



**July 2001**

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SnapNames, the provider of domain name back-ordering services, uses proprietary technology to facilitate an equal-opportunity secondary domain name market, help registrars and resellers expand profitable product inventories, and provide end-users "the best chance at a second chance"™ for a desired domain name.

To obtain a free electronic copy of this report, please contact:

SnapNames.com, Inc.

115 NW First Ave., Suite 300

Portland, OR 97209

503-219-9990

e-mail: [stateofthedomain@snapnames.com](mailto:stateofthedomain@snapnames.com)

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## Message From The Publisher

Welcome to the *July 2001* edition.

Our publications for months other than quarter-ending months normally are built for speed: presentation of data, not much else. In this edition, we have added some reportage on the VeriSign Registry's decision on August 10 to temporarily suspend batched drops of deleted names—a situation that affects everyone involved in the industry.

Also this month we're including information (in the form of a graphic and discussion) on terminology and process descriptions that refer to the state of a domain name, particularly those in transitional phases. In conversations with customers and partners, and among ourselves, we often had to slog through mismatched understandings of our industry's evolving vernacular (*e.g.*, **deleting** name vs. **deleted**). Finally, to help ourselves settle on common language, we designed and posted on our conference room wall a graphic that gives us a one-page view of what we call the "delete cycle." It's proven to be very helpful and we've included a copy on page 21. You can also find it on our website: [www.snapnames.com/products.html](http://www.snapnames.com/products.html).

As always, we appreciate your help in our mission to keep the industry informed, so if you know of editors, analysts, industry leaders, or others who you think would enjoy a free subscription to the report, please forward your copy and invite them to subscribe with a blank e-mail to [stateofthedomain@snapnames.com](mailto:stateofthedomain@snapnames.com).

Sincerely,

Mason Cole  
Director of Corporate Marketing

*State of the Domain* contact information:

Subscriptions **only**:  
[stateofthedomain@snapnames.com](mailto:stateofthedomain@snapnames.com)

Comments and suggestions:  
[publisher@snapnames.com](mailto:publisher@snapnames.com)

## Registrar Data Review

In comparing June and July registration statistics, the trends are fairly similar to what we've been seeing in recent months. The overriding trend was a continued diffusion of names from the top-ten registrars to the other 76 registrars, who competed over the additional morsel of .76% market share that fell off the big boys' table last month.

Network Solutions supplied the lion's share of crumbs, dropping over 102,000 names from its registration base in July. Large +/- swings are not uncommon for NSI, given the magnitude of their 14.4 million-name base. BulkRegister continued an unfortunate trend of losses that began a few months ago when the company announced internal restructuring, although this month there was a relatively modest loss of only 9,000 names. The COREnic consortium also continued its moderate downward trend losing nearly 16,000 names in July.

The gainers far outpaced the losers in this month that saw a base increase, net of expirations, of over 260,000 new names. The top gainers have become familiar names over recent months, with low-price leader GoDaddy and Australian boulder Melbourne IT (INWW) joined once again by eNom, Directnic, DotRegistrar and Joker.com in staking out the top of the Gainers Chart in July.

# I. Registrars by Market Share of Current Registrations: July 2001

(.com, .net, .org)

Company	Ranking		Market Share		Registrations		Change
	June	July	June	July	June	July	
<i>networksolutions.com</i>	1	1	48.27%	47.51%	14,437,953	14,335,421	(102,532)
<i>register.com</i>	2	2	11.77%	11.67%	3,521,401	3,521,777	376
<i>opensrs.net</i>	3	3	8.31%	8.24%	2,485,487	2,487,450	1,963
<i>bulkregister.com</i>	4	4	5.63%	5.55%	1,684,130	1,675,045	(9,085)
<i>inwww.com</i>	5	5	4.05%	4.15%	1,210,367	1,252,200	41,833
<i>corenic.net</i>	6	6	3.00%	2.92%	895,966	880,002	(15,964)
<i>registrars.com</i>	7	7	2.46%	2.48%	735,749	747,546	11,797
<i>enom.com</i>	8	8	1.72%	1.83%	514,630	552,320	37,690
<i>dotster.com</i>	9	9	1.52%	1.51%	454,305	456,969	2,664
<i>schlund.de</i>	10	10	1.13%	1.18%	338,881	355,051	16,170
<i>dotregistrar.com</i>	14	11	0.80%	0.90%	237,981	270,359	32,378
<i>gandi.net</i>	12	12	0.84%	0.85%	250,726	255,987	5,261
<i>namesecure.com</i>	11	13	0.85%	0.84%	252,953	253,884	931
<i>easyspace.com</i>	13	14	0.83%	0.84%	249,330	253,483	4,153
<i>domaindiscover.com</i>	15	15	0.78%	0.83%	233,136	251,800	18,664
<i>domainbank.net</i>	16	16	0.77%	0.77%	229,218	232,891	3,673
<i>godaddy.com</i>	18	17	0.61%	0.77%	181,870	231,145	49,275
<i>joker.com</i>	17	18	0.68%	0.77%	204,097	231,067	26,970
<i>itsyourdomain.com</i>	19	19	0.49%	0.54%	147,380	161,449	14,069
<i>directnic.com</i>	23	20	0.34%	0.46%	102,187	139,002	36,815
<i>domainpeople.com</i>	20	21	0.44%	0.43%	131,412	129,154	(2,258)
<i>names4ever.com</i>	21	22	0.36%	0.35%	106,735	106,883	148
<i>discount-domain.com</i>	22	23	0.34%	0.35%	102,603	105,521	2,918
<i>aitdomains.com</i>	25	24	0.30%	0.31%	89,037	92,745	3,708
<i>OnlineNIC.com</i>	24	25	0.30%	0.31%	90,020	92,365	2,345
<i>yesnic.com</i>	26	26	0.30%	0.29%	89,001	89,006	5
<i>stargateinc.com</i>	27	27	0.24%	0.28%	71,748	83,469	11,721
<i>doregi.com</i>	28	28	0.23%	0.23%	70,149	69,601	(548)
<i>ibi.net</i>	29	29	0.22%	0.22%	66,368	66,815	447
<i>namesdirect.com</i>	32	30	0.17%	0.19%	51,077	57,358	6,281
<i>gkg.net</i>	30	31	0.17%	0.19%	52,314	56,546	4,232
<i>paycenter.com.cn</i>	31	32	0.17%	0.19%	52,190	56,154	3,964
<i>dotearth.com</i>	33	33	0.17%	0.17%	49,636	50,840	1,204
<i>signaturedomains.com</i>	34	34	0.15%	0.15%	43,927	44,364	437
<i>alldomains.com</i>	36	35	0.13%	0.14%	37,712	42,548	4,836
<i>awregistry.net</i>	35	36	0.13%	0.13%	40,235	39,175	(1,060)
<i>name7.com</i>	38	37	0.11%	0.13%	32,532	38,579	6,047
<i>speednic.net</i>	37	38	0.11%	0.12%	33,679	36,528	2,849
<i>enterprice.net</i>	40	39	0.10%	0.10%	28,946	31,523	2,577
<i>activeisp.com</i>	39	40	0.10%	0.10%	29,448	30,828	1,380
<i>iaregistry.com</i>	43	41	0.08%	0.10%	22,625	29,686	7,061
<i>domaininfo.com</i>	41	42	0.09%	0.09%	26,211	26,682	471
<i>psi-domains.com</i>	42	43	0.08%	0.08%	23,940	24,674	734
<i>nordnet.net</i>	45	44	0.06%	0.07%	16,540	20,425	3,885

<i>naame.com</i>	44	45	0.06%	0.06%	17,359	19,586	2,227
<i>tmagnic.net</i>	47	46	0.05%	0.06%	14,950	17,507	2,557
<i>oleane.net</i>	46	47	0.05%	0.05%	15,813	16,498	685
<i>catalog.com</i>	48	48	0.05%	0.05%	13,898	15,047	1,149
<i>domainregistry.com</i>	49	49	0.04%	0.04%	12,290	11,990	(300)
<i>e-names.org</i>	50	50	0.04%	0.04%	10,944	11,762	818
<i>totalnic.net</i>	51	51	0.03%	0.04%	10,010	10,918	908
<i>domainsite.com</i>	53	52	0.03%	0.03%	9,146	10,188	1,042
<i>interdomain.net</i>	55	53	0.03%	0.03%	7,717	10,120	2,403
<i>1stdomain.net</i>	52	54	0.03%	0.03%	9,390	10,026	636
<i>totalregistrations.com</i>	54	55	0.03%	0.03%	8,264	9,839	1,575
<i>domini.it</i>	56	56	0.02%	0.02%	7,103	7,436	333
<i>namebay.com</i>	57	57	0.02%	0.02%	5,733	6,550	817
<i>netnames.com</i>	60	58	0.01%	0.02%	3,971	5,538	1,567
<i>worldnet.net</i>	58	59	0.02%	0.02%	4,873	5,134	261
<i>nominate.net</i>	59	60	0.01%	0.02%	4,196	4,861	665
<i>omnis.com</i>	62	61	0.01%	0.01%	3,852	4,163	311
<i>secura-gmbh.de</i>	61	62	0.01%	0.01%	3,897	4,131	234
<i>nameengine.com</i>	64	63	0.01%	0.01%	3,015	3,500	485
<i>compuserve.com</i>	63	64	0.01%	0.01%	3,390	3,421	31
<i>domaindomain.com</i>	70	65	0.00%	0.01%	1,387	2,307	920
<i>eastcom.com</i>	66	66	0.01%	0.01%	2,037	2,174	137
<i>mrdomreg.com</i>	67	67	0.01%	0.01%	1,898	2,008	110
<i>rrpproxy.net</i>	71	68	0.00%	0.01%	1,300	1,807	507
<i>interaccess.com</i>	68	69	0.01%	0.01%	1,680	1,785	105
<i>nominalia.com</i>	69	70	0.00%	0.00%	1,476	1,356	(120)
<i>planetdomain.com</i>	73	71	0.00%	0.00%	1,159	1,332	173
<i>enetregistry.com</i>	65	72	0.01%	0.00%	2,154	1,192	(962)
<i>domainzoo.com</i>	72	73	0.00%	0.00%	1,209	1,138	(71)
<i>webex.net</i>	74	74	0.00%	0.00%	897	1,005	108
<i>addresscreation.com</i>	78	75	0.00%	0.00%	404	920	516
<i>shop4domain.com</i>	75	76	0.00%	0.00%	649	811	162
<i>vi.net</i>	79	77	0.00%	0.00%	301	733	432
<i>123registration.com</i>	77	78	0.00%	0.00%	527	711	184
<i>pasia.com</i>	76	79	0.00%	0.00%	612	612	0
<i>trustnames.net</i>	80	80	0.00%	0.00%	198	279	81
<i>corporatedomains.com</i>	82	81	0.00%	0.00%	97	165	68
<i>namesystem.com</i>	81	82	0.00%	0.00%	134	136	2
<i>idregister.com</i>	83	83	0.00%	0.00%	37	52	15
<i>talk.com</i>	84	84	0.00%	0.00%	4	4	0
<b>TOTALS</b>					<b>29,913,803</b>	<b>30,175,059</b>	

New Registrars

<i>namescout.com</i>	0.01%	28
<i>nametree.com</i>	0.00%	6

## II. Gains and Losses in Net Registrations: July 2001

(.com, .net, .org)

Company	% of July's Annual +/- Change	
	Net Registrations	In Net Registrations
	Percent	Count
godaddy.com	18.86%	49,275
inwww.com	16.01%	41,833
enom.com	14.43%	37,690
directnic.com	14.09%	36,815
dotregistrar.com	12.39%	32,378
joker.com	10.32%	26,970
domaindiscover.com	7.14%	18,664
schlund.de	6.19%	16,170
itsyourdomain.com	5.39%	14,069
registrars.com	4.52%	11,797
stargateinc.com	4.49%	11,721
iaregistry.com	2.70%	7,061
namesdirect.com	2.40%	6,281
name7.com	2.31%	6,047
gandi.net	2.01%	5,261
alldomains.com	1.85%	4,836
gkg.net	1.62%	4,232
easyspace.com	1.59%	4,153
paycenter.com.cn	1.52%	3,964
nordnet.net	1.49%	3,885
aitdomains.com	1.42%	3,708
domainbank.net	1.41%	3,673
discount-domain.com	1.12%	2,918
speednic.net	1.09%	2,849
dotster.com	1.02%	2,664
enterprice.net	0.99%	2,577
tmagnic.net	0.98%	2,557
interdomain.net	0.92%	2,403
OnlineNIC.com	0.90%	2,345
naame.com	0.85%	2,227
opensrs.net	0.75%	1,963
totalregistrations.com	0.60%	1,575
netnames.com	0.60%	1,567
activeisp.com	0.53%	1,380
dotearth.com	0.46%	1,204
catalog.com	0.44%	1,149
domainsite.com	0.40%	1,042
namesecure.com	0.36%	931
domaindomain.com	0.35%	920
totalnic.net	0.35%	908
e-names.org	0.31%	818
namebay.com	0.31%	817
psi-domains.com	0.28%	734

<i>oleane.net</i>	0.26%	685
<i>nominate.net</i>	0.25%	665
<i>1stdomain.net</i>	0.24%	636
<i>addresscreation.com</i>	0.20%	516
<i>rrpproxy.net</i>	0.19%	507
<i>nameengine.com</i>	0.19%	485
<i>domaininfo.com</i>	0.18%	471
<i>ibi.net</i>	0.17%	447
<i>signaturedomains.com</i>	0.17%	437
<i>vi.net</i>	0.17%	432
<i>register.com</i>	0.14%	376
<i>domini.it</i>	0.13%	333
<i>omnis.com</i>	0.12%	311
<i>worldnet.net</i>	0.10%	261
<i>secura-gmbh.de</i>	0.09%	234
<i>123registration.com</i>	0.07%	184
<i>planetdomain.com</i>	0.07%	173
<i>shop4domain.com</i>	0.06%	162
<i>names4ever.com</i>	0.06%	148
<i>eastcom.com</i>	0.05%	137
<i>mrdomreg.com</i>	0.04%	110
<i>webex.net</i>	0.04%	108
<i>interaccess.com</i>	0.04%	105
<i>trustnames.net</i>	0.03%	81
<i>corporatedomains.com</i>	0.03%	68
<i>compuserve.com</i>	0.01%	31
<i>idregister.com</i>	0.01%	15
<i>yesnic.com</i>	0.00%	5
<i>namesystem.com</i>	0.00%	2
<i>pasia.com</i>	0.00%	0
<i>talk.com</i>	0.00%	0
<i>domainzoo.com</i>	-0.03%	(71)
<i>nominalia.com</i>	-0.05%	(120)
<i>domainregistry.com</i>	-0.11%	(300)
<i>doregi.com</i>	-0.21%	(548)
<i>enetregistry.com</i>	-0.37%	(962)
<i>awregistry.net</i>	-0.41%	(1,060)
<i>domainpeople.com</i>	-0.86%	(2,258)
<i>bulkregister.com</i>	-3.48%	(9,085)
<i>corenic.net</i>	-6.11%	(15,964)
<i>networksolutions.com</i>	-39.25%	(102,532)
<i>Total Changes</i>	100.00%	261,256



### III. Total Registrations Per gTLD: July 31, 2001

gTLD	As of 6/30/01	As of 7/31/01
.com	22,651,296	22,934,631
.net	4,382,144	4,421,015
.org	2,814,460	2,849,145

### Methodologies and Statistical Accuracy

SnapNames' domain name industry data is generated using domain names listed in the .com, .net, and .org zone files. Only *active* domain names appear in the zone file, although a domain name does not have to be attached to a web site to be considered active. It is possible that a registrar could have domain names that are on hold, or domain names that do not have name servers listed, thus causing our report-generating process not to "credit" the registrar with such domain names. Overall industry reports are run monthly from zone files produced on the first day of each month. Because some domain names may transfer, expire, or expire and be re-registered by another registrar while the report is being produced, it is possible for those names not to be included in the report.

Daily reports are the result of the difference between two zone files monitored 24 hours apart. A domain name appears on or disappears from a zone file if:

- It was just registered and is being placed into the zone file.
- Its status is being changed from registrar or registry "hold" to "active".
- It is being placed on hold in the normal process of expiration.
- It is being placed on hold because of a dispute.
- Its name servers being permanently dissociated from the domain.
- Name server changes are made during the cycle when the zone file is generated.

Oftentimes, registrars will report larger numbers of current registrations and larger percentages of market share than the numbers shown in this report. This is because many registrars were resellers for Network Solutions or some other ICANN-accredited registrar prior to themselves becoming ICANN-accredited. In order to avoid double-counting, in the compilations you'll find in this report each registration is to the actual registrar of record in the zone file, regardless of the reseller that technically sold the name and manages the customer.

The above information is accurate to the best of SnapNames' knowledge and within reasonable margins of error. SnapNames is not liable for any reliance on this information. Persons with corrections or other comments are encouraged to bring them to SnapNames' attention. Please forward comments to [publisher@snapnames.com](mailto:publisher@snapnames.com).

## Special Monthly Report

Dummling went and cut down the tree, and when it fell there was a goose sitting in the roots with feathers of pure gold. He lifted her up, and taking her with him, went to an inn where he thought he would stay the night. Now the host had three daughters, who saw the goose and were curious to know what such a wonderful bird might be, and would have liked to have one of its golden feathers.

The eldest thought, "I shall soon find an opportunity of pulling out a feather," and as soon as Dummling had gone out she seized the goose by the wing, but her fingers and hand remained sticking fast to it.

The second came soon afterwards, thinking only of how she might get a feather for herself, but she had scarcely touched her sister than she was held fast.

At last the third also came with the like intent, and the others screamed out, "Keep away; for goodness' sake keep away!" But she did not understand why she was to keep away. "The others are there," she thought, "I may as well be there too," and ran to them; but as soon as she had touched her sister she remained sticking fast to her. So they had to spend the night with the goose.

The next morning Dummling took the goose under his arm and set out, without troubling himself about the three girls who were hanging to it. They were obliged to run after him continually, now left, now right, just as he was inclined to go.

Excerpted from "The Golden Goose," Jacob and Wilhelm Grimm, *Household Tales*, The Harvard Classics (1909–14).

### IV. VeriSign Registry Acts to Protect the Golden Goose

On Friday, August 10, 2001, at 8:36 p.m. EDT, the Registry sent a notice to all registrars. It fit all the legal definitions of a bombshell.

To All Registrars:

#### Summary

VeriSign Global Registry Services (VeriSign GRS), after consultation with ICANN, will temporarily cease batch releases of deleted .com, .net and .org domain names to assure continued service quality within the Shared Registration System (SRS). Batch releases are made by the registry five days after deletions by registrars outside of grace periods.

One may well pause for a moment to consider the implications of just this first paragraph. The majority of all names deleted by the Registry (that is, most all NSI-held names) are deleted, and thus made available for re-registration, only in such "batches." The Registry is saying, then, that a large portion of the expired names that would otherwise be deleted and become available are, instead, going to be held indefinitely. Why, you might ask, are they doing this?

## Why We Are Doing This

This interim action was prompted by extraordinary loads placed on the SRS arising from several registrars attempting to register newly released domain names through abusive use of the SRS. In recent weeks abuse of the system by a few registrars has escalated to the point where other registrars have been seriously impacted in their ability to transact normal business activity. The abuse has been characterized by:

- More than 400 million check commands within a six-hour window to register a few hundred desirable names each morning
- Single registrars executing as many as 1500 attempts per second
- The same registrar sending a check command for the same name in excess of 1000 times per minute over extended periods of time
- Registrars hoarding connections (grabbing all connections up to their limit) and, with the exception of the describe command, executing single-digit numbers of transactions until they are prepared to execute pre-staged batch jobs that will invade the system at rates noted in excess of 100,000 per minute
- Registrars executing in excess of 100,000 check commands for each name successfully registered, compared to a typical ratio of well under 1,000 check commands for each name successfully registered
- Registrars who typically use less than 10 connections throughout the day, then increase that connection count to a triple-digit number
- Registrars who clearly execute an automated check process (i.e., checks for the same names at rates in excess of 1000 per minute)
- Registrars whose typical usage patterns suggest the need for a single-digit number of connections, and who then increase their connection count by up to 200 times without a corresponding increase in productive activity (i.e., a registrar who hoards connections in an apparent attempt to deny others)

Many registrars have reported that the resulting effects on SRS availability have made it difficult or impossible to conduct their normal business.

The Registry has, therefore, decided to change its delete process for the time being: all names targeted for batch deletes will be held in "registry hold" and designated as "Delete Pending". The names will be held until "a satisfactory plan is implemented to return them to the pool of available names under which all registrars receive equivalent access":

### Implementation Details

Beginning immediately, names targeted for the batch delete process will be held in "registry hold" status in a special state of "Delete Pending." These names, after the normal five-day "Delete Pending Period," will no longer be subject to recovery by the deleting registrar or registrant. They will be released once a satisfactory plan is implemented to return them to the pool of available names under which all registrars receive equivalent access as required by VeriSign GRS's registry agreement with ICANN. VeriSign GRS will immediately begin working with ICANN and the registrar community to review possible remedies, devise a satisfactory plan and implement that plan to better accommodate the competition for newly-available domain names while at the same time ensuring continued high service quality for registrars.

It is important to note that the current number of connections and bandwidth is sufficient to satisfy all reasonable attempts to conduct normal registration business, both now and in the foreseeable future. As an example, the registry is easily capable of sustaining 6x growth in our database transactions over the typical peak workload rates even without adding additional hardware. Further, until the most recent increase in demand for connections, the registry consistently had a pool of available connections that was twice the size of anticipated demand.

## **A. The Moratorium is Understood to be a Short-Term Solution**

As many readers of this report are aware, the causes of that notice had been discussed for several months by SnapNames, which had been proposing to most operational registrars a pro-active solution to the issue, from the short-term to the long-term. (SnapNames' consortium of registrars working on a joint solution represents more than half of all domains registered.) This week, on their email listservs, other registrars began to propose some remedies. Many of them recognized that the moratorium on deletions was only a short-term solution that would cause greater pain as it continued:

*It's not an unreasonable short-term policy, but it amplifies the need to get the long-term fix almost exactly right. Expiries are now backlogging, but they will have to be released at some point. Even if they are trickled in with the regular delete mix over a period of time, it will still mean that an increased number of expiries are going back into the pool. *If the procedures don't scale, then we might end up in a much bigger mess than we are now. The scary part is that the longer this short-term fix is in place, the larger the scale issue becomes...**

(emphasis added)

## **B. Professions of Amazement**

Since the Registry's action indefinitely postponing deletions, some persons interested in domain name issues have claimed to be shocked—shocked! —that for-profit businesses would attempt to respond to the market demand of their customers. But two facts are undeniable: (1) despite numerous warnings, the industry was caught flat-footed in its inability to accommodate market demand for previously registered names, with all that such a market implied for a burden on the Registry; and (2) in the absence of a controlling process for responding to the demand of real customers, some registrars fashioned their own solutions to answer such demand.

Indeed, for nearly a year now some in the industry have argued that customer demand for domain names in the secondary market would, if not met by concerted action, lead inevitably to technology problems at the Registry, which had not been structured to accommodate an explosive demand for previously registered names. Arguments were also made that all registrars stood more to gain by acting together, like each person who holds a piece of a treasure map, than by engaging in internecine warfare in which any small, short-term victory for one results in major losses for the rest.

Whether it is reasonable for a for-profit company to attempt to answer customer demand depends, of course, on the methods it chooses. The devil's in the details, usually the legal ones. Arguably, however, no one should be either particularly surprised or exercised that, well, *methods were chosen*. While it is true that some of the methods chosen to address the unanswered customer demand involved use of an unusual amount of the industry's resources, those resources were clearly used with varying degrees of efficiency: some registrars used significant resources on behalf of a few high-paying customers, while others attempted to leverage resources to answer the demands of the entire mass market. In any event, while some registrars may have hit upon unusual methods to a new problem, the vacuum left by an industry's failure adequately to anticipate its own aftermarket arguably necessitated unusual solutions.

In any event, since the Registry's most recent announcement, the industry's attempts to fashion solutions for the secondary market have accelerated.

## V. Registrars React to the Goose's Disappearance

As one might expect, in the aftermath of the Registry's defensive action, many registrars developed an intense if recent interest in the topic and business models of soon-to-delete domain names. In order to give our readers a look at how the debate is shaping up, we set forth here some of the suggestions presented by various executives at a few registrars, as well as the corresponding critiques generated within the same community, all as drawn from the registrars' email forum.

We begin with a set of criteria against which to judge the proposals, the first four of which were suggested by the CTO of the Registrar Constituency, Rick Wesson:

- 1) The proposal **MUST** be fair to all ICANN Accredited Registrars
- 2) The proposal **SHOULD** work within the current RRP 1.1 protocol.
- 3) The proposal **SHOULD NOT** encourage the use of the CHECK DOMAIN command to find out available names in the pool of names to be deleted.
- 4) The proposal **SHOULD NOT** give a greater benefit to a registrar that uses more RRP Connections over a registrar with a single RRP Connection.

Other criteria were suggested in the course of the registrars' discussion, with the aggregated result being what we'll call the Ten Filters:

- 5) *Customers* should also have equal access to domain names
- 6) At a reasonable price
- 7) Any solution should be capable of expeditious implementation in the short-term
- 8) And should be able to endure for the long-term
- 9) The solution should benefit "everyone. Consumers, Verisign, ICANN." And of course registrars, so that it is "a new business opportunity for Registrars" who wish to pursue it.
- 10) It should be a solution capable of enforcement, and not a "purely social solution".<sup>1</sup>

In order to respect the spirit of the registrars' informal efforts toward brainstorming, we'll refrain from identifying the authors of the various proposals put forth over the last few days.

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<sup>1</sup> The author of this criterion explained his view with the following thoughtful observations:

[A] Purely social solution will not be able to provide adequate enforcement and ensure that these, or similar problems, will not occur again. Criminal law, for example, is very much a series of social processes put in place to ensure minimum acceptable levels of civilized behavior. Unfortunately, a sizeable portion of the population doesn't respect these social limitations enough to abide by them. Thankfully, police forces have substantial technology at their disposal to increase adherence to the social processes represented by law. Even if we can come up with a magical social formula, we need to make sure that the right people have the right weapons to uphold their mandate.

## **Option 1: Shut Down the Registrars Involved in the Secondary Market**

One registrar official best articulated this proposed solution as follows:

The easy way to solve this whole problem is to shut those registrars down that are causing the problems! I know who they are, the registry knows who they are, and so do the registrars! It's real easy, they are violating their contract with VeriSign so shut them down! But for some reason the simple solution never gets done.

### **The Critique:**

This is a not uncommon suggestion, and it deserves serious consideration. However, it appears that the most likely reasons this solution was not taken up in the registrars' email forum, and is not being implemented, are that:

- (1) a majority of the industry, by market share, is already attempting to participate in the secondary market in the way indicted above—which is currently the only way to so participate;
- (2) taking the drastic action of shutting down registrars representing a majority of existing customers (with the attendant issue of where the customers go) would not prevent private individuals from continuing to run scripts through the remaining registrars; and
- (3) the solution would do nothing to serve the after-market needs of the real constituency at issue here, the customers.

Thus, to summarize, the proposal primarily fails to satisfy criteria #8 (durable over the long-term), #9 (should benefit customers, registrars and ICANN), and #10 (allows for enhancement of all registrars' business models and revenues).

## **Option 2: Drop the Names Outside of the Batch Process, Or, Make NSI Drop as Other Registrars Do**

Some proposals attempted, with an appealing logic, to solve the problems generated by the batch-delete process by eliminating it:

My suggestion is that we eliminate the "land rush" by asking Network Solutions to play by the rules that the rest of us Registrars are financially constrained to follow.<sup>2</sup>

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<sup>2</sup> As this writer explained:

For most Registrars, expired domains never go to REGISTRY-DELETE-NOTIFY status. We want to make sure that we don't lose an extra \$6 to VeriSign, so we delete an expired domain name within the 45 day grace period. When this occurs, the domain is available IMMEDIATELY for re-registration. These names are not part of the "land rush" that occurs at 6:30 Eastern US time.

Now the vast majority of the expiring domains reside in the legacy Registrar -- Network Solutions -- which as we know is part of VeriSign. For reasons unique to Network Solutions, they as a Registrar have decided not to delete unpaid domains within 45 days of expiration. Hence the "land rush".

At least two registrar representatives independently proposed a similar result:

Another option is to allow the domains to drop but drop them at the exact the time they were registered. So if the domain was supposed to expire at 8:24:34 release the domain at that time. Another added twist is to never release the domain on the exact day the domain is supposed to release. If the domain is supposed to be released tomorrow, release it Tuesday. Randomize it. Shock some of the speculators and release a domain a day early. This is not very hard! I'll write the program myself!

### **The Critique:**

This solution would indeed be quite simple to implement. As other registrars' representatives explained, however, it would also modify registrars' behavior as follows: instead of querying the Registry at a high rate for one hour per day, during the morning rush, registrars, in order to acquire domain names on behalf of customers, would need to query the Registry at a high rate for 24 hours per day. As one participant noted:

If we move to deleting them throughout the day, this will just make the problem worse, as multiple connections will be held all day as opposed to just in the morning hours.

Dropping names outside of a batch or making NSI delete names within the 45-day window will do nothing to reduce registrars' query rates. And it may well increase their duration.

The proposal therefore fails to satisfy criteria # 3 (not encouraging use of CHECK DOMAIN command), #4 (not benefiting those with more connections), # 5 (giving customers equal access to domain names), #6 (at reasonable prices), #8 (durable for the long-term), and #9 (benefiting everyone).

### **Option 3: Distribute Names to Customers Via Lottery**

Some participants to the email list suggested implementing a system similar to that used by the companies running the .biz and .info registries: a lottery. As just two examples:

The solution is rather straightforward [sic]. You isolate the "grabbing" system from the rest of registry system so normal business is not affected. Then you implement a land rush system similar to what is being used for some of the new TLD's.

and:

There is a relatively simple solution to this, and that is to separate out the market for expired domains from the normal market for new domains.

This can be done in a similar manner to that for ".biz" and ".info" to handle land rush.

- (1) Registry queue[s] up expired domains for a period (e.g. 1 month) and advertise[s] a list of expired domains available
- (2) Registry accepts pre-registrations for these expired domains for a period (e.g. 1 week)
- (3) Registry executes a random selection from the pre-registrations

## **The Critique:**

The first critique of the suggestion of a lottery was put forth by one of its own authors: “Of course it would have been much cheaper to implement this at the start of the shared registry system. To go back and try to fix it now will be much more expensive.” A second critique from a different registrar followed:

The lottery system that some have proposed will not work. Look at the Sunrise system for .info, everybody thought it would work just fine. And that's a huge mess. And what about .biz, aren't they getting sued over having a lottery system in the state of California?<sup>3</sup>

(Sellers of .biz pre-registrations are being sued in California on grounds they are operating a lottery that is illegal under California state law. The matter could be resolved first, however, by Neulevel, Inc.'s declaratory judgment against Amazon.com in a federal court in Virginia known to litigators as “the rocket docket”, which is likely to issue a ruling before the California court.)

A more fundamental problem, however, is that with deleting names, the available pool of names is knowable *only a few days in advance* (a few more days *could* be gained at the expense of the registrants' grace period). By contrast, customers have had months to become aware, with limited degrees of success, of what's available for pre-registration at the new registries. It's simple: everything is available -- every possible arrangement of letters and numbers.

For VeriSign's deleting names, on the other hand, the consensus among registrars appears to be that there is neither an infrastructure nor a feasible business method for continually restarting -- on a weekly basis, no less -- the laborious pre-registration for names deleting in .com, .net, and .org. Critics of this proposal asked, in essence, Have the pre-registration methods of .biz and .info worked so well and smoothly that they should be accelerated to once per week?

The lottery-style proposals appear to run afoul of criteria #7 (capable of being implemented in the short-term), #8 (durable for the long-term), and #9 (benefits customers and allows registrars to build new business models according to merit).

## **Option 4: Randomly Distribute Names to Registrars**

One registrar's suggested twist on both the randomized drop and lottery has VeriSign randomly distributing expired names to applying *registrars*, who could then sell them to their customers.

## **The Critique:**

How to distribute the names to registrars? If names should be distributed by business merit, then this is not a fully functional, separate proposal at all, and for the critical means of distribution one must look to any of the other proposals.

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<sup>3</sup> Another participant suggested that, unlike the “auction approach,” a lottery “application process” like .info's may be more fraught with legal issues because the winner in such an application process would not be picked in a truly random fashion. “With applications [under the current .info “sunrise” system], you [as the customer] have to submit multiple applications with no guarantee even if you submit the most applications, only a better chance. And you lose all the application money.”



That is, could names be distributed pro-rata, so that each registrar gets an equal number, regardless of its size or its skill at exploiting the secondary market? This is the problem the registrars are already trying to solve—how to distribute connections to the Registry. Can “equivalent access” really mean “the same,” or should it mean “each according to his need”? If each registrar were given the same number of names, regardless of how many customers it had, its fewer customers would each have a higher probability of getting a domain name. And so, to paraphrase George Orwell’s *Animal Farm*, some customers would be more equal than others.

On the other hand, distributing names according to registrar size is just another blunt metric based on considerations other than business merit.

Another problem: how can registrars know which names they’ll want to take the risk of buying in order to put them up for sale? Aggregating demand for a particular domain name has been the perennial bugaboo of the industry. (See *State of the Domain Q1 2001* (May 4, 2001).)

### **Option 5: Offer Sealed Bid Sales and Other Auction Forms**

The critic of lotteries noted above suggested using sealed bid sales as a solution. While the proponent of such sales acknowledged that “[p]eople wanting to register expired names will complain about the fact that they have to bid on expiring names,” he added, “But let’s face it. They don’t stand a chance of getting the desirable names right now, unless they buy them from the person who knows how to work the current system.” Under the sealed bid model, he said, registrars would take bids for desirable names from customers and:

- 1) The REGISTRY gets a fee per name for developing and implementing the systems to allow registrars to submit bids on behalf of customers.
- 2) The REGISTRARS get a fee for accepting the bids from potential customers.
- 3) The registrar who is RELEASING (has deleted or about to delete) the name gets a % of the name sale to insure that it is in their best interest to release the name, and not sell it or retain it themselves.
- 4) The other % gets split between ICANN and other ICANN accredited registrars according to some formula that would have to be developed.
- 5) Bids can be submitted for any name, even if it is not expired. That way, customers don’t have to constantly monitor the process. The bids will remain private, only being known by the registrar who collects the bid and the registry. We get many cases of people who would like names that haven’t even expired yet, and I’m sure they would pay a nominal fee to be able to bid for the name if it ever was available.

Why a sealed bid sale rather than an auction? “An auction has the problem of prices being run up, and scaring away a potential bidder as people bid up prices with no intention of closing the deal,” the proponent of this idea explained. “A ‘sealed bid sale’ does not make the high bidder public until the process is complete. If the high bidder does not close the deal, the next highest gets an opportunity to register the name. It is also much easier to administer than an auction.”

## **The Critique:**

There are some interesting ideas here. Perhaps the main flaw in this proposal is simply its unworkability in the short- or even medium-term. How will sufficient buyer demand for names be aggregated in time for an auction? That is, how will any customers but a few highly knowledgeable speculators know bids are being taken on a particular name? By what mechanism will registrars cooperate, sharing both customer information and revenue? And if demand could be aggregated, would the registrars agree to let VeriSign be the aggregator and possessor of the customer data?

I know there will be plenty of complaints that VeriSign gets to keep that money, but for practical matters, it very well may be a deal that is worth cutting no matter how much it hurts.

Criterion #7 (capable of implementation in the near future) seems to be the main sticking point here, though at least one registrar representative rooted an objection in #6 (available at a reasonable price) and #9 (benefits customers). This representative noted that ICANN had already received complaints about names going to the highest bidder at certain registrar web sites. Another representative thought criterion #1 (fair to all registrars) could also pose a problem under one structure of the system:

One of the concerns that has been looming is that all expired or deleted names would be funneled through GreatDomains which is NSI's after[-]market place.

As readers of this report know, SnapNames has extensively discussed the shortcomings in the current, seller-based "auction" (or listing service) models. A buyer-centric model of the sort proposed here may be congruent with the interests and needs of the domain community, once the immediate emergency has been resolved.

### **Option 6: Establish a Separate Registry to Hold and Release Deleted Names**

A few participants suggested setting up a separate registry to handle "in-purge" names:

Offer an isolated RRP server that only offers registration of expired domains (which stay taken in the regular registry until an hour or so after drop time).

and:

NSI could even push the deleted names to a separate database / system if needed. This would off load this service and allow normal new registration business to continue. The push of data to a separate system would prevent a registrar from hammering the normal registry port. From this drop system a backend process "transaction manager" is used to update the records in the main database at given times.

In essence, what these writers are proposing is to take the deleting names, put them on a different computer, and then allow the registrars to query the separate server in the same way that, until recently, they queried the Registry. This solution unclogs the bandwidth registrars require in order to conduct normal business on new name registrations and to modify names already registered.

## **The Critique:**

Unfortunately, the separate registry, rather than eliminating the problem, simply relocates it to a new server, resulting in daily and expensive wars over limited bandwidth, unequal access, and abuse of the methodology. The separate registry would require construction of new systems at least as complex and hardware-intensive as the existing SRS, and would introduce stability problems and all of the difficulties of trying to synchronize the new system with the Registry's primary SRS. In the end, a separate registry would rely upon the same type of front-end as the current Registry SRS while retaining all of its inequities: registrars would still continue to pound the new system to register deleted domain names; connection monopolization would still be a fact of life and could possibly be worse than today; those registrars with more resources would "out gun" those with less -- hardly equal access. Some critics also question who pays for a system that will involve far more expense than mere purchase of an additional server -- all registrars or just those who wish to serve the secondary market?

While a separate registry would allow business as usual for the primary production system, it would resolve only a symptom of the original illness; secondary market needs would not be better met, and the same inefficient use of abused resources would ensue. A long-term solution to polluting and deforesting an island paradise is not to move to a new, small island and start the process over.

We may have more to report following the discussions and announcements sure to take place at the ICANN conference in Montevideo, Uruguay in early September. It could be one of the most interesting meetings yet.

## **VI. Closing Remarks Faintly Reminiscent of a Slightly Biased Editorial**

A few facts bear mentioning. One is that SnapNames has substantially mapped out a few long-term solutions to the industry's problem already, including the one it embarked upon in December 2000. So while it has been interesting to see the alternative suggestions posed by a few registrars, SnapNames is admittedly not a wholly disinterested party.

One fairly expeditious solution has always seemed rather obvious to SnapNames and its registrar partners: to paraphrase President Lincoln, united the registrars will stand, divided they'll fall. Where there is a limited number of connections, those wanting to access the connections must pool their resources in order to use them *efficiently*, so that all profit and none suffer. This is how airports and airways work. Airlines are free to compete for the *acquisition* of customers on the merits, but during the *delivery* of the service itself, they must cooperate in the efficient use of limited resources: airways and runways. The alternative to cooperation, as we have seen from the example of the domain industry, is that the entire airport must be shut down because a few solo fliers are intent on competing for runways.

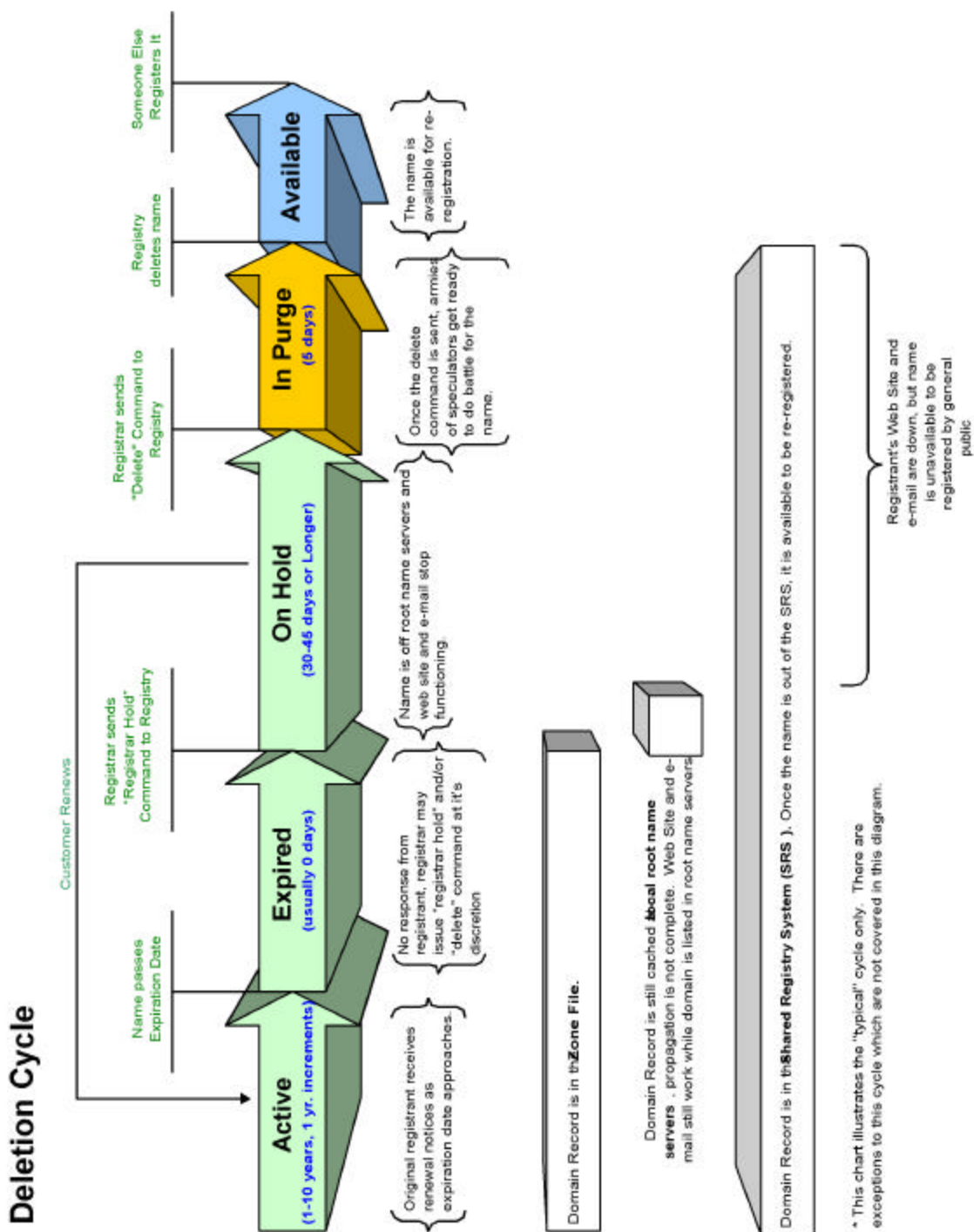
There are certainly enormously inefficient ways to utilize the Registry's limited number of runways to deleting names. One particularly egregious use of resources would be for a single registrar to employ an extravagant percentage of the Registry's total connections, say, 10-20%, in order to serve a dozen or so customers. This example is drawn from reality. Not many registrars need to start doing this before the connections disappear for everyone. Yet the only reason some registrars feel the need to go solo and snatch at the world with both hands is that they are not part of a cooperative consortium run

by a neutral arbiter, a sort of Federal Aviation Administration, and they can see that if they do nothing at all, they get nothing.

Doing nothing, on the one hand, and seizing more resources than one needs, on the other, is a false choice. In fact, SnapNames' partners use their connections to the Registry in the most efficient and scaleable manner possible – and in the only way scaleable to 80 operational registrars and all their customers. In SnapNames' view, the network effect, and the only scaleable arrangement of technologies of which we are aware, resides within a cooperative consortium of registrar partners who agree to offer only one back-order position per name just as they currently offer only one registration per name.

If all registrars pooled their resources they would create what is effectively a new, but parallel, registry. We'll not feign objectivity in our view that access to deleting names must exactly mirror that for new names: first-come, first-served, at a reasonable price.

# The Deletion Cycle



## Disclaimers

***State of the Domain*** is a quarterly publication of SnapNames, with addendums published for the first and second months following the last quarterly report. To accommodate inclusion of a full set of data, including quarter-end announcements of publicly traded registrars discussed herein, the report is released approximately 35 days after each quarter-end. At present, this report is limited to covering the .com, .net and .org TLDs. SnapNames compiles data in the public domain in order to present information on registrar market share as well as trends in new domain name sales versus expirations. The editors assume that readers are already familiar with the industry and its jargon—for readers who are not, we recommend the [www.ICANN.org](http://www.ICANN.org) site as a starting point for definitive historical documents and technical resources. **SnapNames does not warrant the accuracy of information in this document. Please read further disclaimers and information on our methodology within.**

## Contributing Editors

### Len A. Bayles

Chief Technology Officer and Vice President of Domain Name Industry Relations, [lenb@snapnames.com](mailto:lenb@snapnames.com)

Prior to joining SnapNames, Len was Project Manager of AWRRegistry, the 11th operational ICANN accredited domain name Registrar. While serving in this position he managed all aspects of the Registrar's operations, including development, marketing, and sales, and positioned AWRRegistry as the eleventh ICANN Registrar to go operational in September of 1999. He also worked closely within the ICANN process, attending and participating as a voting member of the Registrars Constituency that influenced the operational environment under which accredited Registrars operate today. Prior to this he owned and operated his own consulting firm, Innovative Systems Design. As a consultant he assisted in the startup and operation of many Internet Service Providers and provided consulting services in the areas of: software and computer hardware development, network design and implementation, and consulting in voice and data communications. He has an extensive communications background stemming from his 17-year career at AT&T/Mountain Bell/USWest.



### Cameron Powell

Vice President of Business Development and General Counsel, [cameronp@snapnames.com](mailto:cameronp@snapnames.com)

Prior to joining SnapNames, Cameron worked at Internet and software start-ups in Austin, Texas. Cameron has a background in best practices consulting and public speaking, having worked at the Corporate Executive Board in Washington, D.C. Prior to working at the CEB, Cameron practiced law as an intellectual property lawyer and litigator at Foley & Lardner, the nation's tenth-largest law firm; as a trial lawyer in the Attorney General's Honor Program at the U.S. Department of Justice; and as a judicial clerk to a chief federal judge. Cameron has also taught advanced intellectual property at the George Washington University Law Center, and he founded and ran The Caedmon Agency, a literary agency. Cameron holds a B.S. in Business Administration, summa cum laude, from the University of Colorado at Boulder, and a J.D. from Harvard Law School.



## Publisher

### Mason Cole

Director of Corporate Marketing, [masonc@snapnames.com](mailto:masonc@snapnames.com)

Before joining SnapNames, Mason counseled early-stage technology companies in the Pacific Northwest, Bay Area, and Austin, Texas as Account Director and partner at New Venture Communications, a Portland-based marketing consultancy. Mason has a wide background in corporate marketing and communications in the technology, financial services and health care industries. He is the former Director of Communications for The Crabbe Huson Group, a \$5B contrarian-style capital management firm in the Liberty Financial Companies family, and also has held roles in communications and institutional marketing for American Century Investments. A former journalist and freelance writer, he was associate editor of *Emerging Science and Technology* and is a published author on a number of financial services issues.

