fleming and Cheryl, I don't know if, Cheryl...

Cheryl Langdon-Orr: It's me.

Jeff Neumann: Hi. Cheryl. Got an update for us?

Cheryl Langdon-Orr: Michael's not on today. Hi. Cheryl Langdon-Orr, for the record, taking off my co-chair hat and putting on my leadership one.

Look, we're tracking beautifully in Sub-Group C. At this week's – sorry, at our next meeting we'll be doing our first of our last two tabs of review of public comments. That will be on the TLD rollout questions. There's only about 18 or 19, I think – maybe even less – of those comments to go through, and they're not in any way expected to be controversial. So, we would look towards getting that done well and truly in our meeting and, indeed, moving on to, if not completing, the final tab of work, which is about contractual compliance questions. And again, there's only about 19 or 20 of comments came in under those sections, as well; and again, none of those controversial.

So, it's highly likely that we will only be holding one more meeting on this topic of review of the public comments received. Of course that doesn't mean our work has ended; it then means that the sifting and sorting and categorization of them needs to be reviewed, looked at, and prepared for moving on to the plenary.

So, I think we're tracking very well in terms of our timeline, and we may even be a week ahead of ourselves.

Thank you.

Jeff Neumann: Great. Thanks, Cheryl. So, that sounds like it's great (inaudible). And as we discussed in the leadership meetings over the past week, that we should be able to provide or start providing summaries from the sub-groups to the full Working Group of the comments

and then really take the substantive issues to the full Working Group to do deep dives in and start coming up with, where possible, some final recommendations or at least next steps to get (inaudible), with the recognition that some, depending on the recommendations where the group is leaning, areas that may need additional comments from the (inaudible).

So, those are really what we're looking towards. So, excited that we're finishing up this review stage of the sub-groups – sorry, review stage of the comments and getting toward the end of sub-groups to bring everything back to the full group. And at the end of this call, we'll go into a little bit more of the timeline, as Jim has asked.

So, without further ado, I really want to get into this next area, specifically talking about the (inaudible) of last resort, which came up as a – oh, I'm sorry, Martin. I apologize. I just skipped Work Track 5. So, I was going to do that, Martin, with the Supplemental Initial Report in Area #4. Martin, do you want to give a quick update on that, not on the Supplemental Initial Report, but just on – just Work Track 5?

Martin Sutton:

Thank you, Jeff. And it's reaching its exciting stage. So, I think it's worth reporting and providing a quick update. And so, closing date for public comments for Work Track 5 supplemental report is today. So, if you haven't done so already, please make sure they're submitted close of business today.

So, our important work will be to begin reviewing all of those comments that come in. We have some meetings planned in the calendar. So, Work Track 5 members will begin to review those comments at meetings scheduled for 13<sup>th</sup> of February at 20:00 UTC and 27<sup>th</sup> of February, 05:00 UTC. So, watch out for those. And we're looking forward to trying to catch up with all the other sub-groups as we begin that process.

Thanks, Jeff.

Jeff Neumann:

Thanks, Martin. Sorry about skipping over that. And again, just want to emphasize that it will be the full Work Track 5 team that's reviewing all of the comments. So, those will not break up into smaller sub-teams. The full Work Track will review those.

On to the mechanisms of last resort. This dates back to the Supplemental Initial Reports that – when they were previously called Work Tracks 1 through 4. One – or, actually, two of the issues that were not really covered very well in the first Initial Report that came out dealt with the use of public auctions as a mechanism of last resort and then also dealt with the issues of private resolution of contention sets prior to reaching that mechanism of last resort stage.

And so, I'm happy to state that on the call we have (inaudible) introduction of himself right after this. We have Monte Cahn, who works for – is the president of Right of the Dot. And Monte has been in the industry for many years. I've known him for a number of years in a number of different capacities. But during the 2012 round, Monte and Right of the Dot not only offered many comments to ICANN on how to structure the public auctions or the auctions that they conducted as a mechanism of last resort, but also worked on a number of the private resolution of contention sets in several different capacities.

(inaudible) is to come on here, talk about his experiences with both the ICANN auctions as well as the private auctions, and then to give his view on improvements that could be made for the subsequent round – again, assuming it's not a first-come, first-served

process, which – so, his focus is going to be that (inaudible) rounds and contention sets need to be resolved.

Now, these would be his recommendations on types of auctions and other things that he has observed during the 2012 round. And this is an open thing. So, Monte will give some of his thoughts, but do please – I'll manage the queue in Adobe. If you could raise your hand in Adobe, I'll let Monte know when there are questions.

Monte, are you on Adobe Connect? So, can you see the chat? Or are you just on the line?

Monte Cahn: I'm sorry. I'm on the line because I was traveling. So, I'm not connected to the Adobe. So, if you can just queue me in when – if I need to stop or address anything, I'll be able to do that.

Jeff Neumann: Yes. Okay. Absolutely. So, if you've got a question specifically for Monte, just if you could follow the old standby of just putting it in brackets, say "question" and then end it with "the end of the question" or same thing with "comment."

But with that, Monte, let me turn it over to you to kind of talk through your experiences.

Monte Cahn: Okay. Great. Thank you, Jeff, and thank you, everyone, for having me. And I'm very happy to participate and give you my experience in auctions, in general, and what I've been doing for the last 25 years in this industry.

So, I know many of you know who I am and know me, but for those that don't I've been in the domain name industry since 1995. I was one of the early pioneers of registering names. I was the first person to put up names for sale in an aftermarket. I pioneered online bidding and selling of domain names in the aftermarket. I pioneered the first live domain auction, the first online domain auction in the aftermarket, came up with appraisal values of domain names so that people know what their domain names were worth. I invented escrow for the domain industry and WHOIS privacy, among other things.

I've been in the domain sales and auction business now since 1998 or 1999, since we did our first auction. I sold the first million-dollar domain name, which was "wallstreet.com," back in 1999, for a million dollars. And then we were the first ones to sell a domain name for two million dollars, the first ones to sell one for five million dollars, the first ones to sell one for \$9.5 million and \$13 million. So, we've played a major role in helping domain values in the aftermarket, similar to real physical property.

I am a licensed auctioneer by license, although I don't conduct the auctions myself in a live auction. I bring in a professional auctioneer that calls out the numbers, because they can just talk faster than I do.

But our business, Right of the Dot, is a licensed auction business company, and we acquired a special auction business license specifically around the domain name industry and for contention resolution back in 2012 when this whole process began.

So, there are a couple of different auction – there's various different types of auctions to consider. However, the two main and primary auctions that are in play and have been used that you've probably heard about is one is called an English auction, or an ascending clock auction. If anybody has been to an art auction or a car auction or a charity auction, there's an auctioneer that stands on the podium and they continue to call out a price of a

particular asset or product or salable item, and that price continues to ascend upward until there is a winning bidder and only one bidder left. And if that item is at or over what's considered the reserve price or sale price, then that bidder is determined at the end of that round; so that if you bid on a piece of art and you're the last one standing and you're above the seller's reserve price, you become the winner and you pay that price that you've called out. And that's called an English auction or an ascending clock auction.

The second most popular – or, not the second most popular, but another popular type of auction is called a Vickrey auction or a first-place sealed-bid auction or a second-place sealed-bid auction. The difference between a first-place and a second-place sealed auction is that somebody submits a sealed-bid – no one can see what their bid is – and if they're the first-place winner they pay the first-place highest price. Or if they're the first-place winner, they would pay the second-highest bid price in a sealed-bid second-price auction. That's known as a Vickrey auction.

The two differences between the two different auctions are in an ascending auction where it's open and transparent for everyone to see who else is bidding, obviously there's a competitive factor, and people are competing, and then emotions get involved, and you take in consideration time factors and competition, and sometimes people tend to bid higher than what they can afford or higher than what they originally budgeted.

In a Vickrey auction or a first- or a second-place sealed-bid auction, people tend to put down what they value the domain name at because they can't see what anybody else is bidding. So, it's sealed and private. And because they are paying the second-highest bid price even though they're the winning bidder, they're protected from overbidding in most cases. So, if I put a \$2,000 bid on something, but the second-highest bid price is \$1,000, even though I bid \$2,000, I pay the \$1,000 bid price. So, I'm protected from overbidding, because the market is considered to be the second-highest bid price.

There's several advantages of a sealed-bid auction for the purposes of what I would say the TLD contention sets or the new TLDs. And there were some technical difficulties and issues in both private and the public auctions last year. There was technical issues due to people can't – not logging on or getting cut off from internet participation. A lot of people are not sophisticated enough to know what the proper strategy is to place bids in an open ascending auction format. And so, there's a lot of strategy that you have to learn before you become a winner in an ascending clock auction, which was the most common auction in the last round.

In a sealed-bid process, however, there is no online or internet up time dependency needed, as all bids are put in an envelope and sealed and then couriered or Federal Express'd or DHL Express'd to an official party to open those bids under an official opening ceremony. So, no one has to be online. No one has to worry about what time zone they're in. No one has to really know about auction strategy. There's no technical training for the online system to be needed. There is no bidding experience needed in that case. There's only one bid submitted. So, you don't have to stay and participate until the auction is over. You place one bid. It takes less time. It's more efficient. So, there's less participating time, participant time. So, it costs less money in terms of number of hours or days that someone is spending time bidding. Risk sharing is more equal and fair due to that process. It takes your emotions out of the bidding process since you're not in a competitive environment and wondering whether you should place another bid or not and then worried about whether you overpaid or not. There's less overpaying for the winning item because you're paying the second-highest bid price and not the highest bid price. It's easy and quick to determine a winner, because it's opened by a sealed envelope opening

ceremony. Bids can be submitted in specific time frames. And there is a choice of whether those – in a private auction, whether those funds go to the private participants or, in the case of an ICANN auction, obviously, where the funds go to ICANN or some charitable event or a shared distributive model.

So, the last round, obviously, got interesting, especially in private auctions, in the amount of money that was being paid and then how that money was shared amongst the other participants. As you know, the process turned into how some people had just applied for applications in order to benefit from a losing situation in a competitive auction. And I think that's one of the things that you guys are considering, is that is the purpose to really determine who should be the proper party to run a TLD and who has the proper funds to not only deploy it but to market it to make it successful in whatever capacity that is? Or are there people gaming the system for the sole purpose of being paid out to make money from participating by losing the auctions?

And in a sealed-bid environment where no one can see who the other participants are and what they bid, there's a less tendency for gaming a system like that so that there's no bid riding, there's no bid increasing over time. The bid that you place is the bid that you put in a sealed envelope, and then it's opened and the winning bid is determined by a very easy process.

Jeff Neumann: But Monte...

Monte Cahn: So, there's different variations to all this that can be applied, but that's the simplest way to explain the differences between the two auctions that were – that are most common in a situation like that.

Jeff Neumann: So, Monte, this is Jeff. Thank you so much for that intro. I have one question on the sealed bidding you were just talking (inaudible), and maybe you can help (inaudible), just to emphasize. So, you were saying just now that the sealed bids (inaudible) contenders are, and therefore, that would reduce some of the gaming. I think there are two possible times where sealed bids could be submitted, that in our Supplemental Initial Report we talked about two different options: that a sealed bid could be provided either at the outset when you submit your application or the sealed bid could be provided after all the applications have been evaluated, all the objections have been considered, all the other processings out of the way. In the latter case, the second case, you would know who your competition is.

So, I was wondering if you could talk about the pros and cons of each of those. Do you have a recommendation on that, in particular?

Monte Cahn: Sure. So, there's a risk – there is a little bit of a risk by taking bids at the point of application. Because obviously if an applicant is not approved, then their bid is null and void right out of the gate. Now, that could be easily explained, and they can do that.

I think, Jeff, at the last call we discussed some of those scenarios, and that is that a lot of the applicants, especially in the last round, depended on their financing and had of course third parties and investors backing them based off of how successful they were in the process of going down the approval process from ICANN. So, that obviously would be hard to put a true value on the extension if you don't know if you're going to be properly funded or not on the onset by being not even an approved applicant at the beginning of the process. So, that's one of my just comments and concerns in that particular mechanism.

Your second comment is, yes, you would know who the participants are in the bidding if they all submit a bid, of course, number one. And number two, but you don't know what their bid is and you don't know what they're bidding, obviously, where you would in a clock auction or an ascending auction because you see their handle and what bid they've placed all the time.

So, instead of watching their bids increase over time and being competitive against a particular participant over time in an ascending auction, you're putting down one bid in a sealed envelope and you're not competing at that point; your best and only bid is the one that you place in the beginning of the process and submit it.

So, that's the big difference.

Did I answer that properly (inaudible)?

Jeff Neumann: (inaudible) Yes, I think you did. And I know my phone might be cutting in and out. So, I apologize. If it gets really bad, I'll try dialing in a different way.

Anyone else? I'm waiting for a queue to form, Monte. So, that's why I'm just filling space here. But also, I...

Monte Cahn: That must mean I did a very good job of explaining the differences between the two auctions in what I recommended.

Jeff Neumann: Absolutely. And I know you and I discussed a bunch of this on a previous call just on leadership, but that's why I'm asking you to kind of – I might be asking you to repeat certain things just because everyone else wasn't on that call.

So, we do have two people in the queue. So, Donna? Donna Austin, please?

Donna Austin: Thanks, Jeff. Donna Austin. And thanks, Monte, for joining the call.

Just a question. So, with the Vickrey model, you only have one opportunity to put your best bid forward. Is that what I understood correctly?

Monte Cahn: That is correct. So, in a Vickrey auction, you're placing one sealed bid. You're determining what you feel the true value of your bid – or what the true value of the asset is, and you're placing that right up front. And you don't have an opportunity to increase that bid. So, you're putting your best foot forward in that scenario. And if you're the winner, great. And if you're not, then you become the losing bidder in that scenario.

It's – there's a lot of advantages to that, because people actually place a true value on what they're going to be placing their bid at, instead of – again, when if anybody has been involved in any of the other ascending auction types, you know it gets competitive on the floor and, especially, if you can see who you're bidding against and you want to beat that person. And then all of a sudden you're investing all this time and energy through a process that could take hours, and even days, across various time zones. It becomes a little bit mucky, in my opinion, for something like this. If you're at a charity event or if you're at a car auction or an art auction at Christie's, then they're more appropriate because there's appraised values of that asset that have been standing and around for many, many years. As we all know, new TLDs is something new, and only the person



placing the bid has their own value. There's not really a benchmark, other than what the first round showed, of what these things are worth or how they play out.

That's why I think a Vickrey or a second-place sealed-bid process is the fairest way to determine a winner and take the emotions and the time and the extra expense and the risk factors of connectivity and understanding bid strategy and all those things out of play, and people are just putting their best bid forward.

Donna Austin: (inaudible)

Kristine Dorrain: Jeff, this is Kristine. Can I get in the queue?

Jeff Neumann: (inaudible) Yes. Just one sec, Kristine. Donna, did you have a follow-up?

Donna Austin: So, just a question, Monte, about – and you touched on it – the value of TLDs, it's not a science. It's – I guess to some extent it's subjective. So, your sense is that that would continue into the second round. So, it's the value of whatever the applicant puts on it. There's really not too many other benchmarks to draw upon.

Monte Cahn: Exactly. So, it's really hard, in my opinion – and I've done a lot of auction theory research, and of course I've been doing these auctions for a long time – it's really hard for an applicant to determine what the value of this is, other than their own value they place on it. Now, you can use that scenario in an ascending clock auction, too; except that, generally, ascending clock auctions – which was applied in the last round for whatever reason, especially in the contention sets for ICANN – assume that people knew what the value was. And there was no known value, because it's never been offered before.

So, it really – that's why you had such a wide variety of winning contention sets at various prices because it was so all over the board, from hundreds of thousands of dollars to tens of millions. And that was proof that people didn't really know and understand what a value of a TLD was or extension was. And as you can also see from that first round, many, many TLDs ran out of funding, many had to sell out early, and many didn't make it – or not make it. And there was a lot of talk about how people overpaid.

So, if you're going to try to make things fair and spread out to different types of participants in various countries in different economic environments, the sealed-bid auction is a fairer way to get a winning bidder, in my opinion.

Jeff Neumann: Okay. Thanks, Monte.

We have Christopher Wilkinson in the queue. Then I have some comments from Adobe, the chat. And then I have Kristine. So, there we go. So, Christopher, please?

(inaudible) voice activated? Michelle, do we have Christopher on the phone?

Michelle DeSmyter: We do not. I'm checking...

Christopher Wilkinson: Is that better?

Jeff Neumann: That is better. Thank you, Christopher. Yes.

Christopher Wilkinson: Okay. Monte, I think it's only fair to say that, particularly after some of the things you've just said and the prices that you mentioned, that some (inaudible) are really opposed to

the use of our auctions, at all, in this business. I think the top-level domain is a service. The rent for the benefits of the good names should accrue to the registrant. And we are in the process of building a new TLD process which has to be fair, balanced, and accessible globally. We're not building a system for those registries who have the kind of funds that you have been describing. Particularly as an economist, I find that the process results in the successful bidder being saddled with liabilities which should not be there.

So, I'm glad to listen to you as an exercise in applied economics, but as a matter of policy, until I'm very strongly convinced otherwise, I'll have to say that some of us, including myself, believe that auctions are an inappropriate instrument in the top-level domain market.

Thank you.

Monte Cahn: Okay. Well, I'm here to talk about resolving contention sets in the fairest way, and that's my recommendation. I don't know how else you would resolve a contention if two people apply for the same extension in a fair manner and making judgment calls without some kind of an auction being available. But that's up to you guys.

Jeff Neumann: Yes. Thanks, Monte. And just, Christopher, let's not get into...

Christopher Wilkinson: Just as a quick...

Jeff Neumann: Well, Christopher, I – there's arguments – and we've prepared Monte. There's arguments pro and con auction. We're not taking this call to discuss whether it's the right option, or not. Let's really limit this call to just...

Christopher Wilkinson: Right.

Jeff Neumann: ...the use of auctions, if we decide to (inaudible). There's plenty of – and there's comments even on this list about whether it should be used and how it's fair to communities. And I just think it's not really fair to ask him these questions because he hasn't been part of our discussions on these topics.

So, I'm going to go through...

Monte Cahn: Okay.

Jeff Neumann: ...and I'm going to read some of the comments from the – I'm going to go through and read that and questions and then go to Kristine. I know Kristine is on and Donna.

But before we get to Kristine, Phil Buckingham on the chat has said there's a third option: "After the contention set list of applicants has been issued but before the evaluation starts, there's an option to withdraw because you know your competition. So, if you know it's, like, Google, you can withdraw." So, I guess that's on the (inaudible) when to (inaudible) sealed bid.

Monte Cahn: Well, you'd have the opportunity to withdraw in an ascending clock auction or a sealed-bid auction at that point. You do not – obviously, you know, Jeff, that there's no – even though you're a winning – even though you've been approved to be an applicant and you are in a contention set with 10 other people with the same extension, you can choose to participate or not. That's up to you at that point. No one is required to participate in any auction.

Jeff Neumann: Yes. Thanks, Monte. And I think if I'm reading Phil's question – he might respond on the chat – but I think in the ICANN process if you withdrew before evaluation, you actually would get a larger sum of your money (inaudible) application. So, if you withdraw after evaluation, it's a much smaller piece. And I think that's what he's referring to, but I'll check the chat (inaudible).

Monte Cahn: Yes. Well, that's outside the auction process, in general. So, that's part of your – part of ICANN's process in terms of at what (inaudible) withdraw and what refund you'd get back for pulling out.

Jeff Neumann: Yes. Yes, I think that's right. Polly has asked the question, "What if community applicants or otherwise underrepresented groups were given some sort of augmentation from the beginning to allow them to be more competitive?" So, when we were preparing for the call, Monte, I had (inaudible) there's some discussion of (inaudible) for an applicant (inaudible) their actual bid for the purposes of these auctions. Do you have any thoughts on that or how that would even work?

Monte Cahn: That's a tough call, and I know we touched on that on our last call, that the goal is to make it a fair playing field across all economic and demographic participants. So, again, if you had to choose out of the two different auctions, the sealed-bid auction is still a better process for that, because it doesn't ride somebody's bid who can't afford it up due to some other outside factor than what they can afford, like competitive bidding and emotion and the thrill of winning.

But I have no idea how you would address or how you would equal the playing field for a less-funded participant in the process. Now, I don't know this for sure, but it would be my guess that some of those third-world countries or less-funded participants, like charity organizations or NGOs and those types of things, probably wouldn't be going after the generic contention sets that we saw in the last round or that we'll see in the next round. They would probably be more specific to a specific organizational name that may or may not be in competition, at all.

So, if it's a nonprofit type of a domain name, what you could do – or extension, what you could do is have nonprofits participating against nonprofits in an auction scenario and not with publicly funded private participants. It's just an idea. I don't know how that would – how you qualify that. But if you want to have them all equal on a particular participation of an auction and they're all legal nonprofit organizations, therefore you have a more chance of having an equal playing field amongst that particular market segment, is just an idea that I'm throwing out there.

Jeff Neumann: Yes. Thanks, Monte. That's helpful. And it's also helpful to – for you explaining the complexities of something like that.

Last comment. Then I'm getting to Kristine. So, I apologize. This is also from the chat. A question from Anne, "What happens if there are two or three bids in a sealed auction that are the same and they're the highest and they're the same?" So, what happens in that sealed auction if at the end of the day you have two or three bids that are exactly – or that are identical?

Monte Cahn: So, good question. So, what we usually do is we have them put dollars and cents in, just to make it a less likelihood that two people are going to guess the same amount of dollars and cents. But if there is two people or three people tied with the same exact dollar-and-

cents bid, then those two or three participants, then they submit their next bid against just the two or three people that actually tied.

And the chances or the odds that it happens over and over again are – the factors are millions to one. But you would then do another round with just those two that have tied or three that have tied, and you do the same scenario in a next bid. That's all. It's very simple to resolve.

Jeff Neumann: Okay. Thanks, Monte. Kristine, thank you (inaudible).

Monte Cahn: So, as an example, if anybody didn't understand that, so let's say I'm bidding a million dollars for an extension. I'd be required to put dollars and cents. So, it could be – I'd be required to put cents at the end; so, \$1,000,000.21, for example. That kind of gets out of a generic seven-figure bidding or six-figure bidding or five-figure bidding or four-figure bidding. So, if I say \$4,000, of course someone's likely to also bid \$4,000. But if I do \$4,000.21, the chances that somebody is going to put the same cent amount to that bid is highly unlikely – matter of fact, we've never seen it – but it's possible.

Jeff Neumann: Thanks, Monte. Ninety-nine is probably not a good number, either. That's probably a likely number.

Kristine, please? Sorry for keep making you wait.

Kristine Dorrain: Hi. Thanks a lot, Jeff. This is Kristine Dorrain. And thanks for this explanation, Monte. It's very helpful. What have you done or what is your recommendation for a situation where you have an applicant that may apply for, let's say, five top-level domains, thinking they have this one business model in mind and they're not sure if there's going to be contention sets or not. They have a couple of opportunities and options of things they might want to try for. Obviously, they're going to rank those maybe differently, right? Their most valuable choice will be first, say; they would be willing to pay more for that.

And in the sealed-bid auction, in the Vickrey auction, (inaudible). And by the third or fourth round, that applicant has lost their first four auctions. What – and suddenly that list, that fifth TLD application has become much more valuable to that applicant because now their whole business model is going to go away because their few options are gone.

I'm a little bit concerned about how one deals with those sort of changing business tides over the course of an application round or circular or whatever we're calling it and how you would address that. Your solution sounds great if everyone has only got one in, right? But if you've applied for two or four or five or more, that makes things a little bit more complicated as you win and lose auctions. Suddenly, some other applications have more or less relative value compared to the rest of the applications. Can you talk about how you've handled that or how you recommend handling that?

Monte Cahn: Yes, sure. And that's a great question. And the one answer to handle that is that everybody submits their bids at one time for all contention sets. So, you don't do it over time so that you're losing four and then all of a sudden your fifth one you can load up artificially from the four that you lost and now all of a sudden you have a bigger bank. If everybody submits all their bids for all contention sets at one time, then you take that out of play. So, it's an easy solution.

Kristine Dorrain: (inaudible)

- Monte Cahn: In other words, there's no staggered auction contention auctions. It's a certain date. All contention sets are resolved at one time for everyone, regardless if you're a participant in one or in five or 10. And that way, you can't assume whether you're going to win one, lose one, win five, lose five, whatever it is. And that way, it evens it out again and you are putting a true value on each TLD that you are participating in, regardless of whether you're a winner or a loser in any of the other ones.
- Jeff Neumann: Kristine, did you have a follow-up on that? It sounded like you were trying to ask a follow-up.
- Kristine Dorrain: I did. I was. Thank you. This is Kristine, with a follow-up question. So, you're characterizing this as sort of a benefit, that it's all – everyone just has to submit a number to start with. I'm suggesting that that's going to be a detriment to some business models. Not the people that you're accusing of gaming, but I'm saying people who are saying, "I've submitted – I have different – the circumstances have changed. Since I submitted this batch of applications and I gave my true value, things have changed for my company, and I didn't get my other TLDs. So, this last TLD has become significantly more important to me than the other TLDs." And how would you address the fact that this entire application process is changing tides? It is not a static process. Things have changed, values change over time, and how would you address that? Or are you telling – are you trying to tell us that that's just insignificant and a business risk we have to take?
- Monte Cahn: No, it's not insignificant, but I was just addressing your concern on that first scenario laid out to me, as if people would be using the fact that they lost four auctions and now they can win a fifth and they can load up. It's up to ICANN, ultimately, on if there's going to be a staggered auction process or you want everything done at once, the fairest way.
- To resolve the contention set, I've explained what the fairest way is. If somebody has applied for 10 or 20 or hundreds, it becomes – I'm not sure you can address all those outside factors on what's changed in the industry and business factors and who lost what money in a stock market the day before or whatever. You're bound by an agreement, just like you would be if you put a bid on a house or put a bid on another piece of art in a participating auction. And if you fail to follow through, then the second-highest bidder becomes the winner, in that case.
- So, there's various ways to resolve things if things change from a business standpoint, both upside and downside.
- So, I'm not sure I address your question specifically, but it's no different than any other type of contention resolution for any other item that you're – that multiple parties are bidding on.
- Also, when people are participating and applying for an application for a TLD, they don't know whether they're going to be the only winner or there's going to be 10 or 20 competing against them at that time, either. So, all that can help – that changes the playing field and what you're going to do if you become a competitor between two people or 20 people.
- Jeff Neumann: Thanks, Monte. I have a bunch of comments in the queue, and then I have a bunch of people on the queue. So, since Sarah hasn't spoken yet, I'm going to go to Sarah, and then Anne, and then go to a bunch of comments in the queue.

There is one comment I do want to address real quick. Katrin Ohlmer has asked that (inaudible) about string contention – sorry, solving contentions. "Are we going to have other discussions about contention resolution in future calls?" The answer is, yes. This was (inaudible). The reason Monte is on here is that we had a request towards the end of last year to have someone from (inaudible) and then talk about it. So, yes, we will have future conversations.

Sarah, please?

Sarah, are you on mute?

Sarah, are you there?

Okay. Let's try to get Sarah. Hopefully people can (inaudible).

Monte Cahn: Maybe have her write her question out if we can't hear her.

Jeff Neumann: Yes. So, I'll try to come back in a minute. Let me go to Anne, and then we'll come back to Sarah, see if things are better. Anne, please?

Anne Aikman-Scalise: Hey, Jeff. It's Anne Aikman-Scalise, for the transcript. And my question about submitting all the bids at once that you want to bid on is just the risk profile that that creates I think tends to be discouraging to new entrants, because the risk profile with your investors and the capital that's at risk is – can be much bigger, which is okay if you're a very big player, because you have a ton of bids out there and you could win all of them. I share some of Kristine's concerns of course about, well, what if you decide later that you've lost the first three and the fourth one is more valuable. But over all, the question from the very beginning is, who is capable of having 20 bids out there for half a million dollars? That's going to discourage new entrants and small participants.

Thanks.

Monte Cahn: Jeff, you want me to just make a comment on that? That is a true – that is a valuable concern, and that's why you can have a choice in whether you want to stagger out rounds, different rounds of different types, or you want to have everything happen at once. That's not the determinant of the auction company or the auctioneer; that's the determinant of how you guys would do that.

I will say that another idea that or another process that people use in this scenario – and we've used it – is to do it by domain category. So, again, I think I slightly mentioned you can have a scenario where there's a bunch of charity – nonprofit organization type names, and they're up for contention first or up in that market segment. And then maybe there's company names, that two companies are participating and they actually have the same trademark and they have the same acronym and they're going after that acronym. And then you have that scenario play out, instead of having everything all jumbled up in the same segment.

So, you could have – a way to get through some of that is to segmentize or departmentalize the types of TLDs that are being resolved in contention by type of industry or type of market segment. And then you can have a staggered auction resolution process from a timing standpoint between cities, between nonprofit organizations, between corporate entities, and then for generics in a particular market segment. That's just another idea, but that has been used before to help with that particular scenario.

Jeff Neumann: Thanks, Monte. We have Sarah. I'm going to read Sarah's question, because she lost audio. So, she typed it in the chat. So, here's what it says, and I think it relates to something we talked about a little bit earlier, too. "Have you ever been part of an auction where there's a multiplier given to a certain category of bidder to help them compete more effectively in the auction; for example, if there's an Applicant Support Program for applicants from the global south?" And there has been some discussion about providing them with a multiplier to help them compete. So, that's, I guess, the question, yes. So, have you ever been part of an auction like that?

Monte Cahn: I have not. I have not, and again I think you get into how do you qualify for that multiplier, what is that multiplier, how – what are the other participants going to think whether it's a fair multiplier or not depending on that situation or scenario. So, those are really complicated judgment calls, and you would have to come up with a list of criteria to determine what your multiplier is.

But I have not participated in anything like that.

Jeff Neumann: Okay. Thanks, Monte.

Monte Cahn: The last thing you want to do, obviously, just given everything that happened in the first round, is promote controversy and non-transparency – not from a sealed-bid standpoint; obviously, those are private bids – but you want to take controversy off the table. Things that determine who gets more weighted value than someone else is going to be something that's going to be always criticized. So, you have to be really careful when you walk that line, in my opinion, in who gets what kind of a multiplier or how one's treated fairer over another. And then what if it's determined after the fact that they had an unfair advantage because their multiplier should have been lower? It's like handicaps for golf, right? You walk in with a certain handicap, but how do you know whether your handicap is true or not? And that's why pro golf there is no handicap: you go in and you compete against everybody else as if you're on equal playing ground. So, you take that handicap off the table, whether you're underestimating your handicap or overestimating it.

Jeff Neumann: Yes. Thanks, Monte. Christopher Wilkinson is in the queue.

Christopher Wilkinson: Thank you, again, Jeff. Christopher Wilkinson, for the record. Three short comments on what we've heard so far. First, I quite agree with the question that Anne put a few minutes ago.

Secondly, as you well all know by now, I'm in favor of a segmented or phased or batched process to improve the quality of evaluations. But if we go down that road, then quite clearly the big bang of everybody resolving all the auction bids for the whole round all at once, that doesn't work, at all. So, one thing or the other.

And finally, in my judgment, auctions of geographical terms – names, cities, rivers, countries – auctions in that field would be politically explosive but politically impossible for ICANN to handle vis-à-vis all the governments and local authorities and interested parties who have, in practice, rights to use those names. That should be taken off the map – off the table completely.

Thank you.

Jeff Neumann: Thanks, Christopher. Monte, you don't have to respond to that since that's a policy question and we're talking about it extensively with geographic names at the top level and whether those are or should be dealt with in different ways than dealing with other types.

Monte Cahn: Yes. Yes, I get it, because there are – there's multiple cities around the world that are the same city names. I get it. It's a complicated thing, for sure.

Just one other comment, though, regarding his comment about doing it all at once. Again, I'm just putting out suggestions on how to resolve some of the other challenges you may have, but as long as you're doing a random selection lottery process and everybody is treated fair and equally, you can do it in any kind of segmented portions that you want to. As long as everybody feels that the drawing of when those rounds go it was fair, then it takes that factor out, as well. So, that's kind of how it played out last time. There was rounds, and they were determined by a random lottery process, and that determined when that name or that contention set went up for review or for contention resolution.

Jeff Neumann: Yes. Thanks, Monte. I think that's right, and I think part of it was also with the priority number that won the contention set. The highest – did it go, I think, the highest contention set number? Or lowest depending on how you look at the numbers. But if someone had a contention number of 10, that contention – the rest of the contention set was put into the same as that number 10, if I remember correctly.

Monte Cahn: Yes.

Jeff Neumann: Cool. So, just going to read some of the comments. Let's see. We have, "I think market segment categories is an interesting idea but still doesn't create a fair and globally accessible system. It may be difficult to hold so many auctions. To what extent would you segment, for example? Would U.S. nonprofits compete with Ugandan nonprofits? I think the amplifier idea may be more predictable and more easily (inaudible)."

I don't know if you have any thoughts on that.

Monte Cahn: Again, you're getting into qualifying applicants and their financial or economic or demographic ability to participate, and it's a very fine line to walk because it's open for controversy and criticism no matter how you play it out. So, you have to make it as fair as possible through some kind of a random lottery or selection process. And you're right: there's NGOs and nonprofit organizations that are – that have billions of dollars to spend, and some don't have a penny to spend. So, that's outside of my realm on how that's determined and how you would participate – how would you have those people equally participate in that.

Jeff Neumann: Yes. Thanks, Monte. We're also having...

Monte Cahn: If that's what you're getting at.

Jeff Neumann: Yes, I think that was (inaudible) comment. I think this absolute (inaudible) are ones that we're kind of grappling with.

Donna is in the queue. So, Donna, please?

Donna Austin: Thanks, Jeff. Donna Austin. And Monte, this has been really helpful. And this may touch on a policy question rather than a mechanics of option question, but one of the things that we're discussing is whether – if Vickrey model is the path to go down or even if it's not, if



we stay with some other form of auction – is the suggestion that with the Vickrey model that the bids be put it at the time of application. And there's another quarter that feel that the fairer way, if we go down this path, would be that the bids be submitted at the time that the contention set is known.

Do you have any views on that? And given the experience we had in 2012, that it took some time for the evaluation process to run out because of some of the challenges we ran into, some think that a price that somebody submits at one point in time and it doesn't come into play until 12 months down the track and there's no opportunity to change that could be a little bit of a – it could be a bit of a challenge. But I'm just interested to know whether you have any thoughts on whether the fairer way would be to do it at the time of application or at the time that the contention set was known.

Thanks.

Monte Cahn:

Yes. So, this goes back to one of the concerns that I believe – well, one of the other people brought up in terms of how many contention sets you participate in and how your business model might change if you're in five versus one and if you lost five and now you're competing for your last one.

So, it's – as you know, this is a fact in the last round that people did get funded along the process of getting approved through the ICANN process. So, if they went to a third party or a VC or an investor group, if they made it down to the application approval process and they were going to bid and participate, people went out and got backers at that point. And so – and they were able to up their bids because they had private backing or public backing or third parties that stepped in and took their bids for them and those types of things, which you're all aware of.

And you brought up a great point: if you submit a bid at the point that you apply and this process takes as long as it did the first time, you're going to have major issues, in my opinion, on funding those bids at the time of application approval and contention resolution because you are a year later. So many things can change. It is my strong opinion that the bidding process and the contention resolution process happen towards the very end, so that everybody is on an equal playing field on whoever is left in the game. That also gives you your – the people who are not participating or want to pull out and get some of their money back their chance to do so along the way without having to put forth a bid also to win a contention set that may or may not be in existence. So, that's the other challenge, is that if you do it at the point of application, you don't even know you're going to have a contention resolution process, at all. You might be the only bidder. And so, it adds another dynamic that can affect how you're applying, what you're applying, how much you're putting in escrow, how much you're putting in for your operation backup, what kind of organization you're going to run.

So, I think the – my opinion, just from my experience, is that the closest to the actual date of resolution that you allow people to put their bids forth, obviously, is probably better, because people have a better and clearer window of where they stand in the process at the point of resolving contention time, rather than at a process that could be a year to 18 months before that even happens.

Jeff Neumann:

Thanks, Monte. I think that's really helpful. So, I know that Donna had said that that question was delving into the policy realm, but I think your discussion of certainly the time lag is very relevant to our policy discussion of which option, if we go down an auction path, which option – what the benefits and the drawbacks are.

I'm not seeing anyone else left in the queue. There's some good discussion going on in the chat, but they're really kind of policy related to some of the comments that we made. So, I'm not going to read those unless anyone thinks they should be read out. I'll give kind of one more –10 more seconds to see if there's anything I should read out.

No. Okay. So, Monte, thank you so much. I know that this is coming up on names-com week and this is probably one of your busiest times of the year. So, thank you for making the time out to speak with us and give us your insights. I think it's been really helpful for me and for the leadership team, but also to the Working Group as a whole. Just so you know, we have 30 people in the chat room and a couple of additional ones that have just called in. So, I think everyone appreciates your views on this and glad you can participate.

Monte Cahn: Yes. My pleasure. And if anybody has any follow-up questions, make sure you forward them along. And Jeff, after our last call I laid out the various types of auctions and mapped out examples. It might be beneficial to send those along to address any further clarification of what the differences are between the two types or three types of auctions that there are, because it's – once it's spelled out and you can see the differences, you can see how this might apply differently because it's new TLDs versus an asset that has a known and true value or something that's been appraised with a value before and how to fairly deal with that.

Jeff Neumann: Yes. Thanks, Monte. I will definitely forward that on right after this call. I was just holding up until we had the call (inaudible), just because I didn't want to provide it out of context a month ago. So, I will send that out. And again, thank you so much for participating. There's a lot of "thank you"s on the chat. So, we'll let you know if we have any additional questions. So, Monte, you can drop off if you want or you can listen; it's totally up to you.

But we're just going to get into...

Monte Cahn: I'll bail out. Thank you, everyone. Good luck.

Jeff Neumann: Yes. Thanks, Monte.

Cheryl Langdon-Orr: Thank you.

Jeff Neumann: Okay. So, we are on (inaudible) that joined a little bit late after we went over the agenda, we're going to skip #5, but we're going to talk a little bit about the Supplemental Initial Report. This is the one from the topics that actually we were talking about today. All the comments came in by the end of December. We – ICANN staff is still putting them into a matrix form. They are getting closer to completing that. We've – the leadership (inaudible) sample of that, and the intention is that we will go over those comments as a full Working Group.

So, starting on the next full Working Group call, we will delve into the comments from the Supplemental Initial Report, as well as getting back to the subject of what it means to "close a round" and the implications of that on both the starting of a new round and on things like refunds – well, potentially refunds, because none of this is a given yet – but we'll talk about what that term "closure" means. Hopefully, we'll have all of the data to you on the number of applications that are still pending and the rationale as to why those are still pending. So, that's the plan for the next call and the Supplemental Initial Report.

As far as getting to any other business on timelines, so listening to all the sub-groups present their reports, it seems to me that we should be on schedule – and maybe I'm being a little optimistic. But certainly by (inaudible) February we'll be coming back with summaries to the group, or at least be done with the sub-groups' working on the summaries, just to get to a full group substantive discussions on some of those issues. And the summaries to the full Working Group will basically be a discussion of the patterns that we found in the comments and some of the new ideas that came forth and to discuss whether the full group wants to pursue some of those new ideas, or not, and to see if there's any support for getting more information on those.

So, we still owe you an updated revised milestone chart, work plan, which we will definitely get to you by the next full group meeting. Part of the difficulty in putting this together is that we're trying to figure out if there's going to be an additional comment period, when we would put that in, where we would put that in, and what types of issues might be in that. And so, we're just trying to plan in different scenarios of whether there will be that comment period and, if there is, how we build that into the schedule and what that does to the overall timeline.

Are there any questions?

Cheryl Langdon-Orr:

Jeff, Cheryl here. Not a question but just not wanting to raise – I want to manage expectations, I suppose is what I'm trying to say. We are currently tracking for, at least the work of Sub-Team B, to certainly run through February and probably to mid-March. So, it shouldn't have an enormous effect on the overall timeline, but it's certainly something that we need to be aware of because that would be an (inaudible) for at least that part of the work.

Thanks.

Jeff Neumann:

Yes. Thanks, Cheryl. Anybody else with additional questions, comments, thoughts?

Okay. I know that (inaudible) had asked about the other side of the debate. Look, obviously we're going to discuss this issue on auctions and last – sorry, I'm losing my speech here – on mechanisms of last resort. If you have others, potentially experts in the community that might have ideas or thoughts or experiences with this, please do continue to suggest them. We certainly don't want to be – we certainly want to give everyone equal time, especially in the case of outside experts. So, if anyone does have any thoughts on additional people that we can – that could be helpful to the group and could provide information, please do make sure to forward those to us.

Okay. And with that, I know (inaudible) early, but I think we had a pretty substantive call. So, I'm happy with where we ended up. As Cheryl said, pass on any expertise so we can reach out to them.

Unless there's anyone else that wants to add anything, I think we can end the call and stop the recording. So, thank you, everyone.

Cheryl Langdon-Orr:

Thanks, everyone. Bye, for now.

Michelle DeSmyter:

Thank you so much. Meeting has been adjourned. Peggy, please stop the recording for us at this time. Have a great remainder of your day, everyone.

