*Sidley Austin Comments prepared for CWG Client Committee August 1, 2016*

**IANA IPR License Agreement – Analysis of CWG Proposed Terms and August 1, 2016 IETF Trust Draft**

***General Comment***: *The CWG has enshrined in its proposal as a condition regarding the transition the importance of “neutrality” in handling the IANA Intellectual Property Rights. Achieving this neutrality has been a consistent driver in its work on the IANA-IPR transition and in its discussions with the various operational communities, including in the principal terms document. Originally the CWG considered structural neutrality, which would have had the IANA-IPR housed in an independent, neutral body. As the IETF Trust emerged as the likely home for the IANA IPR, it became clear that structural neutrality was not possible, and that CWG's requirement would need to be satisfied through "functional" neutrality, i.e., through agreements. We understood that the occupational communities recognized this inherent, potential conflict and would endeavor to achieve as much “functional” neutrality as possible, so as to avoid undue actual or perceived influence being exerted by one community. This is to be achieved through the Community Agreement. It is with this context that Sidley Austin LLP, as outside counsel advising the CWG, has been instructed to provide comment to both the IANA IPR License and to the Community Agreement. To be clear, CWG is not advocating for structural changes in the IETF Trust to achieve neutrality. However, serious consideration needs to be given to CWG's concerns and comments, which seek to achieve an acceptable level of functional neutrality. The following comments highlight those provisions and concepts in the proposed agreements that we believe detract from that principle, and we look forward to engaging in some constructive discussion that enables all participants to achieve a balancing of interests.*

|  | **Agreement Section Number and Header****(Draft of July 30, 2016)** | **CWG Proposed Language (Draft of July 26, 2016)** | **IETF Trust Response (Draft of July 30, 2016)** | **IETF Trust Note to CWG (in Draft of July 30, 2016)** | **Sidley Comment/Proposed Response** |
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|  | Preamble – PartiesArticle 1. DefinitionsSection 1.14 ICANNSection 1.28 PTISection 4.4 Sublicensing | Provided that the Agreement be between ICANN as Licensee (instead of PTI).Added definitions of ICANN and PTI.Added provision specifying that the Licensor consents to a sublicense to PTI. | Did not accept replacement of PTI with ICANN.Deleted proposed definitions of ICANN and PTI.Deleted proposed provision specifying that the Licensor consents to a sublicense to PTI. | The license should be from the mark owner to the service provider. There is no reason to interpose ICANN as a sublicensor between the Trust and PTI.Note – if IANA services are provided by multiple entities (PTI1, PTI2, PTI3), then separate licenses can be granted to each of these entities. There is still no need to interpose ICANN in this relationship. | Given the relationship between PTI and ICANN, this may be ok, but not entirely consistent with the overall structure. ICANN has overall responsibility, and has contracted with PTI to provide the IANA services. Oversight of PTI is by ICANN. |
|  | Section 2.2 Quality Requirements | Added references to consultation with the CCG or relevant CCG representatives in relation to changes to services, and that the Licensor delegates quality monitoring responsibility and approval rights pursuant to the Community Agreement. | Deleted references to consultation with the CCG or relevant CCG representatives, and delegation pursuant to the Community Agreement. | It is not advisable to incorporated the Trust-OC internal governance mechanisms into this third party license agreement. Such procedures should be in the Community Agreement only, and should not give rise to additional liability under this License Agreement. | This Section does permit delegation of authority by the IETF Trust to the OCs, so the revisions may be acceptable. However, the Community Agreement does not provide for an actual delegation of authority (such proposed language was struck, and limited to seeking “advice” of the OCs only, except if the OCs want to terminate the license and then they can instruct the IETF Trust to do so).However, the IETF Trust still reserves the right to approve material changes to the IANA Services, which may provide undue control to the IETF Trust over the desires of the OCs. This issue also is not discussed in the Community Agreement.The inclusion of the language regarding consultation with the OC’s does not create additional liability exposure. The OCs are not identified as parties or 3rd party beneficiaries under the Agreement; thus have no privity of contract.Language note: Suggest adding “or delayed” in each occurrence of the phrase “not to be unreasonably withheld” |
|  | Section 2.3 Usage Requirements | Provided that use of the Licensed Marks be “substantially in accordance” with (instead of “in strict accordance” with) “agreed-upon” style requirements (instead of the Licensor’s style requirements).Provided that the Licensee (as well as the Licensor) can propose modifications to the style requirements, which would be subject to approval by the other party. | Proposed revisions not incorporated; compliance must be strict and in accordance with style requirements that are approved by the Licensor. | It is unclear why CWG would wish to reduce the Licensee’s responsibilities under this Agreement. CWG is not a party to this Agreement, and it is in both CWG’s and the Trust’s interest to seek the highest reasonable level of compliance by the Licensee.Why would we offer to give the Licensee approval rights over changes to our TM style guidelines? Unclear why CWG is negotiating on behalf of the Licensee. | The CWG comments were intended to restrict the IETF Trust from unilaterally imposing changes to style guidelines. If the IETF Trust agrees to defer to the OCs regarding any changes to the style guidelines, this may be acceptable. However, such language is not currently included in the Community Agreement. |
|  | Section 4.2 Restrictions | Deleted “search term” from the list of things that Licensee shall not register or reserve without the Licensor’s prior written consent. | Proposed deletion not incorporated. | Why would you proposed deleting this restriction on the Licensee’s activity? It is not reasonable to allow a Licensee to register “IANA” with a search engine, and such conduct should be prohibited. | PTI should be able to register the IANA Marks -- as a Licensee, not as an owner -- with search engines to direct traffic. It would be burdensome to go back to the IETF Trust in each instance. This would be ordinary course as part of search optimization. |
|  | Section 4.3 Policing and EnforcementArticle 7 Warranty | Added requirement that the Licensor actively police and monitor third party uses, applications and registrations of the IPR.Provided that the CCG be required to approve decisions regarding enforcement, employment of counsel and direction and control of litigation and settlement.Added requirement that the Licensor reasonably assist in enforcement actions, with the Licensor’s costs and expenses to be borne by the Licensee.Added requirement that certain damages and other recoveries resulting from enforcement actions be divided equally among certain parties to be identified.Deleted “maintain” and “police” from the list of things the Licensor did not undertake to do in relation to the IPR. | Proposed revisions not incorporated. | A TM licensor should not assume obligations to a licensee to police its own marks. These obligations are typically one-way from the Licensee to the Licensor. Unclear why CWG is negotiating on behalf of Licensee. Also, internal consultation mechanisms between CCG and Trust should be in the Community Agreement, not here. There is no reason to expose these internal procedures to a third party outsider Licensee.  | This is not a “typical” arrangement. The IETF Trust is supposed to be acting for the benefit of the community, and it seems that an important part of its “fiduciary duty” would be to police and maintain the assets. For the same reason, enforcement should be enabled by Licensee if IETF Trust declines to bring an action against an infringer. This would be common in an exclusive license. It is not clear why IETF Trust would have any interest in retaining damage awards if it is not intending to be compensated. It is more often the case that the exclusive licensee – which derives all the economic benefit – also retains the damages. We raise this issue because we believe it relates to the principles of neutrality. |
|  | Section 4.4 Maintenance of IANA Intellectual Property | Added requirement that the Licensor maintain registrations of IPR. | Proposed provision not incorporated. | Likewise, especially in a royalty-free license, the licensor should not under any circumstances commit to maintain the licensed marks. | Same comment as above. ICANN is capable of paying for maintenance fees incurred by IETF Trust. |
|  | Section 6.3 Termination by Licensor | Added requirement that the Licensor consult with the OCs in the event that Licensor believes the Licensee has materially breached the Agreement and obtain prior written approval of the relevant OCs before notifying the Licensee of such breach.Deleted provision that the Licensor may terminate the Agreement if the Licensee materially breaches any provision.Added additional “reasonable” cure period if a material breach cannot be cured within 60 days.Added requirement that the applicable OCs provide advice and consent if a breach has not been cured to the Licensor’s reasonable satisfaction.Added requirement that CCG representatives participate in mediation.Added requirement that mediation continue for a period of 90 days following its commencement.Added provision relating to the process to engage a new IANA service provider. | Proposed revisions not incorporated. | As discussed above, internal consultation between Trust and CCG is handled under the Community Agreement, not here. | As noted above, we do not believe that inclusion of this consultation process with the OCs creates any additional legal risk for the IETF Trust.Of course, the substance of the obligations must be in the Community Agreements. As drafted, the IETF Trust, can decide that PTI has breached, even over the objections of the OCs. Not sure why the consultation and dispute resolutions period have been so drastically shortened. There should be adequate and deliberate deliberation at each step. |
|  | Section 8.1 Disputes | Provided that the Agreement be governed by California law (instead of the law of the Commonwealth of Virginia) and the exclusive jurisdiction be the Central District of California (instead of the U.S. District of Northern Virginia). | Proposed revisions not incorporated. | License agreement typically are governed by the law of the Licensor’s home jurisdiction. In this case, Virginia. | Not true. Negotiated all the time, and not uncommon for the agreement to be governed by the law of state where services are performed, especially for an exclusive license. Using Virginia law would be an outlier in the restructuring and transition work. CA law has been applied elsewhere.  |
|  | Section 8.9 Publicity | Deleted provision requiring that no party make any public announcement, press release or disclosure of the terms of the Agreement without the prior written consent of each other party. | Proposed deletion not incorporated. | We do not understand why CWG proposed deleting this paragraph. Any public announcement of the agreement should be coordinated by all parties. | The Agreement is going out for public comment. Every aspect is public. Announcements will be coordinated in connection with the larger transition process and should not be subject to a separate process and approval by the IETF Trust. |

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|  | Article 1. DefinitionsSection 1.7 IANA Intellectual Property | Provided for a list of registered trademarks and domain names, and the possibility of amendments by mutual agreement of the IETF and [OCs]. Note to draft that definition revised to be consistent with the License Agreement. | Deleted references to amendments to the list of registered trademarks and domain names.Note that list of trademarks and domain names were moved from Exhibit A of the CWG draft to Exhibit D. | The definitions of IANA IP should not necessarily be the same in this Agreement and the License. It is preferable for all parties for this agreement to speak in general and encompassing terms, while the License should be specific. We have added Exhibit D to list the marks as they exist today (subject to confirmation by ICANN). However, requiring amendments to this Agreement every time a new mark is obtained in a jurisdiction is a recipe for inadvertent noncompliance. | Agree |
|  | Article 1. DefinitionsSection 1.22 PTISection 3.2(b) Licenses to IANA Operators | Added definition of ICANN.Deleted provision that the initial IANA Operator is PTI and replaced it with a provision that the initial IANA Operator is ICANN, which has entered into an agreement with PTI. | Deleted proposed definition of ICANN and added definition of PTI.Did not accept replacement of PTI with ICANN. | The Licensee will be granted to PTI, thus we have added a defined term for PTI and omitted the defined term ICANN. | Not consistent with structure of transition? |
|  | Section 2.1 Formation and Purpose of CCGSection 3.4 Policing and Enforcement of IANA Intellectual Property | Provided that the “Operational Communities shall form” a CCG.Provided that the CCG shall provide approvals (in addition to guidance and advice).Provided that the CCG be required to approve decisions regarding enforcement. | Provided that the CCG “is hereby formed.”Deleted “approvals” from the list of things that the CCG is required to do.Deleted proposed requirement that decisions regarding enforcement be approved by the CCG. | “Approvals” are not part of CCG’s role. | Discuss. This goes to the functional neutrality concerns articulated in the General Comment on page 1.. |
|  | Article 3. Stewardship of IANA Intellectual PropertySection 3.1 GeneralSection 3.2(e)(i) Operational Community IANA Operator RequestSection 3.4 Policing and Enforcement of IANA Intellectual Property | Added an acknowledgement that the IETF Trust has undertaken ownership of the IPR as a “steward” for the OCs and that with respect to its stewardship of the IPR, the IETF Trust acts under the oversight of the OCs and is accountable to the OCs.Added a requirement that the IETF Trust has a “legal obligation to maintain, police and enforce the IANA Trademarks” and recognition that the IPR is held by the IETF Trust solely for the purpose of being licensed to the IANA Operator.Added a requirement that the IETF Trust seek the consent of the CCG with respect to IPR matters. | Deleted proposed language relating to stewardship.Deleted proposed language re delegation of authority to the OCsDeleted proposed language relating to legal obligation to maintain, police and enforce the IANA Trademarks and that the IPR is held by the IETF Trust solely for the purpose of being licensed to the IANA Operator.Deleted proposed consent requirement. | As discussed, under the IETF Trust Agreement, the Beneficiary of the IETF Trust is the IETF as a whole. It is not correct or permissible for the IETF Trust to hold IPR “as a steward for the Operational Communities”.(1) the IANA Trademarks are included in the IANA IP, and need not be called out separately here. (2) The IETF Trust does not have an “obligation” to maintain the IPR that it holds, other than under the Trust Agreement, to which CWG is not a party. Any obligations arising under this Agreement are dealt with below.“Advice” only. Not “advice and consent”. | In this instance the IANA IPR affects more than just the IETF, and the IETF Trust should not be acting solely in the interests of the IETF community. That cuts against the goal of functional neutrality. Except that the maintenance obligation has been deleted from the License. As a practical matter, the IETF Trust is acting as for the benefit of the communities, and should not take action, or inaction, contrary to the interests of the OCs.The IETF Trust must commit to maintain the IANA IPR, or permit the Licensee to do so. It would run counter to all the principles of this transition were the IPR not maintained.The license agreement contemplated that oversight of the IPR could be delegated to the OCs, but that language has been deleted from the Community Agreement. |
|  | Section 3.2(e)(ii) Operational Community IANA Operator RequestSection 3.3 Transfer of Ownership of IANA Intellectual Property (New Section Proposed by CWG) | Added new provisions governing the transfer of ownership of IANA Intellectual Property in the event of inability to agree the terms of a License Agreement, material breach of a License Agreement or the IETF trust agreement, among other matters. | Deleted proposed provisions. | The IETF Trust is not permitted to assign or transfer its assets as requested.Proposed Sec. 3.3 has not been included, as transfer of the IANA IPR will not be possible under the current Trust structure. | Discuss.Consider a covenant to use best efforts to amend the Trust agreement in the future to enable transfer of the IANA IPR? |
|  | Section 3.4 Policing and Enforcement of IANA Intellectual Property | Provided that the IETF Trust shall actively police and monitor third party uses, applications and registrations of the IANA Intellectual Property that might constitute infringement or dilution in accordance with best practices in the IP management field. | Deleted “applications” and “registrations.”Replaced “best practices in the intellectual property management field” with “its current practices and in a manner consistent with practices in the intellectual property management field utilized for intellectual property of similar kind and value.” | Applications and registrations are not infringements or dilution. We have limited this term to “uses”, which can infringe/dilute. However, we would be willing to consider monitoring of published federal registrations in the U.S. if this important to the three Operational Communities.We believe this standard is the appropriate one. The request that policing be conducted in accordance with “best practices in the IP management field” could imply that the Trust must establish a global trademark policing program akin to those used by consumer goods and content owners like Nike and Disney, which would clearly be disproportionate and unreasonable in this case. | Agreed |
|  | Section 3.4 Policing and Enforcement of IANA Intellectual Property | Added requirement that certain damages and other recoveries resulting from enforcement actions be divided equally among certain parties to be identified. | Did not add the provision; instead provides that the IETF Trust retain such amounts. | The Trust will fund enforcement and retain all recoveries. There is little basis for sharing of recoveries unless the OCs wish to advance litigation costs. | Really this should be the responsibility of the exclusive licensee. |
|  | Section 4.2 Encumbrances and Transfer | Added a provision relating to encumbrances and transfers of the IPR. | Incorporated the provision and added a requirement that the IETF Trust cannot transfer, etc. any of the IPR “without the prior written approval of the CCG, which shall not be unreasonably withheld.” | The current Trust Agreement prohibits the Trust from transferring or assigning its IPR assets. However, should the Trust Agreement be amended in the future to permit such a transfer, the Trust would agree not to transfer the IANA IPR without the CCG’s consent. | See above comment |
|  | Section 5.1 TermSection 5.2 Withdrawal of an Operational Community | Added a provision automatically terminating the Agreement in whole or relevant part in the event the IPR is transferred. | Modified the provision so that the Agreement continues until such time as the IETF Trust no longer owns the IPR.Added provision that an OC may withdraw from the Agreement. | Though the Trust cannot agree to transfer the IANA IPR in the future, it is possible that there may be a future time that the Trust no longer holds such IPR, in which case this Agreement should be terminated. | See above comment |
|  | Section 7.1 Disputes | Provided that the Agreement be governed by California law (instead of the law of the Commonwealth of Virginia) and venue in CDCA. | Proposed revisions not incorporated. | There is no apparent nexus between this Agreement and California. Both the IETF Trust and the IETF (one of the OCs) have their corporate domicile in Virginia, as does the USPTO. Thus, if any state bears a relationship to this Agreement, it is Virginia. | Not a major issue, but CA law has been the jurisdiction of choice in all other aspects related to the transition. Would seem preferable to avoid introducing another jurisdiction. |
|  | Section 7.9 Publicity | Deleted publicity provision (same change from IANA IPR License) | Proposed deletion not incorporated. | Same comment from IANA IPR License | Same comment from IANA IPR License |