



VERISIGN®

July 31, 2018

The Honorable Roger Wicker
Chairman
Subcommittee on Communications, Technology
And the Internet
Committee on Commerce, Science and
Transportation
512 Dirksen Senate Building
Washington, D.C. 20510

The Honorable Brian Schatz
Ranking Member
Subcommittee on Communications, Technology
And the Internet
Committee on Commerce, Science and
Transportation
425 Hart Senate Building
Washington, D.C. 20510

Dear Chairman Wicker and Ranking Member Schatz:

Thank you for holding today's hearing, which provides Committee members the opportunity to explore important issues regarding the global internet and digital communications issues. Verisign is an important stakeholder in the global internet ecosystem. Our company operates the critical infrastructure that helps keep the world's digital economy online. We perform critical and unique services that keep the internet running. We publish the authoritative root zone file daily, we operate 2 of the world's 13 root servers, we operate the network infrastructure for the most important top-level domains, .com and .net, and we are trusted to provide the back-end operations to the United States government for the critical .gov TLD. We are proud that a few weeks ago we marked our 21-year anniversary for operating the .com and .net Domain Name System without any service interruption.

With this background in mind, we are writing to offer Committee members our perspective – based on the company's 25-year history of providing critical infrastructure services for the global internet community – on policy issues surrounding the domain name system (DNS), and in particular, issues related to the Cooperative Agreement between Verisign and the Department of Commerce. Arguments related to the Cooperative Agreement arise in the written testimony of Mr. James Bladel, GoDaddy's Vice President of Global Policy. That testimony

does not, however, adequately describe the vibrant and competitive landscape in the DNS that has taken root after 25 years of U.S. government policy that established competition in the DNS as an important objective at the dawn of the internet era. We will help complete that record today.

While GoDaddy asserts that Verisign’s share of the “legacy generic Top-Level Domains (gTLDs) is over 80%,” this presents an unrealistic and incomplete snapshot of the global DNS. Indeed, since 2012, roughly 20 million domains have been registered in other TLDs, including new gTLDs (like .attorney and .bank) and ccTLDs (like .uk and .de), all of which compete for registrations in this industry. In fact, .com and .net make up only about 44% of the total world-wide registrations, a number that has been shrinking since the introduction of new gTLDs by ICANN in 2012. Verisign is limited by regulation that requires it to sell domain names only to accredited retailers at a fixed price of \$7.85. Verisign is also prohibited by regulation from selling directly to consumers. These retailers, of which Go Daddy is by far the dominant market power, sell to consumers and, because they are unregulated, they sell domain names for any price they choose. Furthermore, Go Daddy sets market prices both in the U.S. and abroad unfettered by government or ICANN regulation.

Second, Mr. Bladel discusses the negative impact of .com pricing on small business who are “very sensitive to price increases” and that “any increase has the potential to suppress their ability to grow....” Mr. Bladel however, does not disclose that Go Daddy *sets the price* for domain names and that for many names, it charges prices that are many thousands of times the wholesale price of \$7.85. Go Daddy sets these prices and charges consumers, including its small business customers, the prices it believes the market will bear.¹ In fact, recently, Go Daddy has become one of the biggest players in the secondary market – having bought hundreds of thousands of these domain names so that it can sell them to consumers at prices far in excess of their wholesale price of \$7.85. Some estimate that the secondary market exceeds \$1.6 billion per year. Indeed, Go Daddy has a platform that it uses and allows other to use to sell these domain names in addition to the many hundreds of thousands of names it has already purchased. For example, offered on Go Daddy’s website today:

- “Olemiss.com” offered at \$9,499 (Ole Miss is a registered trademark of the University of Mississippi)
- “BestUsedCars.com” offered at \$27,900
- “Yoursenator.com” offered at \$9,999
- “MariaCantwell.com” offered at \$9,888
- “SenatorMarcoRubio.com” offered at \$5,000
- “SenatorLee.com” offered at \$5,000
- “SenatorCruz.com” offered at \$5,000
- “Blackburn.com” offered at \$127,400

¹ The benefits from the regulatory price caps on .com that Go Daddy and others do not want changed have not been uniformly passed on to consumers.

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Third, Mr. Bladel recommends that the .com Registry Agreement between ICANN and Verisign be “put out for competitive bid.” Again, Mr. Bladel’s testimony fails to disclose a critical fact and that is that every single registry agreement with ICANN, not just .com but over a thousand of other such agreements, contain a presumptive right of renewal that requires ICANN to renew the agreement unless the registry operator does not perform its obligations under the agreement. As Mr. Bladel admits, there are “no complaints” with our performance under this agreement and therefore, there is simply no basis to raise this issue.

Finally, the Committee should recognize that Mr. Bladel’s testimony with respect to the Cooperative Agreement, could be seen as that of a distributor who seeks to constrain the wholesale price² of its best-selling product in the name of consumers without acknowledging its own substantial commercial interest in doing so, or its own practice of reselling domain names at exorbitant prices. And while completely ignoring the critical infrastructure services Verisign provides not just to Go Daddy and its customers, but to internet users world-wide, who, for 21 straight years have had uninterrupted availability of our networks in order to reach their online destinations.

Verisign thanks the Committee for the opportunity to provide this perspective given our experience as a leading critical infrastructure provider for global internet services.

Sincerely,



Pat Kane,
Senior Vice President
VeriSign, Inc.

² Consumers can avoid any price increase in any ICANN top-level domain by purchasing a ten-year registration as permitted under all ICANN registry agreements.