

POLICY ISSUE BRIEF

EN

Domain Name Monetization

This is a basic introduction to *domain name monetization*, an important area of Internet policy development that is being addressed currently by the ICANN community's bottom-up, consensus based, policymaking structure. It is designed to accommodate newcomers to ICANN, as well as ICANN issue veterans, who may be unfamiliar with *domain name monetization*. Whether a newcomer or veteran, we encourage you to go beyond this introduction and learn more about the work of the ICANN community. We have included URLs to additional information on *domain name monetization*, as well as other topics that we reference as we discuss the issue.

If you would like more information on this issue or about how to get involved in ICANN policy development activities, please e-mail the ICANN Policy Development Department at policy-staff@icann.org.

We also invite you to receive regular updates on ICANN policy development activities via e-mail by subscribing to the monthly ICANN *Policy Update*. To subscribe, simply visit the ICANN subscriptions page at <http://www.icann.org/newsletter/>, enter your e-mail address, and click on the ICANN *Policy Update*.

International participation and collaboration are essential to the success and effectiveness of ICANN's policy development activities today, but success in the future will not be possible without the commitment of volunteers like you from around the world. Whether you represent the Internet interests of a nation, a group of individual Internet users, a company, or an organization that would like to become more involved in the issues, there is a place for you at ICANN where you can help shape the future of the Internet.

Thank you for your interest and participation.



ICANN

Domain Name Monetization

What is *Domain Name Monetization*?

You might naturally think that *tasting* and *parking* have more to do with going out to eat at a restaurant than with the domain name system (DNS), but both terms have become popular ways to describe aspects of *domain name monetization*. The term *domain name monetization* defined broadly refers to ways of generating revenue from domain names. The registries that maintain the authoritative database for each top-level domain (e.g., .AERO, .COM, and .ORG) obviously generate revenue, as do the registrars and resellers that charge a fee to those who register domain names. But the practices that are usually referred to as *monetization* refer to ways of using domain names to generate income. Three of these methods – pay per click, parking, and tasting – are described here.

Pay-per-click (PPC) is when someone, a registrant, registers a domain name that might attract a large number of Internet users to it. The registrant then hosts revenue generating content or links to other websites at the domain name, which typically feature advertisements for products or services related to the name. Each time a user visits the website and clicks on the one of the links or advertisements, it creates revenue for the registrant. The more popular the domain name is in terms of being able to attract traffic, the more revenue the registrant generally receives per click. While the amount of money received for each click is often relatively low, the cumulative amount received from all of the clicks throughout a year can result in an extremely lucrative revenue stream, particularly for registrants holding many domain names.

Domain parking is described in the ICANN Generic Names Supporting Organization's (GNSO's) *Issues Report on Domain Tasting* as follows:

"Domain parking is a practice used by registrars, individual registrants and Internet advertising publishers to monetize type-in traffic. Type-in traffic refers to Internet users who visit a web-page by typing its URL directly into their browser rather than by clicking on a link from another page such as a search engine result page. Proponents of domain parking say it uses domain names to deliver relevant advertising and enhanced search options instead of serving Internet users with an error page often referred to as a *404 file not found*."

With *parking*, the Internet user is taken to a landing page that has links that generate income for the person or company hosting the site similar to the PPC model described above. Traffic can come from several sources, including out-of-date bookmarks, people typing in the registered domain name, or search engine results. A registrant, for example, may register a domain name but may not be ready to establish a website yet. The registrar then *parks* the registrant's domain name on a website that features paid links. Each time Internet users try to locate the website that would correspond to the domain name, they will be directed to the parked page that features an array of advertising links, often offering goods and services related to the domain name. When the user clicks on any of these links, it generates revenue for the registrar, and depending on the terms of the registrar's parking program, the registrant as well. Some estimate that large registrars earn millions of dollars each year from the PPC fees they earn on parked websites.

Domain name tasting is the practice whereby a party registers a domain name to test whether it has sufficient value to justify payment of the associated registration fees. The value of the name is often measured through the use of a website at the domain

Domain Name Monetization

name with PPC advertisements. Traffic to the name and revenue derived from the PPC advertisements are evaluated to determine whether the name will be worth keeping. In most gTLDs, registrars may delete a registration within 5 days of its creation and receive a refund of the registration fees from the registry.

This *Add Grace Period* (AGP) was created to allow registrars to correct legitimate mistakes, but it has become the basis for Domain Name Tasting because some registrars allow their registrant-customers to delete names during the AGP and receive either a full or partial refund of the registration fees paid to the registrar. The AGP has enabled parties to register tens of millions of domain names each month before dropping all but the most lucrative within the 5-day AGP. In response, some registries, such as .ORG, have adopted excess deletion fees to curb the use of the AGP for domain name tasting.

Joichi Ito, a former member of the ICANN Board, described tasting as follows: “The trick is to sign up for millions of domain names; set up pages and run ads on them; after one day delete domains that have no traffic; after three days delete names that have some traffic; after five days delete pages with marginal traffic; keep the 1% of pages that have enough traffic to be worth keeping the domain. Because of the refund policy, the 99% of pages deleted before the five day grace period are refunded in full and the *monetizer* gets to keep the ad revenue generated over those five days.” (CircleID, “The Parked Domain Monetization Business,” http://www.circleid.com/posts/the_parked_domain_monetization_business/ (Dec. 1, 2005).

Though there is less evidence of this, the AGP has also enabled some parties to continually re-register domain names within successive 5-day grace periods and repeatedly receive refunds for them. As described below, the AGP is now under review and

ICANN is considering other mechanisms to curb *tasting* practices.

How does Domain Name Monetization impact registrants?

Domain name monetization techniques impact Internet users in different ways. The PPC model has been criticized for increasing the prevalence of cyber-squatting and speculative behavior by encouraging parties to grab names that are similar to famous brands or people and are therefore more likely to generate significant traffic. It has also raised questions about whether “good names” are being used solely to create paid links and PPC revenue, rather than enable new users to create an online identity or substantive content.

Tasting, which results from taking advantage of the add grace period, has been the subject of particular discussion and concern. Because of the volume of the activity, there are concerns about taxing the registry system and DNS, and thus increasing the costs for all registrants. There are also concerns about increasing the prevalence of intellectual property abuse, since the domain names being tested are often misspellings or variations of trademarked names, and enforcement of trademark rights can be very difficult when the name exists for only a short period of time. This can lead to consumer confusion and increase the cost to trademark holders of monitoring their brands.

What is ICANN doing to address these issues?

ICANN’s Generic Names Supporting Organization (GNSO) approved a motion to prohibit any gTLD operator that has implemented an AGP from offering a refund for any domain name deleted during the AGP that exceeds 10% of its net new

Domain Name Monetization

registrations in that month, or fifty domain names, whichever is greater. Under the terms of the motion, an exemption from the limitation could be sought for a particular month, upon a showing of extraordinary circumstances.

The ICANN Board is expected to approve this motion at its July 2008 meeting and direct Staff to implement it. This language also is found in the proposed ICANN budget for next fiscal under which ICANN would charge its \$.20 cent “transaction fee” on names deleted during the AGP. The Board also is expected to approve this in July 2008. The goal is to eliminate the ability of parties to register and delete – without cost – domain names for predominantly speculative purposes. It is not clear if this will eliminate the practice of *tasting*, but it would help reduce it.

On March 28, 2008, the Board approved amending the agreements governing .BIZ and .INFO to address excessive deletions during the AGP. Under the amendments, the two registries will be permitted to limit the number of deletions that a registrar can make and incur no cost. Registrars that delete over 10% of their registered names will generally be charged the full registry price for all deleted registrations above that threshold.

The practices of using *parking* and *PPC* to monetize domain names have not to date generated the same concerns as *tasting*.

Want to learn more?

To learn more about the work of the Generic Names Supporting Organization (GNSO), the policy development body of ICANN concerning generic top-level domains (gTLDs), please visit <http://gnso.icann.org/>.

The GNSO *Issues Report on Domain Tasting* is available at [http://gnso.icann.org/issues/domain-](http://gnso.icann.org/issues/domain-tasting/gnso-domain-tasting-report-14jun07.pdf)

[tasting/gnso-domain-tasting-report-14jun07.pdf](http://gnso.icann.org/issues/domain-tasting/gnso-domain-tasting-report-14jun07.pdf).

The following articles, also cited in the GNSO *Issues Report on Domain Tasting*, provide more information on domain name monetization practices (please note, the articles below were not produced by ICANN and do not necessarily reflect the views of ICANN):

- CircleID, “How Domain Traffic Testing/Tasting Works,” http://www.circleid.com/posts/how_domain_name_tasting_works/ (Apr. 24, 2006).
- CircleID, “The Parked Domain Monetization Business,” http://www.circleid.com/posts/the_parked_domain_monetization_business/ (Dec. 1, 2005).
- The Wall Street Journal, “Thanks to Web Ads, Some Find New Money in Domain Names,” http://online.wsj.com/public/article/SB113200310765396752-FYV6dsilRS0N1fsiVu_bLf_5nI8_20061116.html?mod=rss_free (Nov. 15, 2005).