

White paper on internet domain name expansion

Business Constituency

Intellectual Property Constituency

Internet Connectivity and Service
Providers Constituency

Outline

1. ICANN core values
2. What should competition look like?
3. A market-driven approach
4. The problem with laissez-faire
5. The problem with auctions

1. ICANN's core value 5

- ◆ *“Where feasible and appropriate, depending on market mechanisms to promote and sustain a competitive environment”*
- ◆ So there is no obligation on ICANN to create new gTLDs but to create “a competitive environment”

ICANN's core value 6

- ◆ *“Introducing and promoting competition in the registration of domain names where practicable and beneficial in the public interest”*
- ◆ So new gTLDs are not a business opportunity. Introduce them when they serve the public interest because of the public benefits.

ICANN's core value 2

- ◆ *“Respecting the creativity, innovation, and flow of information made possible by the Internet by **limiting** ICANN's activities to those matters within ICANN's mission requiring or significantly benefiting from global coordination.”*
- ◆ *This value favours sponsored top-level domains which are managed by specific communities: and so respect creativity and innovation*

ICANN's core value 3

- ◆ *“To the extent feasible and appropriate, **delegating** coordination functions to, or recognizing the policy role of, other responsible entities that reflect the interests of affected parties.”*
- ◆ *This core value too favours sponsored top-level domains where the policy role is delegated*

2. What should competition look like in the domain name world?

Competition at the **registrar** level

- ◆ In 2005 with over 460 accredited registrar agreements, ICANN has succeeded in creating the opportunity for competition at the registrar level.
- ◆ Need now to ensure that competition flourishes by equitable treatment and contract compliance.

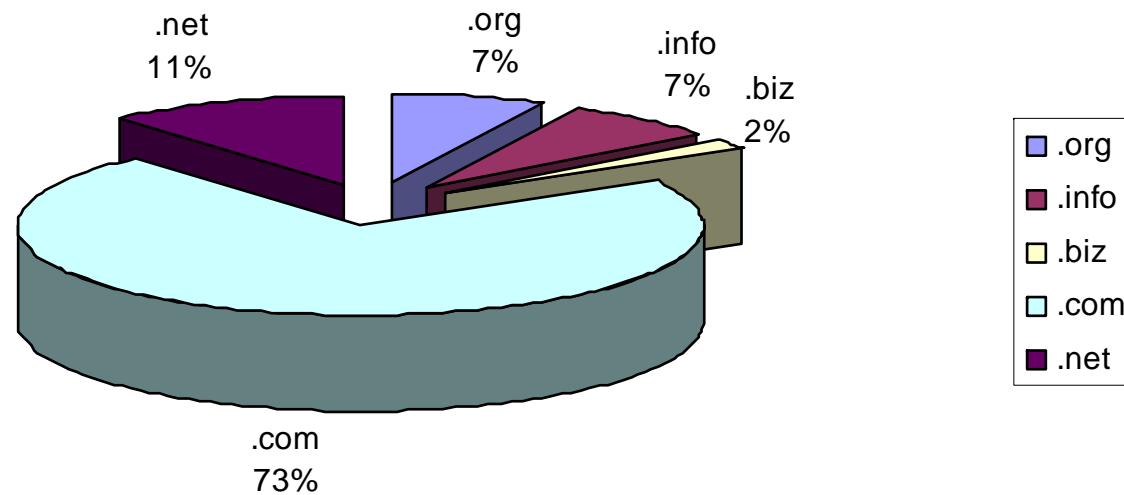
Competition at the registry level – three conditions

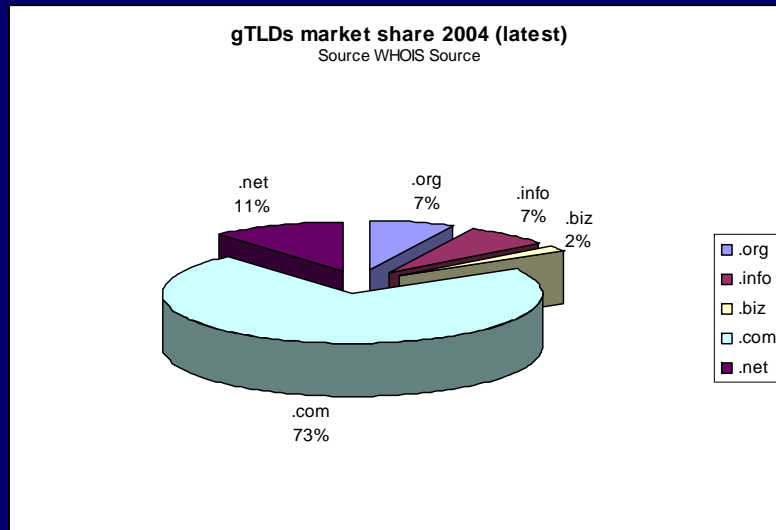
1. no unjustified **barriers** to entry to the market for registry services resulting in a level-playing field for market access leading to a plural supply base,
2. no market-distorting supplier **dominance** which prevents users having a fair share of any benefit,
3. market access brings new name types which add **value** in the eyes of users.

Lessons from proof of concept rounds

gTLDs market share 2004 (latest)

Source WHOIS Source





- ◆ sTLDs – too small sectors to tell
- ◆ What about .biz, .info and .name ?
- ◆ - there a bit small!

OECD & SSI analysis .name .biz .info

- ◆ 80% of registrants not new to market
- ◆ Many registrations were “defensive” to prevent bad faith use by others
- ◆ Most of those who used the new names thought of them as second choice
- ◆ Me-too competition is not working: registrants still see added value in .com

3. A Market driven approach

Conclusion of proof of concept is clear:

- ◆ name space expansion should create added value
- ◆ where consumers perceive value, there is demand
- ◆ added value = differentiation

Five principles

1. **Differentiation** - a gTLD must be clearly differentiated from other gTLDs
2. **Certainty** - a gTLD must give confidence that it stands for what it purports to stand for
3. **Good faith** - a gTLD must avoid increasing opportunities for bad faith and fraud
4. **Competition** - a gTLD must create value-added competition
5. **Diversity**- a gTLD must serve commercial and non-commercial users

Principles have implications

- ◆ Differentiation – structure
- ◆ Certainty / Good faith - sponsored
- ◆ Competition/ diversity - no added value in unsponsored but considerable added value in sponsored

The four advantages of sponsored names

1. Sort out the .com toy box – distinction!
2. An accurate and authenticated WHOIS – hurray!
3. Eliminate cyber-squatting and fraud – at last!
4. Searchability – yes please!

Conclusion

- ◆ All future names should be sponsored
- ◆ Stricter terms for sponsor and community – see paper
- ◆ First come, first served with challenge period
- ◆ One organisation can run multiple back-end registries for economies of scale

IDNs

- ◆ No reason to deprive IDNs of the advantages of choice, competition, diversity, differentiation
- ◆ So use the sponsored model!

4. The problem with laissez-faire

- ◆ Let a 1000 flowers bloom
- ◆expect 100s to die

4. The problem with laissez-faire

Expectation of registry failure is against the public interest and stability:

- ◆ Consumer protection
- ◆ Equity protection
- ◆ Consumer confusion
- ◆ - a disproportionate cost from failures, so contrary to ICANN core values

5. The problem with auctions

Pricing markets seems attractive but:

- ◆ Not so market driven – who decides?
- ◆ Introduces bias – first mover
- ◆ Still no added value – same mess
- ◆ Market distortion – from market hype
- ◆ Potential to be anti-competitive - bias
- ◆ - a disproportionate cost from distortions, so contrary to ICANN core values

Learn from the past – look to the future

- ◆ A domain name world that is differentiated, structured, safe, secure, diverse, multi-lingual
- ◆ A domain name world that is sponsored