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Commerce Likely to Let VeriSign Keep Dot-Com Turf

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WASHINGTON -- The Commerce Department said it was close to a deal with VeriSign Inc. to extend the firm's dominance of registrations for the ".com" Internet domain name.

In a meeting late yesterday, the department asked VeriSign to address Justice Department antitrust concerns before it approved an agreement extending the Mountain View, Calif., firm's control of the address suffix. The talks centered on issues such as the duration of the deal, people familiar with the matter said.

"We are pleased with the progress and are confident an agreement can be reached in the near term," Commerce Department General Counsel Ted Kassinger said in a statement.

In a recent letter to Commerce Department officials, Justice Department lawyer M.J. Moltenbrey said a deal struck last month between VeriSign and the Internet's governing body -- the Internet Corp. for Assigned Names and Numbers, or Icaann -- raised some risks of anticompetitive conduct. In response, the Commerce Department yesterday told VeriSign more protections are needed in the contract.

"We're confident we're going to get a deal in short order," said Brian O'Shaughnessy, a spokesman for VeriSign.

Icaann, in Marina del Rey, Calif., is under fire from many quarters for renewing VeriSign's monopoly on the .com suffix. To inject competition into the domain-name system, Icaann has signed a pact with Sterling, Va., start-up Neulevel Inc., to offer Internet addresses ending with .biz. The deal is expected to be announced shortly.

The arrangement with VeriSign lets the company receive \$6 in wholesale fees for every address registered by itself or other retailers and \$6 for annual renewals. VeriSign, however, will surrender control of the .org and .net suffixes. The deal has been controversial within Icaann and among Internet firms, where there is resentment of VeriSign for its long monopoly of .com.

Several members of Congress last month questioned whether the agreement amounted to a sweetheart deal. It was brokered by a lawyer for Icaann who proposed the terms in a confidential e-mail to a top VeriSign executive, according to documents. But congressional Republicans last week dropped their concerns. "At this point we're satisfied that both Commerce and the DOJ conducted a thorough review," said House Commerce Committee spokesman Ken Johnson. Fueling controversy is noted Wall Street shortseller Manuel Asensio, who has placed a large bet that VeriSign is overvalued, with a market capitalization of \$10.5 billion, and has been issuing pronouncements against the deal.

Icaann board member Jonathan Cohen, an Ottawa lawyer, said the deal sends an important signal to the capital markets that Internet-address franchises will retain value for the long term. But board member Karl Auerbach, a Santa Cruz, Calif., consultant, said the deal is illegal and could fall apart under a court challenge.

Icaann is set to announce it has reached an agreement with Neulevel allowing it to distribute addresses for the .biz domain. The domain will appear on the Internet late this year. Neulevel is a joint venture of Australian technology company Melbourne IT Ltd. and Neustar Inc. in Washington, a former Lockheed Martin unit.

Neulevel aims to have 12 million .biz addresses in circulation within four years, although it is anyone's guess how much appeal the suffix will have. The .com suffix has been the Internet's prime real estate for business since the creation of the World Wide Web, and .biz will be the first real alternative.

"Dot-biz is going to be different. It is the place to do business on the Internet," said Neulevel Chief Executive Jeffrey Ganek. The .biz system will be perceived as superior to .com, he said, because it is restricted to commercial enterprises. The .com designation is open to individuals, groups and nonprofits. In addition, Neulevel is seeking to undercut VeriSign on price, charging \$5.35 per address.

One unresolved issue is the potential for confusion between similar .com and .biz addresses. Holders of .com addresses have no absolute right to claim the same .biz address. However, trademark holders can assert their legal title to a name, with the dispute to be resolved through an intellectual-property claims mechanism.

Other firms will soon launch three new domains: .name (individuals), .info (information), and .pro (professionals).