

How Valuable Is Your Domain Name?

Expert knowledge means success

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Note: This publication has not been updated since it was last published. Some of the hyperlinks may have changed and may need updating. In addition, some of the information in this publication may be out of date.

Introduction

At the end of the 1990's "valuable" domain names were sold for large sums of money. The Internet domain name 'business.com' was sold by Texan entrepreneur Marc Ostrofsky on Dec 1 1999 for £4.6 million (\$7.5 million). At the time, there were only a few extensions – also known as top level domain names (TLD) - available, and therefore the domain names available were also restricted. The number of TLDs has significantly increased over recent years. If a .com is not available for a company's name, they may still be able to register the name with an alternative TLD, such as .net, .org or .biz. This increase in name availability has greatly decreased the value of domain names.

Restrictions have been added to some TLDs to stop domain name entrepreneurs from registering a company's name with the intention of selling the name to that company for profit. For example .ltd.uk and .plc.uk can only be purchased by the limited or public limited company respectively that has registered the company name. Trademark laws and precedents have also stopped domain name entrepreneurs from registering a company's name for profit.

There are however some companies and individuals who still turn a profit in buying and selling domain names. For example, "team.com" and publishing.com" were each being offered for sale at a price of \$250,000 and "sports.tv" was being offered at a price of \$1,000,000.

Domain Names

A domain name is simply a mask that makes a website's network address easier to remember. A domain name is made up of a top level domain name e.g. .com and a second level domain name e.g. goodname. This makes the Uniform Resource Locator (URL) goodname.com. Some domain names may also include third and fourth level domain names.

The most popular top-level domain names are:

- .COM: Short for .commercial. Domain names with the .com extension are by far the most popular, and can be purchased by any individual or business.
- .NET: Short for .network, this domain extension was originally designed to be used by technical Web sites. However, domains using this extension can be registered by anyone.
- .ORG: Short for .organisation. Originally designated for non-profit firms and any other organisations that did not fit under the .com or .net extension, any individual or business may now register an .org domain name.
- .CO.UK: Short for UK company. Domain names with the .co.uk extension are very popular in the UK, and can be purchased by any individual or business.

Other top level domain names that are rising in popularity include:

- .BI Z: The .biz extension is a designated suffix for businesses. Domains using the .biz extension must be used for business or commercial use.
- .I NFO: The first unrestricted top-level domain since .com, .info domains are available to the general public.
- .T V: The .tv extension was assigned to a tiny island – Tuvalu – in the Pacific. Realising its potential, it was bought by VeriSign, the company that maintains registries for ".com" and ".net". It is an un-restricted top-level domain.

Domain Name Valuations

Most of the desirable words in the English language have already been registered as domains. Some domain names have a higher value to buyers than others: as a result, one business that has emerged out of the buying and selling of domain names is domain name appraising, which is the process of evaluating a domain name and determining its market value.

There are many domain name appraisal companies keen to value your domain name for a nominal price. These appraisals give you an indication of what you should charge if you decide to sell a domain name.

It is important to remember that domain appraisals are merely opinions; your domain



WHOIS:
Whois.com is a central database which tracks domain name registrations.

It can be used to check whether a domain name has already been registered, and if so, by whom.

name is only worth what someone else will pay for it. It is worth seeking several opinions to try and determine a fair value.

Charges typically start from £10 for a four point appraisal with more detailed appraisals offered at a higher charge. Discounts are usually available for bulk appraisals.

Appraisals are only one way to determine the value of a domain name. If your domain is appraised at a high price, it doesn't mean it will necessarily sell quickly, or even at all; it just means you picked a good name.

Most appraisals use the same evaluation criteria. A simple evaluation will usually focus on the following four points:

- **Commercial Use** – The size of the apparent business opportunity will determine the value of a name for commercial use. An appraisal service will look at what kind of industry the name can be used for and whether it can be built into a commercial web site. Be aware that names with potential trademark issues have little or no value.
- **Brand Recognition** – Names that are simple, very well-known phrases or words without an obvious business use may also be valuable since they can be easily branded. An appraisal service will look at whether the name is easily recognisable and how easy it would be to build brand recognition for the name.
- **Name Length** – Short names are generally easier to remember and spell and have more impact. An appraisal service will look at the length of a name and weigh this up against its impact. Names with five characters or less are usually of greater value.
- **Extension Value** – .com is by far the most valuable extension (or Top level domain name). An appraisal service will look at the popularity and marketability of the extension. In the UK, .co.uk will have a greater value than in other countries.

Domain Name Trademarks

A trademark is a name or symbol which is officially registered to a third party. Unless otherwise specified, the trademark owner is the only party that can legally make use of a trademarked name.

If you buy a domain name containing a trademark you could end up with a legal

battle. In the past, entrepreneurs were able to get away with this practice, but as Internet usage has become more widespread, new precedents and laws have emerged to protect trademark holders. Ignorance of a trademark will not necessarily help your case. As VeriSign's dispute policy reads: "It is your responsibility to determine whether your domain name registration infringes or violates someone else's rights."

See the section in this publication "Domain Name Disputes" for advice on what to do if you have a domain name dispute.

Selling your Domain Name

Some domain names are purchased specifically for resale. Others may be sold when their owner no longer has a use for them, or when a third party expresses interest in buying it. Whichever category your name falls into, the process is the same.

Domain ownership transfer

If you decide to sell a domain name, you must authorise the transfer of domain ownership before the transaction can be completed. Authorisation and/or notice are usually required and are typically given to the registrar currently in control of the domain. A processing fee may be charged for the transfer.

Private sale

A private sale occurs solely between the buyer and seller. With this option, you will need to contact your registrar to find out the process and paperwork required to sell your domain name. The paperwork may require a notarised signature.

A private sale requires a level of trust as one party is typically left waiting while the transfer authorisation is completed and the money to the seller is sent.

Escrow service sale

An escrow service is a third party that will withhold the buyer's payment while the transaction is completed in order to protect both the buyer and seller.

There are many companies who offer advertising and administrative services in addition to an escrow service.



Is Your Business name at Risk?

Many small firms are at risk of losing their company name, according to a new report. A study from the UK Patent Office (August 2005) reveals that 80% of small businesses have not registered their name as a trademark, leaving it open for use by other firms.

Becoming a Domain Name Reseller

Many web designers, hosting companies and software houses offer domain names and domain name management as a value-added service to their offerings.

If you decide to become a domain name reseller, your next step is to choose a suitable registrar. The following should be considered:

- Is the registrar approved by the Internet Corporation for Assigned Names and Numbers (ICANN) to create and sell domain names directly? If you choose a registrar that has not been approved by ICANN, they will simply be another reseller, and purchasing a domain through them will simply be adding an additional cost and step to the process.
- Does the registrar offer volume-based registration services and packages? If you expect to sell a number of domain names, volume discounts can prove very profitable.

For information about domain name reseller programmes, visit www.theWhir.com/reseller

Domain Name Disputes

Domain name disputes deal with the rightful ownership of the domain name address but are not concerned with the ownership of website content.

Domain name disputes range from the very simple to the very complex. They often involve allegations that one party is attempting to trade off another party's goodwill and frequently focus on the conflict between a trademark (registered or unregistered) of one party and an identical or similar domain name registered by the other party.

A great deal of time and money can be spent trying to resolve such disputes which is why many of them are resolved by recourse to the official registries or their nominated dispute bodies, such as Nominet for .uk and WIPO for .com and various other domains. Alternatively, domain name disputes can be resolved through the courts or by a resolution process called mediation. Mediation is a voluntary, non-binding, private dispute

resolution process in which a neutral mediator assists the parties in trying to reach a negotiated settlement.

Uniform Domain Name Dispute Resolution Policy

All registrars in the .biz, .com, .info, .name, .net, and .org top-level domains follow the Uniform Domain-Name Dispute-Resolution Policy (often referred to as the "UDRP"). Under the policy, most types of trademark-based domain-name disputes must be resolved by agreement, court action, or arbitration before a registrar will cancel, suspend, or transfer a domain name. Disputes alleged to arise from abusive registrations of domain names (for example, cybersquatting) may be addressed by expedited administrative proceedings that the holder of trademark rights initiates by filing a complaint with an approved dispute-resolution service provider.

To invoke the policy, a trademark owner should either (a) file a complaint in a court of proper jurisdiction against the domain-name holder (or where appropriate an in-rem action concerning the domain name) or (b) in cases of abusive registration submit a complaint to an approved dispute-resolution service provider (see below for a list and links).

The following documents provide details:

- Uniform Domain Name Dispute Resolution Policy - This policy is followed by all registrars and can be viewed at: www.icann.org/en/udrp/
- Rules for Uniform Domain Name Dispute Resolution Policy - These rules are followed by all dispute-resolution service providers, with supplementation by each provider's supplemental rules and can be viewed at: www.icann.org/en/dndr/udrp/uniform-rules.htm
- List of Approved Dispute-Resolution Service Providers can be viewed at: www.icann.org/udrp/approved-providers.htm
- Information Concerning Approval Process for Dispute-Resolution Service Providers can be viewed at: www.icann.org/en/dndr/udrp/approved-providers.htm

ICANN may help owners recover domain names after expiry

The Internet Corporation for Assigned Names and Numbers (ICANN) is responsible for the systems that match domain names to web pages. It has policies for what happens if a user forgets to register a domain name and whether the person can make a claim for names after that date has passed. This is called post-expiration domain name recovery.

ICANN is reviewing whether or not people have enough opportunity to reclaim domain names that they have allowed to expire. A committee of the domain name administration body has said that current rules do not work. The review was ordered by ICANN's At-Large Advisory Committee (ALAC). "The ALAC request ... alleges that current measures aimed at recovering an expired domain name 'have proven to be ineffective'," said a report on the issue late last year. ICANN has now asked for public comments on how it could operate the system with better results. Source: www.out-law.com/page-10328

Dispute Policy for domains ending in .uk

Disputes involving UK domain names are handled by Nominet UK.

Nominet UK is the registry for .uk internet names. They manage the authoritative database of .uk domain name registrations. They are a not-for-profit company and have members instead of shareholders.

Nominet is officially recognised as the .uk domain name registry by the internet industry, users and the UK Government.

They do not proactively sell domain name registrations, but provide neutral advice on registering and maintaining domain names. They encourage all stakeholders to get involved in .uk policy development and you can find out more about this through the work of their Policy Advisory Body at www.nominet.org.uk/policy/pab/

Nominet also operates a Dispute Resolution Service that attempts to resolve domain name disputes. Further information on this service is available at www.nominet.org.uk/disputes/drs/

Useful Addresses

About Domain Name Appraisals
ADNA offers domain name appraisals based on a four-point system. The company offers "Standard" and "Premium" appraisal services and provides a sample appraisal online. www.adnappraisals.com

DomainMart
DomainMart offers domain name appraisals, using "refined traditional financial-valuation techniques unique to the domain-name market," according to the company. DomainMart offers three levels of service: regular valuations, expert valuations and customised consulting. www.domainmart.com

Greatdomains
Greatdomains specialises in the highest-quality domain name registrations. If you submit your domain name registration to

them for consideration, they will notify you of the listing decision within 7 business days. www.greatdomains.com

Sedo
Sedo claims to be the leading marketplace for buying and selling domain names and websites. It has a very straightforward guide to the process. www.sedo.com

Web Host Industry Review
The Web Host Industry Review website contains useful information about domain names including guides on all aspects of domain name selection, management and sale, and a glossary of terms. www.theWhir.com

Further Information

Please refer to our publication *388-The Idiots Guide to Domain Names* for further information on domain names.

This guide is for general interest - it is always essential to take advice on specific issues. We believe that the facts are correct as at the date of publication, but there may be certain errors and omissions for which we cannot be responsible.

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