

June 26, 2024

The Honorable Alan Davidson  
Assistant Secretary of Commerce for Communications and Information  
National Telecommunications and Information Administration Administrator  
U.S. Department of Commerce  
1401 Constitution Ave N.W.  
Washington, DC 20230

Dear Assistant Secretary Davidson,

We write to urge you to cut off VeriSign Inc. (VeriSign) and the Internet Corporation for Assigned Names and Numbers' (ICANN) government-designated monopoly over core internet domain names. There is a fast-approaching opportunity to do just that: the National Telecommunications and Information Administration's (NTIA) contract with VeriSign contains a nonrenewal deadline of August 2nd.<sup>1</sup> Ending this contract will force the initiation of a competitive open-bidding process, ultimately bringing down costs for those who must register a domain name. ICANN and VeriSign function as a de facto cartel and the NTIA should stop sanctioning the "incestuous legal triangle" that serves as a shield to deflect overdue antitrust scrutiny into their otherwise likely illegal collusive relationship.<sup>2</sup> Not renewing the agreement with VeriSign will allow NTIA to protect customers from exploitation and better align with the Biden Administration's goal of *Promoting Competition in the American Economy*<sup>3</sup> by allowing other companies to bid on the .com domain contract.

Since the 1990s, the NTIA has allowed VeriSign, along with ICANN, to raise prices and abuse its monopoly by removing necessary price caps and by introducing automatic, no-bid contract renewals. The company contracts with NTIA and ICANN – a non-governmental entity that oversees the domain name system, coordinating names, IP addresses, and DNS to avoid

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<sup>1</sup> NTIA, "Amendment to Financial Assistance Award," Amendment 35, October 26, 2018, "120 days prior to the end of the then current term ("November 30, 2024"),"

[https://www.ntia.gov/files/ntia/publications/amendment\\_35.pdf](https://www.ntia.gov/files/ntia/publications/amendment_35.pdf).

<sup>2</sup> Michael Roberts, "The Villain in the ICANN-VeriSign Struggle is the U.S. Government," CircleID, February 20, 2006, [https://circleid.com/posts/the\\_villain\\_in\\_the\\_icann\\_verisign\\_struggle](https://circleid.com/posts/the_villain_in_the_icann_verisign_struggle); Pinset Masons, "ICANN and VeriSign face antitrust lawsuits," November 30, 2005, <https://www.pinsentmasons.com/out-law/news/icann-and-verisign-face-antitrust-lawsuits>.

<sup>3</sup> White House, "Executive Order on Promoting Competition in the American Economy," July 9, 2021, <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/07/09/executive-order-on-promoting-competition-in-the-american-economy/>; White House, "Fact Sheet: Executive Order on Promoting Competition in the American Economy," July 9, 2021, <https://www.whitehouse.gov/briefing-room/statements-releases/2021/07/09/fact-sheet-executive-order-on-promoting-competition-in-the-american-economy/>.

duplicates<sup>4</sup> – to manage certain internet domains, including the most popular top-level domain (TLD) “.com.”<sup>5</sup> The company charges a fee to businesses (such as Google) or individuals for websites that they register.<sup>6</sup> Because of the company's monopoly power, VeriSign has hiked its price from \$6 during the George W. Bush Administration to \$10.26 today– an increase of over 70 percent.<sup>7</sup> VeriSign has to obtain consent from ICANN to increase prices, and in 2020, VeriSign offered ICANN a \$20 million cash bonus to win that approval,<sup>8</sup> sharing its ill-gotten rent to maintain its market power.

VeriSign's monopoly came about following the U.S. government's decision to privatize management of the internet in the early 1990s. The Department of Commerce arranged a deal with ICANN and Network Solutions, a private company (later acquired by VeriSign<sup>9</sup>) to manage the .com domain.<sup>10</sup> VeriSign then reaped the benefits of inherited market power without having to make significant investments into improving the service.

Previous administrations imposed a price cap on the fees VeriSign was able to charge given that the company “possesses significant market power”<sup>11</sup> as the .com domain is the “gold

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<sup>4</sup> GoDaddy, “What is the difference between a registry, registrar and registrant?,”

<https://www.godaddy.com/help/what-is-the-difference-between-a-registry-registrar-and-registrant-8039>

<sup>5</sup> U.S. Department of Commerce, National Telecommunications and Information Administration, “VeriSign Cooperative Agreement,” <https://www.ntia.gov/page/verisign-cooperative-agreement>; Internet Corporation for Assigned Names and Numbers, “ICANN and VeriSign Announce Proposed Amendment to .COM Registry Agreement,” January 3, 2020, <https://www.icann.org/en/announcements/details/icann-and-verisign-announce-proposed-amendment-to-com-registry-agreement-3-1-2020-en>; U.S. Securities and Exchange Commission, VeriSign Inc., Form 10-K, December 31, 2023, p. 3, <https://investor.verisign.com/static-files/05a7fafc-9df8-4203-9e73-70f078538213>; Michael Berkens, “ICA Tells Dept of Commerce to Make VeriSign Roll Back .Com Prices By \$2 To Match .Net & Limit Increases to CPI,” November 26, 2012, <https://www.thedomains.com/2012/11/26/ica-tells-dept-of-commerce-to-make-verisign-roll-back-com-prices-by-2-to-match-net-limit-increases-to-cpi/>.

<sup>6</sup> Leah Nylen, “Why your website is about to get more expensive,” Politico, April 9, 2022, <https://www.politico.com/news/2022/04/09/website-domain-more-expensive-00023524>.

<sup>7</sup> Andrew Allemann, “VeriSign announces .com price hike to \$10.26,” Domain Name Wire, February 8, 2024, <https://domainnamewire.com/2024/02/08/verisign-announces-com-price-hike-to-10-26/>; Leah Nylen, “Why your website is about to get more expensive,” Politico, April 9, 2022, <https://www.politico.com/news/2022/04/09/website-domain-more-expensive-00023524>.

<sup>8</sup> U.S. Securities and Exchange Commission, VeriSign Inc., Form 8-K, March 27, 2020, Item 8.01 Other Events, p. 2, <https://investor.verisign.com/static-files/80bcbe57-e06f-47bb-bd0c-d35233d26c14>; Namecheap, “How Domain Prices Are (Not) Protected,” April 29, 2020, <https://www.namecheap.com/blog/domain-prices-are-not-protected/>; Richard Kirkendall, “ICANN Allows .COM Price Increases, Gets More Money,” Namecheap, February 10, 2020, <https://www.namecheap.com/blog/icann-allows-com-price-increases-gets-more-money/>.

<sup>9</sup> CNN Money, “VeriSign buys domain firm,” March 7, 2000, <https://money.cnn.com/2000/03/07/deals/verisign/>; CNET, “VeriSign buys Network Solutions in \$21 billion deal,” January 2, 2002, <https://www.cnet.com/tech/services-and-software/verisign-buys-network-solutions-in-21-billion-deal/>.

<sup>10</sup> NTIA, “Domain Name Agreements between the U.S. Department of Commerce, Network Solutions, Inc., and the Internet Corporation for Assigned Names and Numbers (ICANN),” September 28, 1999, [https://www.ntia.gov/files/ntia/publications/doc\\_nsi\\_icann\\_19990928.pdf](https://www.ntia.gov/files/ntia/publications/doc_nsi_icann_19990928.pdf).

<sup>11</sup> Correspondence between NTIA and DOJ, 2008, p. 5, <https://www.icann.org/en/system/files/files/baker-to-dengate-thrush-18dec08-en.pdf>.

standard” for commercial websites.<sup>12</sup> However, in 2018, then President Donald Trump’s NTIA removed any ceiling on the maximum allowable price that VeriSign could charge for domain registration. This allowed the company to potentially increase its prices “7 percent a year in four out of every six years” with no strings attached.<sup>13</sup> NTIA also amended the contract with VeriSign to automatically renew every six years, allowing a no-bid contract to continue into perpetuity.<sup>14</sup> NTIA justified the removal of a price cap on the basis that the use of social media had “created a more dynamic [domain name] marketplace” and that VeriSign needed “pricing flexibility.”<sup>15</sup> The former NTIA Administrator also said it was “an unfair comparison” to call VeriSign a “monopoly at this point.”<sup>16</sup>

In reality, investors recognize the firm’s market power. VeriSign’s financials and the importance of the .com domain indicate that the company is in fact a monopoly, has significant market power, and therefore should not have the ability to price gouge the American public. For example, the company has a gross profit margin and operating margin of nearly 90 and 70 percent respectively.<sup>17</sup> The company continues to buy back stocks, with \$1.14 billion authorized in July 2023<sup>18</sup> – and has a significant amount of free cash flow of \$925 million at the end of April 2024.<sup>19</sup> Thus, billions of dollars that could be devoted to maintaining infrastructure, improving service, or accommodating more affordable pricing structures are instead diverted to other ends. VeriSign invests minimal resources and people into future research and development. The company devoted fewer employees to R&D in 2023 than it did in 2021,<sup>20</sup> and spent only 6 percent of revenue on R&D in both years.<sup>21</sup> Meanwhile, the .com domain is still the most

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<sup>12</sup> Namecheap, “Why .COM is the King of the Domain Names,” May 16, 2019, <https://www.namecheap.com/blog/kingcom-is-here/#:~:text=Instantly%20recognizable%2C%20the%20.com%20extension,domain%20shows%20you%20mean%20business>; Leah Nylén, “Why your website is about to get more expensive,” Politico, April 9, 2022, <https://www.politico.com/news/2022/04/09/website-domain-more-expensive-00023524>.

<sup>13</sup> NTIA, “NTIA Statement on Amendment 35 to the Cooperative Agreement with VeriSign,” November 1, 2018, <https://www.ntia.gov/press-release/2018/ntia-statement-amendment-35-cooperative-agreement-verisign>.

<sup>14</sup> U.S. Securities and Exchange Commission, “Amendment to Financial Assistance Award,” October 26, 2018, <https://www.sec.gov/Archives/edgar/data/1014473/000101447318000042/exhibit101-amendment35.htm>; Leah Nylén, “Why your website is about to get more expensive,” Politico, April 9, 2022, <https://www.politico.com/news/2022/04/09/website-domain-more-expensive-00023524>.

<sup>15</sup> U.S. Securities and Exchange Commission, “Amendment to Financial Assistance Award,” October 26, 2018, <https://www.sec.gov/Archives/edgar/data/1014473/000101447318000042/exhibit101-amendment35.htm>.

<sup>16</sup> Leah Nylén, “Why your website is about to get more expensive,” Politico, April 9, 2022, <https://www.politico.com/news/2022/04/09/website-domain-more-expensive-00023524>.

<sup>17</sup> GuruFocus, “VeriSign Inc.,” as of June 21, 2024, <https://www.gurufocus.com/stock/VRSN/summary?search=VRSN>.

<sup>18</sup> U.S. Securities and Exchange Commission, VeriSign Inc., Form 10-K, December 31, 2023, p. 22, <https://investor.verisign.com/static-files/05a7fafc-9df8-4203-9e73-70f078538213>.

<sup>19</sup> VeriSign Inc., “Q1 2024 Earnings Conference Call,” April 25, 2024, pp. 7, 10, <https://investor.verisign.com/static-files/d5b9f337-b9c0-4b59-a7fe-c44b9579893b>.

<sup>20</sup> U.S. Securities and Exchange Commission, VeriSign Inc., Form 10-K, December 31, 2023, p. 8, <https://investor.verisign.com/static-files/05a7fafc-9df8-4203-9e73-70f078538213>.

<sup>21</sup> U.S. Securities and Exchange Commission, VeriSign Inc., Form 10-K, December 31, 2023, p. 25, <https://investor.verisign.com/static-files/05a7fafc-9df8-4203-9e73-70f078538213>.

dominant by a large margin, with nearly half of all global websites using it.<sup>22</sup> That domain was among the first domains on the internet,<sup>23</sup> is the most memorable for users, the most trusted, and survey data shows that people assume that URLs end in .com— so they are more likely to dismiss or simply forget cost-conscious businesses that have to settle for other domains.<sup>24</sup> Many smartphones even place a default ‘.com’ button on digital keyboards.<sup>25</sup> While there may be a long tail of other domain name options on the market, the data is clearer than ever that .com is the single best option for businesses, so whoever controls registration of .com can easily collect unearned rents with minimal effort.

NTIA should provide VeriSign with “written notice of non-renewal within ... 120 days prior to the end of the then current term”<sup>26</sup> to end the contract entirely and open the process up to competitive open-bidding on the free market. Historically, when domains have been subject to competitive bidding, that significantly reduced the wholesale registration price. Notably, in 2011—the last time the .net domain was subject to a competitive bidding process, the price was bid down nearly in half, from \$6 to \$3.50, while the .com registration locked up by VeriSign remained at \$6.<sup>27</sup> This strongly suggests that open bidding today would yield similar benefits.

After an open-bidding process, NTIA should restore a meaningful price cap on the winning bidder by including a “maximum price charged ... shall not exceed” clause in the text. The former NTIA Administrator argued that the final pricing for the .com domain should rest with ICANN; however ICANN has a vested interest in VeriSign making as much money as possible, as VeriSign pays ICANN for each annual domain name registration.<sup>28</sup>

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<sup>22</sup> Tiago Bianchi, “Most popular top-level domains worldwide as of December 2023,” December 19, 2023, <https://www.statista.com/statistics/265677/number-of-internet-top-level-domains-worldwide/>; Tiago Bianchi, “Most popular websites worldwide as of November 2023, by total visits,” May 21, 2024, <https://www.statista.com/statistics/1201880/most-visited-websites-worldwide/>.

<sup>23</sup> Leah Nylen, “Why your website is about to get more expensive,” Politico, April 9, 2022, <https://www.politico.com/news/2022/04/09/website-domain-more-expensive-00023524>.

<sup>24</sup> Kyle Byers, “Domain Extensions: .com vs .org, .net, .io & 4 other TLDs (Study),” Growth Badger, January 30, 2022, [https://growthbadger.com/top-level-domains/?utm\\_source=reddit&utm\\_medium=social&utm\\_campaign=k-share\\_entrepreneur](https://growthbadger.com/top-level-domains/?utm_source=reddit&utm_medium=social&utm_campaign=k-share_entrepreneur).

<sup>25</sup> Syed Aquib Ur Rahman, “Com vs. Net - How Are These Popular Domain Name Extensions Different?,” Shiksha Online, December 21, 2023, <https://www.shiksha.com/online-courses/articles/com-vs-net/>.

<sup>26</sup> NTIA, “Amendment to Financial Assistance Award,” Amendment 35, October 26, 2018, p. 5, part 6.a., [https://www.ntia.doc.gov/files/ntia/publications/amendment\\_35.pdf](https://www.ntia.doc.gov/files/ntia/publications/amendment_35.pdf).

<sup>27</sup> Michael Berkens, “ICA Tells Dept of Commerce to Make VeriSign Roll Back .Com Prices By \$2 To Match .Net & Limit Increases to CPI,” November 26, 2012, <https://www.thedomains.com/2012/11/26/ica-tells-dept-of-commerce-to-make-verisign-roll-back-com-prices-by-2-to-match-net-limit-increases-to-cpi/>; U.S. Department of Commerce, National Telecommunications and Information Administration, “VeriSign Cooperative Agreement,” <https://www.ntia.gov/page/verisign-cooperative-agreement>; TLD-List, “Compare Prices of All Top-Level Domains,” updated daily, <https://tld-list.com/tld/net>.

<sup>28</sup> U.S. Securities and Exchange Commission, VeriSign Inc., Form 10-K, December 31, 2023, p. 4, <https://investor.verisign.com/static-files/05a7fafc-9df8-4203-9e73-70f078538213>.

As one commenter urged NTIA years ago, the agency “should take this opportunity to force a reduction in the price of the .com registration fees or open it up to competitive bids.”<sup>29</sup> Because NTIA missed that opportunity in the previous renewal cycle, VeriSign has continued to raise the price for customers, reaping excessive profits without providing a better product or service. NTIA must send a notice of non-renewal to stop this cycle of exploitation.

Thank you for your attention to this matter.

Sincerely,

American Economic Liberties Project  
Demand Progress Education Fund  
Revolving Door Project

CC: DOJ Antitrust Division, Commerce Secretary Raimondo, White House Competition Council

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<sup>29</sup> Letter from Donald Smith to David Redl, former NTIA Administrator, July 17, 2018, p. 1, <https://www.ntia.doc.gov/files/ntia/publications/smith-letter-to-david-redl-ntia-comment-feedback.pdf>.