



STATE OF THE DOMAIN

Third Quarter 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.

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Contents

Message From The Publisher	3
Registrar Data Review	
Of Speedboats and Supertankers	4
<u>Registration Data</u>	
Alexa Rankings	7
Registrars by Market Share of Current Registrations	
September 2001	11
Q3 2001	13
Gains and Losses in Net Registrations	
September 2001	15
Q3 2001	17
Total Registrations per gTLD	
September 2001	19
Q3 2001	19
<u>Equity Performance Data</u>	
Publicly Held Registrars: Market Performance	20
Publicly Held Registrars: Analyst Rankings	21
Methodologies and Statistical Accuracy	22
Monthly Commentary	
NeuLevel and .biz: Premature Forecasts After a Difficult Birth	23
Disclaimers	28
Contributing Editors	29

Message From The Publisher

Being an information provider in such a rapidly evolving industry is a rare opportunity for any company. We're privileged to serve this role for domain name service providers and those who follow them.

State of the Domain, as you've noted if you've been a regular reader since we began publishing in April of this year, has evolved along with the industry. Much of this is due to your input and suggestions, for which we're grateful and continue to encourage. Many have asked when additional information will be available—other types of refined data about registrars, specific information on new top-level domains, etc.—the answer is that you will see additional changes both in content and production before the end of the year. We're looking forward to these additions of utility to our publication.

In this quarterly issue, we'll examine registrar data for the month of September as well as for the full third quarter. Our editorial section focuses on the .biz domain and what the legal issues surrounding its introduction mean for the industry.

Though we're well into the four-figure numbers for our subscriber base, we invite each of you again to forward this report to others involved in our industry with your subscription recommendation. A blank e-mail to stateofthedomain@snapnames.com is sufficient to get started right away. Archived issues are available with a request to me at publisher@snapnames.com (and look soon for previous issues on our web site).

Regards,

Mason Cole
Director of Corporate Marketing

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Registrar Data Review

Of Speedboats and Supertankers

Ron Wiener, CEO

For those unfamiliar with our reports, all registration figures are reported as “net,” meaning they represent the aggregate of new registrations, expirations, transfers in from competing registrars, and transfers out to competing registrars (see *Methodologies and Statistical Accuracy* for details).

September’s registrar market share figures reveal some interesting contrasts between competing registrar business models. They also illustrate both the positive and negative aspects of being a small-scale, fast-growing registrar versus being a larger-scale, albeit less agile, registrar.

As illustrated in Figure 1 (below), top ten registrars VeriSign and Register.com—the two largest registrars, both publicly held—are also the most stable. Like supertankers, these behemoths don’t easily make large, fast movements. Even with a net loss of 112,500 and 24,000 names, respectively, in September, VeriSign Registrar and Register.com each dropped less than 0.8% in market share last month.

Contrast such stability with what happened to nimble eNom. For a long time now a consistent gainer in the monthly rankings, last month eNom foundered on the rock occasionally faced by such speedboats: quality of customer base, specifically, renewals. eNom lost 67,000, or 11.5% of its active base of registrants, in a single month.

According to a marketing executive at eNom, the sudden reversal of its consistent gains was the result of a single reseller, DomainZero, failing to renew a large batch of sales fed through eNom last year. In an exaggeration of the low-margin registration model, DomainZero offered free domains to its customers, but when the time came for renewals, the customers were nowhere to be found.

Meanwhile, a new speedboat on the waters is DotRegistrar, which took the “fastest-growing registrar” trophy from previous front-runner GoDaddy, gaining an astonishing 108,000 names in September to GoDaddy’s second-place 52,680. (For some perspective, among the 91 registrars with presence in the zone file, the median number of registrations was 988, and the net addition of registrations, after expirations, for the whole industry was less than 197,000.)

DotRegistrar was once a reseller of TUCOWS. TUCOWS’ model is heavily dependent on resellers—nearly 100% dependent, in fact—so the effect on TUCOWS of DotRegistrar’s defection was significant: all of TUCOWS’ other resellers combined netted one-fifth the net registrations of DotRegistrar.

Among the major registrars, the reliance on resellers varies from nearly negligible to nearly 100% of domain registration revenues. A year ago, it was believed by many that the battle wasn’t about selling a lot of domain names; it was about signing up the largest battalion of resellers. The operative theory being that if you have a lot of resellers you’ll grow more quickly and you’ll spend less money acquiring retail customers, one registrant at a time. The theory proves true in some cases, and to some degree, but at the cost of sacrificing a huge, stable base of direct retail customers to whom services may be, in the current jargon, up-sold.

So, if the biggest registrars are the slowest to expand or contract their base of active registrants, how do they keep their revenues growing? The obvious answer is in the more lucrative value-added

services they can sell with each domain name to extract more money per customer. This is something the biggest registrars do well, while many speedboats are out to pick up as many short-term, one-off customers as possible. Perhaps too often, these are not long-term relationships, but one-night stands. Exciting, but hardly fulfilling or remunerative. We'll find out which registrars have attracted valuable customers as more and more registrars reach one-year anniversaries. Will the customers who were so quick to switch to them for a cheap registration be as quick to renew names they may have bought on a speculative whim? Time will tell.

September's Other Notables

In the top ten, Melbourne IT still holds the prize for most consistent positive growth, but the ankle-biters are gaining quickly. DotRegistrar unhorsed Schlund.de as the #10 registrar, the first time a top ten registrar has been removed since *State of the Domain* began publication in Q1 of this year. GoDaddy has soared about as quickly to 12th position, and appears to have drawn a bead on moving into the 11th position within the next couple of months.

The month produced a net new registration base of 197,000 names, as the rate of deletions (non-renewals) caught up further with new registrations and renewals. The number of advancing registrars outpaced declining registrars, holding the same 9:1 ratio as in recent months. Net losses in registrations within the top ten amounted to -245,000 names, indicating once again a gradual shift of registrants from the top ten to the bottom eighty.

A Picture's Worth a Thousand Words: A Six-Month Perspective

Figure 1 and Table 1 depict the gains and losses of the top ten registrars over the past two quarters. This chart shows the change in the absolute number of net new registrations for each of the last six months (Figure 2 expresses the same information in terms of the gains and losses as a percent of each registrars' current active registration base).

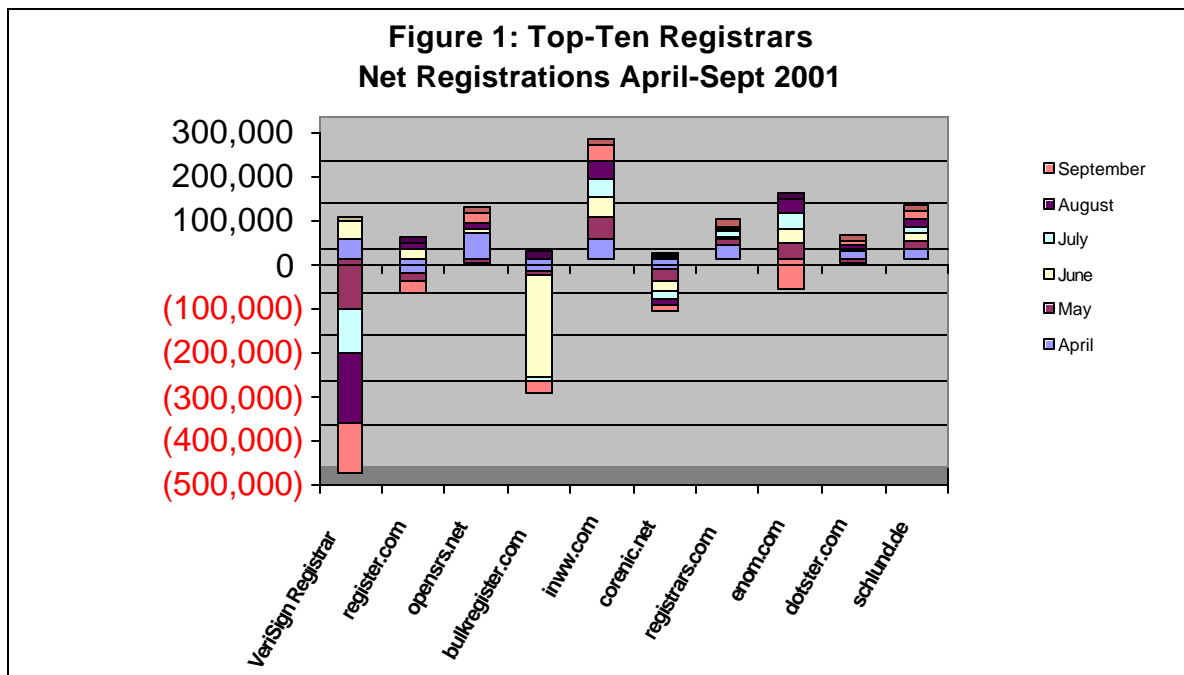


Figure 2: Registrars' % Gain/Loss in Net New Registrations

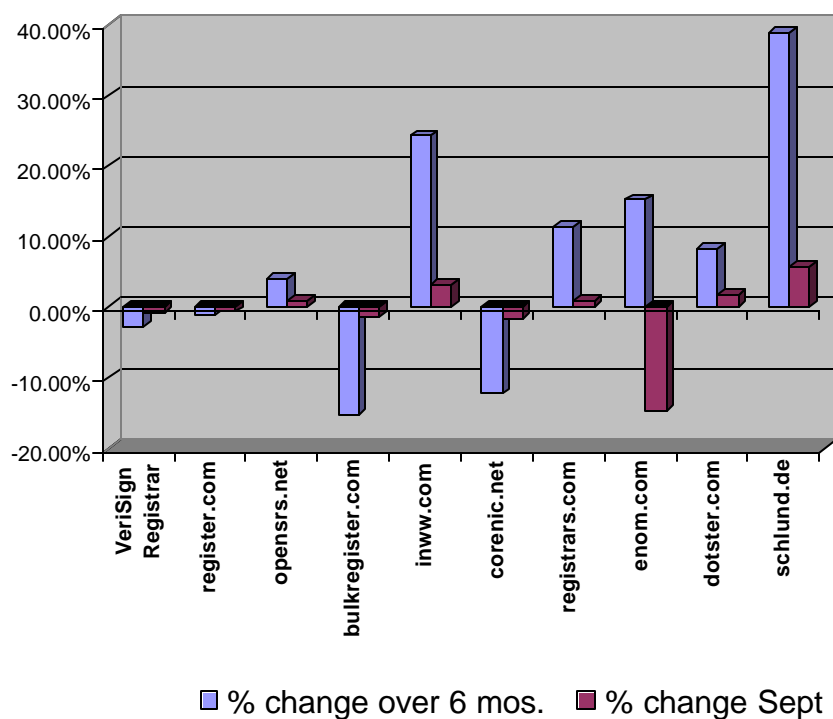


Table 1: Monthly Gains & Losses in Net New Registrations for Top Ten Registrars

Registrar	April	May	June	July	August	Sept	Aggregate
VeriSign Registrar	46,009	(112,065)	39,288	(102,532)	(156,750)	(112,502)	(398,552)
Register.com	(29,262)	(21,394)	22,710	376	16,228	(24,001)	(35,343)
Opensrs.net	61,060	(5,819)	8,055	1,963	12,685	20,548	98,492
Bulkregister.com	(25,687)	(9,433)	(231,892)	(9,085)	3,647	(24,839)	(297,289)
inww.com	45,061	50,414	45,787	41,833	43,167	32,871	259,133
Corenic.net	(22,541)	(28,404)	(21,570)	(15,964)	(13,786)	(16,114)	(118,379)
Registrars.com	33,312	12,397	7,238	11,797	7,006	5,741	77,491
enom.com	1,658	33,956	32,266	37,690	31,108	(67,058)	69,620
Dotster.com	20,164	(7,014)	2,370	2,664	9,367	7,684	35,235
Schlund.de	22,178	18,599	18,272	16,170	17,743	15,841	108,803
Monthly Total	151,952	(68,763)	(77,476)	(15,088)	(29,585)	(161,829)	(200,789)

Alexa Rankings

We include in quarterly editions reporting on the Alexa rankings for both registrar and non-registrar domain-related sites. Alexa rankings create an ordinal ranking of the relative number of page views of websites. All other things being equal, page views may be roughly assumed to correspond to visitors, but for some business models (e.g., a news site), this is not the case. In any event, a site ranking of, for example, 12,569, suggests the site is more frequented by visitors than all but 12,568 other sites in the world. Such a site will most likely have more traffic than a site with a ranking of 13,000, but the ranking itself will not suggest how much more. You can learn more about the system and methodology at www.alexa.com. You can also load the Alexa site meter into your browser by visiting the site, and then take your own spot-readings of the relative traffic of any site on the web.

Some caveats are in order. Alexa is only one metric of a site's activity. Not all business models depend on a high number of site visitors (or page views); some, like TUCOWS, BulkRegister and INWW (Melbourne IT) have relatively low Alexa rankings, because they rely on high volumes of registrations by a relatively small number of wholesale customers, namely resellers, corporate accounts and major speculator/investors. On the other hand, the rankings of some smaller registrars may be significantly higher than their registrations alone would suggest, simply because they offer other services (e.g. hosting, free e-mail) that account for the bulk of their traffic. In these cases we've tried to isolate the domain-related traffic by measuring pages one or two levels down, such as the whois search page, but this is not always a reliable method, so some guesswork is involved. Also, a handful of sites completely block out Alexa rankings.

A. Registrar-to-Registrar Comparison by Alexa Ranking

The following table depicts all 91 active registrars in the September zone file, showing a trend comparison between their July 29th, 2001 and October 25th, 2001 Alexa rankings. Not surprisingly, NSI and Register.com lead the rankings; both have a relatively high ratio of retail to wholesale traffic, and both run well-financed international marketing campaigns. That's where the correspondence between registrar rankings by market share and Alexa rankings ends—only three of the top ten registrars rank in the top ten Alexa scores. Along the same lines, 28% of registrars gained in Alexa ranking, while 72% lost ground. We believe this is further confirmation of the general shift from primary domain names sales to secondary (deleted name, brokering and classified listing sites).

While Alexa rankings in and of themselves are primarily useful only in determining relative traffic levels between different sites, the trend analysis usually indicates whether a site is gaining or losing customer traffic. This is not empirical, however, since there are many factors that contribute to an Alexa ranking, like page views, which may be the result of site design alterations as opposed to actual change in number of visitors. Nonetheless, it is interesting to note the sites with the most significant positive and negative swings in Alexa ranking.

Company	Alexa Ranking 10/25/2001	Alexa Ranking 7/29/2001	Q3 Market Position	Q3 Market Share	Change in Alexa Ranking	
networksolutions.com *	300	276	1	45.92%	(24)	8.7%
register.com	822	649	2	11.47%	(173)	26.7%
doregi.com	5,410	4,950	28	0.23%	(460)	9.3%
directnic.com	10,204	9,763	19	0.73%	(441)	4.5%
ibi.net	10,511	7,097	30	0.21%	(3,414)	48.1%
opensrs.net	15,334	13,367	3	8.23%	(1,967)	14.7%
itsyourdomain.com	16,292	13,072	20	0.57%	(3,220)	24.6%
godaddy.com	16,685	20,316	12	1.10%	3,631	17.9%
yesnic.com	19,438	13,263	27	0.31%	(6,175)	46.6%
easyspace.com	21,703	19,234	16	0.85%	(2,469)	12.8%
registrars.com	23,181	17,881	7	2.48%	(5,300)	29.6%
domainbank.net	23,570	18,671	18	0.78%	(4,899)	26.2%
enom.com	26,061	62,590	8	1.69%	36,529	58.4%
dotster.com	26,827	22,603	9	1.55%	(4,224)	18.7%
bulkregister.com	27,000	22,462	4	5.40%	(4,538)	20.2%
namesecure.com	30,294	23,386	17	0.84%	(6,908)	29.5%
netnames.com	31,131	24,904	56	0.03%	(6,227)	25.0%
catalog.com	32,670	26,294	48	0.06%	(6,376)	24.2%
inww.com	38,061	36,299	5	4.34%	(1,762)	4.9%
gandi.net	43,897	42,208	15	0.87%	(1,689)	4.0%
stargateinc.com	49,554	80,213	24	0.35%	30,659	38.2%
talk.com	59,328	NA	91	0.00%	NA	NA
activeisp.com	64,875	59,863	41	0.11%	(5,012)	8.4%
dotregistrar.com	70,818	74,090	10	1.34%	3,272	4.4%
gkg.net	74,988	85,941	32	0.20%	10,953	12.7%
OnlineNIC.com	85,621	91,099	26	0.32%	5,478	6.0%
signaturedomains.com	90,867	80,547	36	0.15%	(10,320)	12.8%
omnis.com	94,477	89,761	63	0.02%	(4,716)	5.3%
domainpeople.com	99,693	94,775	21	0.43%	(4,918)	5.2%
domaindiscover.com	104,983	106,576	13	0.94%	1,593	1.5%
domaininfo.com	106,912	91,892	42	0.09%	(15,020)	16.3%
interaccess.com	112,976	172,693	73	0.01%	59,717	34.6%
iaregistry.com	118,812	133,857	37	0.14%	15,045	11.2%
names4ever.com	121,844	69,038	22	0.37%	(52,806)	76.5%
name7.com	129,079	111,457	35	0.16%	(17,622)	15.8%
discount-domain.com	130,132	142,006	23	0.37%	11,874	8.4%
e-names.org	130,567	106,195	51	0.04%	(24,372)	23.0%
namebay.com	140,491	401,877	57	0.03%	261,386	65.0%
totalnic.net	158,615	132,172	52	0.04%	(26,443)	20.0%
domainsite.com	161,835	125,384	53	0.04%	(36,451)	29.1%
namesdirect.com	170,932	173,793	29	0.22%	2,861	1.6%
vi.net	172,700	136,632	77	0.00%	(36,068)	26.4%
schlund.de	172,999	155,885	11	1.27%	(17,114)	11.0%
123registration.com	175,002	220,637	78	0.00%	45,635	20.7%
oleane.net	180,525	150,851	47	0.06%	(29,674)	19.7%

<i>worldnet.net</i>	181,027	127,460	61	0.02%	(53,567)	42.0%
<i>aitdomains.com</i>	191,776	442,738	25	0.32%	250,962	56.7%
<i>corenic.net</i>	198,837	NA	6	2.78%	NA	NA
<i>paycenter.com.cn</i>	206,277	168,946	31	0.21%	(37,331)	22.1%
<i>1stdomain.net</i>	208,044	177,187	55	0.04%	(30,857)	17.4%
<i>mrdomreg.com</i>	216,470	271,231	72	0.01%	54,761	20.2%
<i>domini.it</i>	216,779	88,520	58	0.03%	(128,259)	144.9%
<i>totalregistrations.com</i>	218,995	229,398	50	0.04%	10,403	4.5%
<i>planetdomain.com</i>	235,352	131,419	71	0.01%	(103,933)	79.1%
<i>nameengine.com</i>	249,159	249,048	64	0.01%	(111)	0.0%
<i>nominalia.com</i>	260,634	140,110	75	0.01%	(120,524)	86.0%
<i>idregister.com</i>	278,729	369,244	87	0.00%	90,515	24.5%
<i>naame.com</i>	285,426	360,102	45	0.08%	74,676	20.7%
<i>psi-domains.com</i>	343,636	282,152	43	0.08%	(61,484)	21.8%
<i>domainregistry.com</i>	378,653	385,329	54	0.04%	6,676	1.7%
<i>awregistry.net</i>	383,015	310,014	39	0.12%	(73,001)	23.5%
<i>domainzoo.com</i>	410,372	391,722	68	0.01%	(18,650)	4.8%
<i>shop4domain.com</i>	437,053	543,837	67	0.01%	106,784	19.6%
<i>nordnet.net</i>	458,489	110,016	44	0.08%	(348,473)	316.7%
<i>eastcom.com</i>	472,151	485,267	69	0.01%	13,116	2.7%
<i>enterprice.net</i>	512,934	361,745	40	0.12%	(151,189)	41.8%
<i>namesystem.com</i>	537,804	548,247	85	0.00%	10,443	1.9%
<i>webex.net (007names)</i>	556,416	92,528	76	0.00%	(463,888)	501.3%
<i>nominate.net</i>	680,516	662,013	60	0.02%	(18,503)	2.8%
<i>enetregistry.com</i>	1,063,912	512,319	79	0.00%	(551,593)	107.7%
<i>tmagnic.net</i>	1,315,177	1,980,736	46	0.07%	665,559	33.6%
<i>joker.com</i>	NA	248,050	14	0.93%	NA	NA
<i>dotearth.com</i>	NA	NA	33	0.17%	NA	NA
<i>alldomains.com</i>	NA	39,203	34	0.16%	NA	NA
<i>speednic.net</i>	NA	NA	38	0.14%	NA	NA
<i>interdomain.net</i>	NA	NA	49	0.05%	NA	NA
<i>secura-gmbh.de</i>	NA	NA	62	0.02%	NA	NA
<i>compuserve.com</i>	NA	NA	65	0.01%	NA	NA
<i>pasia.com</i>	NA	NA	80	0.00%	NA	NA
<i>trustnames.net</i>	NA	NA	81	0.00%	NA	NA

Registrars indicating "NA" were either ones for which their registry names did not match their actual customer site URLs, or were inoperative at the time of the survey. Several registrars operate multiple sites under different URLs. In some cases it is possible that the Alexa score is not representative of their sites' aggregate traffic.

* NSI recently cut over its storefront sites to a new look and feel, erasing their previous Alexa ranking. The score of 300 is an estimate based on the last measurement taken before this September cutover. By next quarter their true score should be restored.

B. Other Domain-Related Sites by Alexa Rankings

The editors also track the Alexa rankings of certain non-registrar sites—a mix including some secondary market sites, deleted-domain monitoring sites, lexical tools sites, registries and others.

The leading gainers in this group were sites that deal with the secondary market for deleting names. Sites that deal with the secondary market of names-for-sale, and non-ICANN alternative TLD sites lost the most ground over the past 10 weeks.

<u>Site</u>	<u>Ranking on 10/25/01</u>	<u>Ranking on 8/8/01</u>	<u>Gain/Loss</u>	<u>%</u>
Afternic.com	1,951	1,162	(789)	67.9%
BuyDomains	5,693	NA	NA	NA
GreatDomains	7,110	4,954	(2,156)	43.5%
SnapNames	8,308	11,096	2,788	25.1%
Dot-TV	9,197	6,210	(2,987)	48.1%
1GlobalPlace	11,802	NA	NA	NA
NameBoy	19,151	15,502	(3,649)	23.5%
DeletedDomains	23,423	31,006	7,583	24.5%
NameCheap	38,271	NA	NA	NA
Dot-CC	38,598	31,383	(7,215)	23.0%
Localwhois	40,222	59,137	18,915	32.0%
DomainsBot	40,308	38,171	(2,137)	5.6%
HitDomains	51,299	46,239	(5,060)	10.9%
Dot-WS	57,833	46,394	(11,439)	24.7%
Dot-LA	71,456	58,473	(12,983)	22.2%
Shoutloud	74,871	79,275	4,404	5.6%

NA means that we did not have a measurement on this company's web site in August.

Registrars by Market Share of Current Registrations: September 2001

(.com, .net., org)

Company	Ranking		Market Share		Registrations		Change
	Aug	Sep	Aug	Sep	Aug	Sep	
<i>networksolutions.com</i>	1	1	46.59%	45.92%	14,178,671	14,066,169	(112,502)
<i>register.com</i>	2	2	11.63%	11.47%	3,538,005	3,514,004	(24,001)
<i>opensrs.net</i>	3	3	8.21%	8.23%	2,500,135	2,520,683	20,548
<i>bulkregister.com</i>	4	4	5.52%	5.40%	1,678,692	1,653,853	(24,839)
<i>inwww.com</i>	5	5	4.26%	4.34%	1,295,367	1,328,238	32,871
<i>corenic.net</i>	6	6	2.85%	2.78%	866,216	850,102	(16,114)
<i>registrars.com</i>	7	7	2.48%	2.48%	754,552	760,293	5,741
<i>enom.com</i>	8	8	1.92%	1.69%	583,428	516,370	(67,058)
<i>dotster.com</i>	9	9	1.53%	1.55%	466,336	474,020	7,684
<i>dotregistrar.com</i>	11	10	1.00%	1.34%	303,147	411,200	108,053
<i>schlund.de</i>	10	11	1.22%	1.27%	372,794	388,635	15,841
<i>godaddy.com</i>	12	12	0.94%	1.10%	284,763	337,443	52,680
<i>domaindiscover.com</i>	13	13	0.90%	0.94%	273,200	288,406	15,206
<i>joker.com</i>	15	14	0.85%	0.93%	258,707	286,037	27,330
<i>gandi.net</i>	14	15	0.86%	0.87%	262,504	266,350	3,846
<i>easyspace.com</i>	16	16	0.85%	0.85%	257,935	261,713	3,778
<i>namesecure.com</i>	17	17	0.84%	0.84%	256,460	258,082	1,622
<i>domainbank.net</i>	18	18	0.78%	0.78%	236,526	238,008	1,482
<i>directnic.com</i>	19	19	0.60%	0.73%	181,878	222,965	41,087
<i>itsyourdomain.com</i>	20	20	0.55%	0.57%	168,168	173,747	5,579
<i>domainpeople.com</i>	21	21	0.42%	0.43%	126,973	130,437	3,464
<i>names4ever.com</i>	22	22	0.36%	0.37%	110,823	113,198	2,375
<i>discount-domain.com</i>	23	23	0.36%	0.37%	109,139	112,679	3,540
<i>stargateinc.com</i>	25	24	0.31%	0.35%	95,301	107,293	11,992
<i>aitdomains.com</i>	24	25	0.32%	0.32%	96,515	98,443	1,928
<i>OnlineNIC.com</i>	26	26	0.31%	0.32%	93,315	98,336	5,021
<i>yesnic.com</i>	27	27	0.30%	0.31%	91,523	94,584	3,061
<i>doregi.com</i>	28	28	0.23%	0.23%	69,148	70,241	1,093
<i>namesdirect.com</i>	30	29	0.21%	0.22%	62,934	67,446	4,512
<i>ibi.net</i>	29	30	0.22%	0.21%	67,285	64,085	(3,200)
<i>paycenter.com.cn</i>	31	31	0.20%	0.21%	60,134	63,545	3,411
<i>gkg.net</i>	32	32	0.20%	0.20%	60,040	62,520	2,480
<i>dotearth.com</i>	33	33	0.17%	0.17%	52,415	53,165	750
<i>alldomains.com</i>	34	34	0.15%	0.16%	45,817	50,208	4,391
<i>name7.com</i>	36	35	0.14%	0.16%	43,550	48,271	4,721
<i>signaturedomains.com</i>	35	36	0.15%	0.15%	44,764	44,974	210
<i>iaregistry.com</i>	40	37	0.11%	0.14%	34,423	43,503	9,080
<i>speednic.net</i>	37	38	0.13%	0.14%	39,784	42,845	3,061
<i>awregistry.net</i>	38	39	0.13%	0.12%	38,908	38,049	(859)
<i>enterprice.net</i>	39	40	0.12%	0.12%	35,057	37,733	2,676
<i>activeisp.com</i>	41	41	0.10%	0.11%	31,354	32,463	1,109
<i>domaininfo.com</i>	42	42	0.09%	0.09%	27,432	28,194	762
<i>psi-domains.com</i>	43	43	0.08%	0.08%	25,353	25,993	640
<i>nordnet.net</i>	44	44	0.07%	0.08%	21,696	24,800	3,104

<i>naame.com</i>	45	45	0.07%	0.08%	21,632	23,619	1,987
<i>tmagnic.net</i>	46	46	0.07%	0.07%	19,964	22,946	2,982
<i>oleane.net</i>	47	47	0.06%	0.06%	17,193	17,830	637
<i>catalog.com</i>	48	48	0.05%	0.06%	16,292	17,477	1,185
<i>interdomain.net</i>	49	49	0.04%	0.05%	12,939	15,169	2,230
<i>totalregistrations.com</i>	53	50	0.04%	0.04%	11,707	13,580	1,873
<i>e-names.org</i>	50	51	0.04%	0.04%	12,481	13,224	743
<i>totalnic.net</i>	51	52	0.04%	0.04%	11,932	13,195	1,263
<i>domainsite.com</i>	54	53	0.04%	0.04%	11,139	12,127	988
<i>domainregistry.com</i>	52	54	0.04%	0.04%	11,782	11,722	(60)
<i>1stdomain.net</i>	55	55	0.03%	0.04%	10,468	10,913	445
<i>netnames.com</i>	58	56	0.02%	0.03%	6,828	8,632	1,804
<i>namebay.com</i>	57	57	0.02%	0.03%	7,160	8,083	923
<i>domini.it</i>	56	58	0.03%	0.03%	7,643	8,006	363
<i>namescout.com</i>	68	59	0.01%	0.02%	2,150	6,636	4,486
<i>nominate.net</i>	59	60	0.02%	0.02%	5,686	6,221	535
<i>worldnet.net</i>	60	61	0.02%	0.02%	5,397	5,566	169
<i>secura-gmbh.de</i>	61	62	0.02%	0.02%	4,612	4,895	283
<i>omnis.com</i>	62	63	0.01%	0.02%	4,378	4,640	262
<i>nameengine.com</i>	63	64	0.01%	0.01%	4,090	4,318	228
<i>compuserve.com</i>	64	65	0.01%	0.01%	3,651	3,730	79
<i>rrpproxy.net</i>	65	66	0.01%	0.01%	2,496	2,994	498
<i>shop4domain.com</i>	75	67	0.00%	0.01%	1,251	2,759	1,508
<i>domainzoo.com</i>	72	68	0.01%	0.01%	1,612	2,731	1,119
<i>eastcom.com</i>	66	69	0.01%	0.01%	2,384	2,590	206
<i>domaindomain.com</i>	67	70	0.01%	0.01%	2,335	2,347	12
<i>planetdomain.com</i>	71	71	0.01%	0.01%	1,720	2,287	567
<i>mrdomreg.com</i>	69	72	0.01%	0.01%	2,084	2,183	99
<i>interaccess.com</i>	70	73	0.01%	0.01%	1,849	1,872	23
<i>addresscreation.com</i>	73	74	0.01%	0.01%	1,385	1,825	440
<i>nominalia.com</i>	74	75	0.00%	0.01%	1,340	1,687	347
<i>webex.net</i>	76	76	0.00%	0.00%	1,078	1,176	98
<i>vi.net</i>	77	77	0.00%	0.00%	936	1,152	216
<i>123registration.com</i>	79	78	0.00%	0.00%	884	999	115
<i>enetregistry.com</i>	78	79	0.00%	0.00%	895	668	(227)
<i>pasia.com</i>	80	80	0.00%	0.00%	609	607	(2)
<i>trustnames.net</i>	81	81	0.00%	0.00%	449	515	66
<i>srsplus.com</i>	86	82	0.02%	0.00%	62	341	279
<i>corporatedomains.com</i>	82	83	0.00%	0.00%	333	341	8
<i>namesystem.com</i>	83	85	0.00%	0.00%	142	142	0
<i>Globedom.com</i>	84	86	0.00%	0.00%	129	291	162
<i>idregister.com</i>	85	87	0.00%	0.00%	69	82	13
<i>nametree.com</i>	87	90	0.00%	0.00%	7	11	4
<i>talk.com</i>	88	91	0.00%	0.00%	4	4	0
New Registrars							
<i>4domains.com</i>	84			0.00%		296	
<i>directi.com</i>	88			0.00%		75	
<i>markmonitor.com</i>	89			0.00%		24	
<i>ar.com</i>	92			0.00%		2	

Registrars by Market Share of Current Registrations: Q3 2001

(.com, .net., org)

Company	Ranking		Market Share		Registrations		Change
	Q2	Q3	Q2	Q3	Q2	Q3	
<i>networksolutions.com</i>	1	1	48.27%	45.92%	14,437,953	14,066,169	(371,784)
<i>register.com</i>	2	2	11.77%	11.47%	3,521,401	3,514,004	(7,397)
<i>opensrs.net</i>	3	3	8.31%	8.23%	2,485,487	2,520,683	35,196
<i>bulkregister.com</i>	4	4	5.63%	5.40%	1,684,130	1,653,853	(30,277)
<i>inwww.com</i>	5	5	4.05%	4.34%	1,210,367	1,328,238	117,871
<i>corenic.net</i>	6	6	3.00%	2.78%	895,966	850,102	(45,864)
<i>registrars.com</i>	7	7	2.46%	2.48%	735,749	760,293	24,544
<i>enom.com</i>	8	8	1.72%	1.69%	514,630	516,370	1,740
<i>dotster.com</i>	9	9	1.52%	1.55%	454,305	474,020	19,715
<i>dotregistrar.com</i>	14	10	0.80%	1.34%	237,981	411,200	173,219
<i>schlund.de</i>	10	11	1.13%	1.27%	338,881	388,635	49,754
<i>godaddy.com</i>	18	12	0.61%	1.10%	181,870	337,443	155,573
<i>domaindiscover.com</i>	15	13	0.78%	0.94%	233,136	288,406	55,270
<i>joker.com</i>	17	14	0.68%	0.93%	204,097	286,037	81,940
<i>gandi.net</i>	12	15	0.84%	0.87%	250,726	266,350	15,624
<i>easyspace.com</i>	13	16	0.83%	0.85%	249,330	261,713	12,383
<i>namesecure.com</i>	11	17	0.85%	0.84%	252,953	258,082	5,129
<i>domainbank.net</i>	16	18	0.77%	0.78%	229,218	238,008	8,790
<i>directnic.com</i>	23	19	0.34%	0.73%	102,187	222,965	120,778
<i>itsyourdomain.com</i>	19	20	0.49%	0.57%	147,380	173,747	26,367
<i>domainpeople.com</i>	20	21	0.44%	0.43%	131,412	130,437	(975)
<i>names4ever.com</i>	21	22	0.36%	0.37%	106,735	113,198	6,463
<i>discount-domain.com</i>	22	23	0.34%	0.37%	102,603	112,679	10,076
<i>stargateinc.com</i>	27	24	0.24%	0.35%	71,748	107,293	35,545
<i>aitdomains.com</i>	25	25	0.30%	0.32%	89,037	98,443	9,406
<i>OnlineNIC.com</i>	24	26	0.30%	0.32%	90,020	98,336	8,316
<i>yesnic.com</i>	26	27	0.30%	0.31%	89,001	94,584	5,583
<i>doregi.com</i>	28	28	0.23%	0.23%	70,149	70,241	92
<i>namesdirect.com</i>	32	29	0.17%	0.22%	51,077	67,446	16,369
<i>ibi.net</i>	29	30	0.22%	0.21%	66,368	64,085	(2,283)
<i>paycenter.com.cn</i>	31	31	0.17%	0.21%	52,190	63,545	11,355
<i>gkg.net</i>	30	32	0.17%	0.20%	52,314	62,520	10,206
<i>dotearth.com</i>	33	33	0.17%	0.17%	49,636	53,165	3,529
<i>alldomains.com</i>	36	34	0.13%	0.16%	37,712	50,208	12,496
<i>name7.com</i>	38	35	0.11%	0.16%	32,532	48,271	15,739
<i>signaturedomains.com</i>	34	36	0.15%	0.15%	43,927	44,974	1,047
<i>iaregistry.com</i>	43	37	0.08%	0.14%	22,625	43,503	20,878
<i>speednic.net</i>	37	38	0.11%	0.14%	33,679	42,845	9,166
<i>awregistry.net</i>	35	39	0.13%	0.12%	40,235	38,049	(2,186)
<i>enterprice.net</i>	40	40	0.10%	0.12%	28,946	37,733	8,787
<i>activeisp.com</i>	39	41	0.10%	0.11%	29,448	32,463	3,015
<i>domaininfo.com</i>	41	42	0.09%	0.09%	26,211	28,194	1,983
<i>psi-domains.com</i>	42	43	0.08%	0.08%	23,940	25,993	2,053
<i>nordnet.net</i>	45	44	0.06%	0.08%	16,540	24,800	8,260

<i>naame.com</i>	44	45	0.06%	0.08%	17,359	23,619	6,260
<i>tmagnic.net</i>	47	46	0.05%	0.07%	14,950	22,946	7,996
<i>oleane.net</i>	46	47	0.05%	0.06%	15,813	17,830	2,017
<i>catalog.com</i>	48	48	0.05%	0.06%	13,898	17,477	3,579
<i>interdomain.net</i>	55	49	0.03%	0.05%	7,717	15,169	7,452
<i>totalregistrations.com</i>	54	50	0.03%	0.04%	8,264	13,580	5,316
<i>e-names.org</i>	50	51	0.04%	0.04%	10,944	13,224	2,280
<i>totalnic.net</i>	51	52	0.03%	0.04%	10,010	13,195	3,185
<i>domainsite.com</i>	53	53	0.03%	0.04%	9,146	12,127	2,981
<i>domainregistry.com</i>	49	54	0.04%	0.04%	12,290	11,722	(568)
<i>1stdomain.net</i>	52	55	0.03%	0.04%	9,390	10,913	1,523
<i>netnames.com</i>	60	56	0.01%	0.03%	3,971	8,632	4,661
<i>namebay.com</i>	57	57	0.02%	0.03%	5,733	8,083	2,350
<i>domini.it</i>	56	58	0.02%	0.03%	7,103	8,006	903
<i>nominate.net</i>	59	60	0.01%	0.02%	4,196	6,221	2,025
<i>worldnet.net</i>	58	61	0.02%	0.02%	4,873	5,566	693
<i>secura-gmbh.de</i>	61	62	0.01%	0.02%	3,897	4,895	998
<i>omnis.com</i>	62	63	0.01%	0.02%	3,852	4,640	788
<i>nameengine.com</i>	64	64	0.01%	0.01%	3,015	4,318	1,303
<i>compuserve.com</i>	63	65	0.01%	0.01%	3,390	3,730	340
<i>shop4domain.com</i>	73	67	0.00%	0.01%	649	2,759	2,110
<i>domainzoo.com</i>	70	68	0.00%	0.01%	1,209	2,731	1,522
<i>eastcom.com</i>	66	69	0.01%	0.01%	2,037	2,590	553
<i>planetdomain.com</i>	71	71	0.00%	0.01%	1,159	2,287	1,128
<i>mrdomreg.com</i>	67	72	0.01%	0.01%	1,898	2,183	285
<i>interaccess.com</i>	68	73	0.01%	0.01%	1,680	1,872	192
<i>nominalia.com</i>	69	75	0.00%	0.01%	1,476	1,687	211
<i>webex.net</i>	72	76	0.00%	0.00%	897	1,176	279
<i>vi.net</i>	76	77	0.00%	0.00%	301	1,152	851
<i>123registration.com</i>	75	78	0.00%	0.00%	527	999	472
<i>enetregistry.com</i>	65	79	0.01%	0.00%	2,154	668	(1,486)
<i>pasia.com</i>	74	80	0.00%	0.00%	612	607	(5)
<i>trustnames.net</i>	77	81	0.00%	0.00%	198	515	317
<i>namesystem.com</i>	78	85	0.00%	0.00%	134	341	207
<i>idregister.com</i>	79	87	0.00%	0.00%	37	291	254
<i>talk.com</i>	80	91	0.00%	0.00%	4	4	0
TOTALS					29,910,615	30,617,078	706,463

Gains and Losses in Net Registrations: September 2001

(.com, .net., org)

Company	% of September's Net Registrations	Actual +/- Change In Net Registrations
<i>dotregistrar.com</i>	0.55%	108,053
<i>godaddy.com</i>	0.27%	52,680
<i>directnic.com</i>	0.21%	41,087
<i>inwww.com</i>	0.17%	32,871
<i>joker.com</i>	0.14%	27,330
<i>opensrs.net</i>	0.10%	20,548
<i>schlund.de</i>	0.08%	15,841
<i>domaindiscover.com</i>	0.08%	15,206
<i>stargateinc.com</i>	0.06%	11,992
<i>iaregistry.com</i>	0.05%	9,080
<i>dotster.com</i>	0.04%	7,684
<i>registrars.com</i>	0.03%	5,741
<i>itsyourdomain.com</i>	0.03%	5,579
<i>OnlineNIC.com</i>	0.03%	5,021
<i>name7.com</i>	0.02%	4,721
<i>namesdirect.com</i>	0.02%	4,512
<i>namescout.com</i>	0.02%	4,486
<i>alldomains.com</i>	0.02%	4,391
<i>gandi.net</i>	0.02%	3,846
<i>easyspace.com</i>	0.02%	3,778
<i>discount-domain.com</i>	0.02%	3,540
<i>domainpeople.com</i>	0.02%	3,464
<i>paycenter.com.cn</i>	0.02%	3,411
<i>nordnet.net</i>	0.02%	3,104
<i>yesnic.com</i>	0.02%	3,061
<i>speednic.net</i>	0.02%	3,061
<i>tmagnic.net</i>	0.02%	2,982
<i>enterprice.net</i>	0.01%	2,676
<i>gkg.net</i>	0.01%	2,480
<i>names4ever.com</i>	0.01%	2,375
<i>interdomain.net</i>	0.01%	2,230
<i>naame.com</i>	0.01%	1,987
<i>aitdomains.com</i>	0.01%	1,928
<i>totalregistrations.com</i>	0.01%	1,873
<i>netnames.com</i>	0.01%	1,804
<i>namesecure.com</i>	0.01%	1,622
<i>shop4domain.com</i>	0.01%	1,508
<i>domainbank.net</i>	0.01%	1,482
<i>totalnic.net</i>	0.01%	1,263
<i>catalog.com</i>	0.01%	1,185
<i>domainzoo.com</i>	0.01%	1,119
<i>activeisp.com</i>	0.01%	1,109
<i>doregi.com</i>	0.01%	1,093

<i>domainsite.com</i>	0.01%	988
<i>namebay.com</i>	0.00%	923
<i>domaininfo.com</i>	0.00%	762
<i>dotearth.com</i>	0.00%	750
<i>e-names.org</i>	0.00%	743
<i>psi-domains.com</i>	0.00%	640
<i>oleane.net</i>	0.00%	637
<i>planetdomain.com</i>	0.00%	567
<i>nominate.net</i>	0.00%	535
<i>rrpproxy.net</i>	0.00%	498
<i>1stdomain.net</i>	0.00%	445
<i>addresscreation.com</i>	0.00%	440
<i>domini.it</i>	0.00%	363
<i>nominalia.com</i>	0.00%	347
<i>secura-gmbh.de</i>	0.00%	283
<i>omnis.com</i>	0.00%	262
<i>nameengine.com</i>	0.00%	228
<i>vi.net</i>	0.00%	216
<i>signaturedomains.com</i>	0.00%	210
<i>eastcom.com</i>	0.00%	206
<i>worldnet.net</i>	0.00%	169
<i>Globedom.com</i>	0.00%	162
<i>123registration.com</i>	0.00%	115
<i>mrdomreg.com</i>	0.00%	99
<i>webex.net</i>	0.00%	98
<i>compuserve.com</i>	0.00%	79
<i>trustnames.net</i>	0.00%	66
<i>interaccess.com</i>	0.00%	23
<i>idregister.com</i>	0.00%	13
<i>domaindomain.com</i>	0.00%	12
<i>corporatedomains.com</i>	0.00%	8
<i>nametree.com</i>	0.00%	4
<i>namesystem.com</i>	0.00%	0
<i>talk.com</i>	0.00%	0
<i>pasia.com</i>	0.00%	(2)
<i>domainregistry.com</i>	0.00%	(60)
<i>enetregistry.com</i>	0.00%	(227)
<i>awregistry.net</i>	0.00%	(859)
<i>ibi.net</i>	-0.02%	(3,200)
<i>corenic.net</i>	-0.08%	(16,114)
<i>register.com</i>	-0.12%	(24,001)
<i>bulkregister.com</i>	-0.13%	(24,839)
<i>enom.com</i>	-0.34%	(67,058)
<i>networksolutions.com</i>	-0.57%	(112,502)

Gains and Losses in Net Registrations: Q3 2001

(.com, .net., org)

Company	% of 3rd Quarter's Net Registrations	Actual +/- Change In Net Registrations
<i>dotregistrar.com</i>	0.25%	173,219
<i>godaddy.com</i>	0.22%	155,573
<i>directnic.com</i>	0.17%	120,778
<i>inwww.com</i>	0.17%	117,871
<i>joker.com</i>	0.12%	81,940
<i>domaindiscover.com</i>	0.08%	55,270
<i>schlund.de</i>	0.07%	49,754
<i>stargateinc.com</i>	0.05%	35,545
<i>opensrs.net</i>	0.05%	35,196
<i>itsyourdomain.com</i>	0.04%	26,367
<i>registrars.com</i>	0.03%	24,544
<i>iaregistry.com</i>	0.03%	20,878
<i>dotster.com</i>	0.03%	19,715
<i>namesdirect.com</i>	0.02%	16,369
<i>name7.com</i>	0.02%	15,739
<i>gandi.net</i>	0.02%	15,624
<i>alldomains.com</i>	0.02%	12,496
<i>easyspace.com</i>	0.02%	12,383
<i>paycenter.com.cn</i>	0.02%	11,355
<i>gkg.net</i>	0.01%	10,206
<i>discount-domain.com</i>	0.01%	10,076
<i>aitdomains.com</i>	0.01%	9,406
<i>speednic.net</i>	0.01%	9,166
<i>domainbank.net</i>	0.01%	8,790
<i>enterprice.net</i>	0.01%	8,787
<i>OnlineNIC.com</i>	0.01%	8,316
<i>nordnet.net</i>	0.01%	8,260
<i>tmagnic.net</i>	0.01%	7,996
<i>interdomain.net</i>	0.01%	7,452
<i>names4ever.com</i>	0.01%	6,463
<i>naame.com</i>	0.01%	6,260
<i>yesnic.com</i>	0.01%	5,583
<i>totalregistrations.com</i>	0.01%	5,316
<i>namesecure.com</i>	0.01%	5,129
<i>netnames.com</i>	0.01%	4,661
<i>catalog.com</i>	0.01%	3,579
<i>dotearth.com</i>	0.00%	3,529
<i>totalnic.net</i>	0.00%	3,185
<i>activeisp.com</i>	0.00%	3,015
<i>domainsite.com</i>	0.00%	2,981
<i>namebay.com</i>	0.00%	2,350
<i>e-names.org</i>	0.00%	2,280
<i>shop4domain.com</i>	0.00%	2,110

<i>psi-domains.com</i>	0.00%	2,053
<i>nominate.net</i>	0.00%	2,025
<i>oleane.net</i>	0.00%	2,017
<i>domaininfo.com</i>	0.00%	1,983
<i>enom.com</i>	0.00%	1,740
<i>1stdomain.net</i>	0.00%	1,523
<i>domainzoo.com</i>	0.00%	1,522
<i>nameengine.com</i>	0.00%	1,303
<i>planetdomain.com</i>	0.00%	1,128
<i>signaturedomains.com</i>	0.00%	1,047
<i>secura-gmbh.de</i>	0.00%	998
<i>domini.it</i>	0.00%	903
<i>vi.net</i>	0.00%	851
<i>omnis.com</i>	0.00%	788
<i>worldnet.net</i>	0.00%	693
<i>eastcom.com</i>	0.00%	553
<i>123registration.com</i>	0.00%	472
<i>compuserve.com</i>	0.00%	340
<i>trustnames.net</i>	0.00%	317
<i>mrdomreg.com</i>	0.00%	285
<i>webex.net</i>	0.00%	279
<i>nominalia.com</i>	0.00%	211
<i>interaccess.com</i>	0.00%	192
<i>doregi.com</i>	0.00%	92
<i>idregister.com</i>	0.00%	45
<i>namesystem.com</i>	0.00%	0
<i>talk.com</i>	0.00%	0
<i>pasia.com</i>	0.00%	(5)
<i>domainregistry.com</i>	0.00%	(568)
<i>domainpeople.com</i>	0.00%	(975)
<i>enetregistry.com</i>	0.00%	(1,486)
<i>awregistry.net</i>	0.00%	(2,186)
<i>ibi.net</i>	0.00%	(2,283)
<i>register.com</i>	-0.01%	(7,397)
<i>bulkregister.com</i>	-0.04%	(30,277)
<i>corenic.net</i>	-0.06%	(45,864)
<i>networksolutions.com</i>	-0.53%	(371,784)
		706,047

Total Registrations Per gTLD: September 2001

(.com, .net, .org)

gTLD	As of 8/30/01	As of 9/28/01
.com	23,077,198	23,281,574
.net	4,442,460	4,470,344
.org	2,877,287	2,907,323
TOTAL	30,396,945	30,659,241

Total Registrations Per gTLD: Q3 2001

(.com, .net, .org)

gTLD	As of 6/29/01	As of 9/28/01
.com	22,733,244	23,281,574
.net	4,379,903	4,470,344
.org	2,812,995	2,907,323
TOTAL	29,926,142	30,659,241

Publicly Held Registrars: Market Performance

Registrar	Rank	Market/Symbol	Sept 2001		Q3 2001		Q3 00 – Q3 01	
			Price 8/31/01	Price 9/28/01	Price 6/29/01	Price 9/28/01	52 Week High	52 Week Low
Network Solutions / VeriSign	#1	NASDAQ: VRSN	\$41.05	\$41.91	\$60.02	\$41.91	\$214.38	\$26.25
Register.com	#2	NASDAQ: RCOM	\$8.42	\$9.92	\$15.48	\$9.92	\$15.50	\$5.00
TUCOWS	#3	NASDAQ: TCOW	\$0.70	\$0.34	\$0.75	\$0.34	\$0.85	\$0.25
Melbourne IT / InternetNamesWW	#5	AU: MLB (Currency: Aus. \$)	A\$0.38	A\$0.34	A\$0.60	A\$0.34	N/A	N/A
DomainPeople/ NetNation Communications	#20	NASDAQ: NNCI	\$1.69	\$2.27	\$2.55	\$2.27	\$4.13	\$0.90
NetBenefit/ NetNames	#56	LSE: NBT (Currency: Br. Pound; quotes in pence)	25.50p	16.50p	25.50p	16.50p	490.00p	15.00p

Source: StockPoint

Publicly Held Registrars: Analyst Rankings

VeriSign (NASDAQ: VRSN)

	10/19/01	4 weeks prior	8 weeks prior	3 months prior
Strong buy	14	14	14	16
Buy	10	11	13	15
Hold	2	2	3	3
Underperform	1	1	0	1
Sell	0	0	0	0

Source: StockPoint, 10/25/01

Register.com (NASDAQ: RCOM)

	10/19/01	4 weeks prior	8 weeks prior	3 months prior
Strong buy	1	1	1	1
Buy	1	1	1	1
Hold	1	1	1	1
Underperform	0	0	0	0
Sell	0	0	0	0

Source: StockPoint, 10/25/01

Melbourne IT (AU: MLB)

	Current	1 month prior	2 months prior	3 months prior
Strong buy	0	0	0	0
Moderate buy	0	0	0	0
Hold	1	1	1	1
Moderate sell	2	2	2	2
Strong sell	0	0	0	0

Source: StockPoint, 10/25/01

NetBenefit (LSE: NBT)

	Current	1 month prior	2 months prior	3 months prior
Strong buy	0	0	0	0
Moderate buy	0	0	0	0
Hold	0	0	0	0
Moderate sell	0	0	0	0
Strong sell	2	2	2	2

Source: StockPoint, 10/25/01

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 be transferred, 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 are 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.

Monthly Report

NeuLevel and .biz: Premature Forecasts After a Difficult Birth

Cameron Powell

VP Business Development and General Counsel

Members of the domain industry jury are obliged to confess their biases, if they had never bought a lottery ticket or didn't much like Vegas, when they first heard of the lottery system NeuLevel had instituted for the .biz pre-registration period. Of course, critics of Neulevel's system were merely reacting on a visceral level, if domains can be said to affect the viscera, and were therefore thinking colloquially. It did not occur to most (if any) that the lottery system was in fact in any way illegal, just that, in their minds, it was a confusing way to extract money from businesses who wanted to protect domain names of trademark significance.

True, Afiliat's "Sunrise" method of taking trademark "claims" for .info had its problems. The registries to date have seemed uninterested in the working trademark registration systems of dozens of nations, creating instead complex methodologies that risk being unfair because they're capable of being gamed or defrauded. The U.S. Patent and Trademark Office (PTO), as one contrary example, sees very, very few fraudulent trademark applications. Granted, the PTO's trademark application process takes longer, and it costs more, but NeuLevel's 90-day pre-registration period was arguably far too short for those who have non-domain full-time jobs to realize what was happening and apply, and trademark owners are always willing to pay for real protection.

Rumors of Demise are Premature

Still, contrary to the implications of critics such as Kendall Dawson, writing on www.icannwatch.org,¹ the rumors of NeuLevel's and .biz's demise are greatly exaggerated.

Yes, even for those businesses that did not remain ignorant throughout the pre-registration period, NeuLevel's lottery system was confusing. There is an argument to be made that the complexity of the system, and the vast education and awareness it required, depressed the number of pre-registrations and can even now be expected to keep early land-rush registrations down while companies only slowly become aware that they can now go onto registrar sites and register real-time. By the time businesses are ready to act, speculators whose full-time job *is* domain name education should have all the good names safely in hand. And then we begin again.

And yes, there is also an argument to be made that NeuLevel's system temporarily or even permanently turned off many stubborn businesspersons who may have had a negative reaction to the system, and therefore to the legitimacy of the .biz TLD. Sales were far less than expected by many registrars.

For about 290,000 domain names, at a wholesale price of \$2 apiece, NeuLevel sold 1.5 million pre-registration "chances," akin to lottery tickets, to registrars. Registrars in turn sold these pre-registrations to legitimate businesses and covetous speculators alike for something around \$5 apiece, generating gross revenue for the participating registrars of roughly \$7.5M. This is an interesting number. Readers may recall that not so long ago, Marc Ostrofsky sold "business.com" —arguably

¹ Kendall Dawson, "Why ICANN is really in the Dot-Com Business," Oct. 15, 2001 (<http://www.icannwatch.org/article.php?sid=413&mode=&order=0>).

much over-valued—for \$7.5 million. His net revenue was equal to the entire industry's gross on all .biz pre-registration fees.

One can draw either or both of two conclusions here. One is that pre-registrations and land rushes—the “primary” market—are decidedly not where the money is, and therefore, because the quality of services for customers follows profits, the primary market is not, ultimately, where real value for customers is best created. Witness the customer experience in the inexpensive \$2 .biz pre-registration. The other conclusion is that NeuLevel and the registrars may have charged far too little for the valuable right to pre-register valuable trademarks, whether the “charge” should have been in the form of money or the greater amount of work an applicant would have had to do under a more rigorous, PTO-like trademark claim system.

Of the 1.5 million tickets sold, 80% were for 232,000 names that inspired the interest of only one buyer. The judge in the ongoing *Smiley v. NeuLevel* litigation, a lawsuit filed in California (more below), agreed that these uncontested names could go live as planned. The other 20%—some 58,000 hot .biz names—had more than one interested buyer, with an average of 26 pre-registrations each. These are the names that until recently were still at issue in the lawsuit, but the plaintiffs' failure to post the required \$1.6 million bond (to compensate NeuLevel in the event the plaintiffs lost) has freed up these names for distribution. But the total number of names for which businesses sought pre-registration is relatively small, arguably depressed by the lottery mechanism itself, but possibly also by fatigue with new TLDs and the education required to *learn* their distribution mechanisms.

In either case it is probably premature to attempt to divine .biz's future from these pre-registrations. Even if some potential customers knew nothing of the pre-registration period, or were turned off or confused by its methodology, there is no reason to believe that those potential customers will stay away from .biz. It's simply too early to tell. (Interestingly, however, whereas it was NeuLevel that had cited market research showing enormous foreign demand for a gTLD not perceived as “American,” as the research allegedly showed dot-com was, only 40% of .biz pre-registration buyers were foreign, while for .info the figure is just over half.)

There is more to play out yet in the court proceedings, but let the industry not miss the biggest lesson of all here: it's hard to build a sustainable business model from land rushes, whether of the first-time variety or the ongoing, and where there is no sustainable business model, there is no sustainable customer service or innovation. Long-term growth through solid branding and the continuous addition of value-added services are essential to building a viable registry operation. Serving the few at the expense of the many will never work in a low-margin business.

The Legal Thing

And finally, there's no denying that NeuLevel's system has been legally problematic. Even if you believe the judge's initial injunction against NeuLevel is bad law, as a legal matter, many voices are now claiming that the possibility of litigation was something that should have been considered as a business matter. Judge Mohr asked NeuLevel during one of the hearings, "Could we say then that this is like a student missing an issue on an exam?"²

As of today, there is, technically, no injunction. One condition of the injunction was that the plaintiffs post a bond—standard procedure, in the event they lose and must pay the defendants' damages. The

² Bret Fausett, notes from Sept. 29, 2001 hearing (<http://www.lextext.com/smileynotes.html>).

plaintiffs' failure to do so dissolved the injunction. The matter will now proceed to discovery and trial, where many of the same issues will come up again. So it may be useful to examine how the arguments played out this time around.

The legal and factual issues in the lawsuit are many, and absent any fact-finding the factual arguments so far are largely speculative. The briefs of NeuLevel and ICANN, slick and glossy, in our view make the better case, though they do gloss over a few critical arguments. Plaintiffs' briefings are ragged and intemperate things, full of the grammatical and spelling howlers that typically betray either haste or hucksterism, accusing NeuLevel of all manner of devilish behavior and over-larded with words like "deceit" and "criminal acts"—though the plaintiffs do appear to have read their cases more carefully.

In the view of this writer, it is too early to tell whether NeuLevel's system will be deemed an illegal lottery, on the merits, but the court's issuance of the preliminary injunction looks from here like a mistake. The primary reasons? The court woefully misapplied the critical test of balancing the harms—there can be no question that NeuLevel and others would have suffered far more from an injunction than plaintiffs from its absence. And, even more fundamentally, plaintiffs have absolutely failed to suggest they can provide any alternative method to NeuLevel's that would at this point be superior to NeuLevel's. So why should NeuLevel be enjoined? To what end? For what alternative?

Herewith, in mostly layman's terms, for the many in the industry directly affected by the case who nevertheless don't think they fully understand it, we present a table outlining the arguments. It may be taken to cocktail parties for reference to its talking points, but only with due citation to its source. We divide the arguments into three sections: (1) Jur – jurisdiction—should the court be hearing this case? (2) Mer—the merits—do we have here an illegal lottery? and (3) Harm—the balance of harms—that is, when we weigh the relative harms to the parties of issuing or not issuing an injunction, should one be issued? Of the three, only the merits are likely to be aired at trial. Jurisdiction has already been ruled on at least implicitly by the judge, and whether a preliminary injunction should be issued before trial will obviously be moot by the time of trial.

Plaintiffs' Argument	Defendants' Argument	Who Wins
Jur: The Supremacy Clause of the U.S. Constitution does not pre-empt California's lottery laws because California's lottery laws conflict with no federal law	Where a state seeks to enforce by its penal code an activity already undertaken by the federal government, the state's law as applied violates the Supremacy Clause of the U.S. Constitution, which holds that federal law trumps state law. The <i>federal</i> Dept. of Commerce is using ICANN to achieve government policy goals that the <i>state</i> lottery law impedes.	Plaintiffs. Defendants failed to show that the U.S. government itself had expressly blessed a lottery system, thus invoking the U.S. Constitution, or had more than vaguely directed ICANN to manage the DNS. There was no evidence that the Dept. of Commerce knew anything about the lottery proposal, and ICANN is a purely private corporation without government authority. Finally, there's even a <i>federal</i> law prohibiting specified lotteries.

<p>Jur: Same as above. “Defendants’ [sic] cannot hide behind the tenants [sic] of the Commerce Clause” because California’s law seeks to regulate lotteries, not the Internet.</p>	<p>The California anti-lottery law violates the U.S. Constitution’s Commerce Clause by attempting to reach beyond the confines of a single state to place an undue burden on interstate commerce directed by Congress.</p>	<p>Plaintiffs, similar reasons as above. In addition, the mere fact that a state law regulating something other than interstate commerce may have an incidental effect on interstate commerce (here, the Internet) does not mean it violates the Commerce Clause.</p>
<p>Mer – Element of Property: A domain name is a form of intangible property, like business goodwill, trade secrets, or a customer list, in that it has value and can be used by one person to the exclusion of all others.</p> <p>The anti-lottery laws care nothing for the intent behind the lottery, but rather the effect.</p>	<p>Numerous cases, most involving NSI, have resulted in holdings that domain names are not property.</p> <p>Moreover, the anti-lottery laws focus on the intent behind the lottery, especially whether it is designed to defraud the poor.</p>	<p>This is the sort of legal issue that really can’t be resolved without a close reading of the cases, but Plaintiffs have a stronger argument than most in the industry thought existed. Not only has the court already expressed its view of this (though it’s appealable), the NSI cases that say domains aren’t property depend on very specific definitions of property <i>for a certain purpose</i>. It all depends on the purpose. This has never been as slam-dunk an issue as many believed.</p> <p>Note: It could not have helped that ICANN’s own lawyers took a contrary position against NeuLevel on behalf of Amazon.</p>
<p>Mer – Element of Chance: The lottery element of “chance” exists where applicants expect that something will be distributed randomly and such distribution does not primarily involve skill or judgment, but luck or chance.</p>	<p>Plaintiffs have failed to show that any other applicants have, in fact, applied for the same names that Plaintiffs seek. They have therefore not demonstrated the existence of “chance.” Moreover, because selection of the applied-for name can involve skill or judgment (e.g., in choosing a name unlikely to be applied for by another), chance is not the “dominant factor.”</p>	<p>Unclear. But Defendants’ argument that one must exercise skill and judgment to choose a name that others won’t choose is not a strong one, and the suggestion that ticket purchasers should try to limit their demand in order not to trigger an illegality is disingenuous.</p>

<p>Mer – Element of Consideration Paid: The lottery element of “consideration,” or payment of value, exists where applicants pay for the right to a chance.</p>	<p>NeuLevel’s fee is not a windfall received for a “chance” but rather entitles the applicant to an IP claim, helps NeuLevel to recover its costs in setting up the registry, and was designed to prevent abusive practices.</p>	<p>Unclear. A fee that is correlated with processing expenses, that is, paid in exchange for a service, is not consideration for a “chance” to win a “prize.” However, unlike the case it cited, NeuLevel allowed each participant to buy more than one ticket.</p>
<p>Harm: Plaintiffs, by spending “millions” to develop .biz websites that could be taken away after trial, will suffer “grave injury” without an injunction and later redistribution of the names by “a new registry”. Defendants’ harm from an injunction should not be considered because Defendants’ unproven damages are limited to investments in the illegal system they set up and NeuLevel’s advertising itself caused the landrush; Defendants therefore have “unclean hands.”</p>	<p>An injunction would irreparably harm NeuLevel’s launch, business, and market share; irreparably tarnish the .biz TLD; create harmful uncertainty in the industry; and harm .biz registrants who will have to wait for names they’ve already prepared to use; “cause Internet users to be unable to communicate with each other” and “result in hundreds or thousands of ‘.biz’ transactions lost each second”.</p> <p>At the same time, with this lawsuit Plaintiffs have already indicated their ability to wait to use any name they might get, and therefore need make no investments now; Plaintiffs’ alleged future losses are highly speculative and unproven; payment of fees for lottery tickets can be refunded for full compensation of monetary losses claimed; and Plaintiffs’ injury (a ticket purchased hours before the complaint’s filing) is “self-inflicted” and smacks of “opportunistic litigation.”</p>	<p>Defendants. Feared harms during litigation that are in a plaintiff’s control should receive no weight in the court’s balancing of harms. The harms to NeuLevel and the registrars are substantial <i>and</i> irrevocable.</p> <p>Meanwhile, and critically, Plaintiffs cannot possibly suggest – <i>and have not suggested</i> – an alternative system that is both (1) more fair or more likely to yield them a name than the current system (i.e., no alternative to their harm exists) and (2) not as easily remediable by simple reimbursement of their expenses (i.e., their harm is compensable later and need not slow things down now). Mere monetary loss is not a basis for an injunction because money can be refunded.</p> <p>Finally, the basis of a California state court’s jurisdiction to issue injunctions affecting non-residents of California remains unclear.</p>

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 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.**

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