

Congress of the United States

Washington, DC 20515

November 21, 2024

The Honorable Alan Davidson
Assistant Secretary of Commerce for
Communications and Information
National Telecommunications and Information
Administration
U.S. Department of Commerce
1401 Constitution Ave NW
Washington, D.C. 20230

The Honorable Merrick B. Garland
Attorney General
U.S. Department of Justice
950 Pennsylvania Ave NW
Washington, D.C. 20530

Dear Assistant Secretary Davidson and Attorney General Garland:

We write with deep concern that domain name registry company Verisign, Inc. (Verisign) is exploiting its monopoly power to charge millions of users excessive prices for registering a .com top-level domain (TLD). Verisign has exclusive control over the .com TLD, and every year, .com TLD registrants pay Verisign a fee to register their websites or keep their websites operating.¹ Under the Trump Administration, the U.S. Department of Commerce (Commerce) changed decades of precedent by loosening restrictions on Verisign's price hikes.² Since 2018, Verisign has taken advantage of this freedom to raise the cost of an annual .com registration by 30 percent, from \$7.85 to \$10.26 per domain.³ Verisign hasn't appreciably changed or improved its services; it has simply raised prices because it holds a government-ensured monopoly.⁴ Commerce is set to renew its contract with Verisign that regulates Verisign's .com registration fees on November 30, 2024.⁵ Ahead of that date, we urge the National Telecommunications and Information Administration (NTIA) and U.S. Department of Justice (DOJ) to take action to ensure competition in the TLD market to protect the millions of users, including small businesses, that need a website to function.

¹ The American Prospect, "The Government Created the Most Profitable Company in America," David Dayen, June 27, 2024, <https://prospect.org/power/2024-06-27-government-created-most-profitable-company-verisign/>.

² 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>.

³ The Verge, ".com prices could rise for the first time in eight years," Jacob Kastrenakes, February 12, 2020, <https://www.theverge.com/2020/2/12/21134632/domain-name-com-dot-price-increases-icann>; Domain Name Wire, "Verisign announces .com price hike to \$10.26," Andrew Allemann, February 8, 2024, <https://domainnamewire.com/2024/02/08/verisign-announces-com-price-hike-to-10-26/>.

⁴ American Economic Liberties Project, "A Call for .Com-petition: Reining in Verisign's Monopoly Over the Internet's Most Popular Top-Level Domain," July 24, 2024, <https://www.economicliberties.us/our-work/a-call-for-com-petition-reining-in-verisigns-monopoly-over-the-internets-most-popular-top-level-domain/>.

⁵ Letter from Assistant Secretary of Commerce Alan Davidson to Verisign President and CEO D. James Bidzos, August 2, 2024, <https://www.ntia.gov/other-publication/2024/ntia-letter-verisign>.

Verisign Holds Monopoly Power Over the .com Top-Level Domain

Verisign holds government-created monopoly power over the .com TLD registration, which allows it to extract excessive fees from consumers. A TLD is the last segment of a website's domain name, such as .com, .net, or .org.⁶ The .com TLD is ubiquitous and essential, used by nearly half of all global websites.⁷ Verisign acknowledges that “.com is recognized by businesses and consumers worldwide,” “understood by everyone, everywhere,” and is “[t]ruste[d] by global companies, savvy startups, and local merchants.”⁸

Verisign maintains a monopoly through two agreements. The first, a “Registry Agreement” with the nonprofit organization Internet Corporation for Assigned Names and Numbers (ICANN), makes Verisign the “sole operator” of the .com TLD.⁹ The second, a “Cooperative Agreement” with NTIA, governs the fees that Verisign charges customers for .com registrations.¹⁰ For years, the Cooperative Agreement capped the price of .com registrations.¹¹ In 2018, the Trump Administration took the unprecedented step of amending the agreement to ease the price cap. This amendment, Amendment 35, allowed Verisign, “in each of the last four years of every six year period ... to increase the Maximum Price charged by Verisign for each yearly registration or renewal of a .com domain name up to seven percent,”¹² effectively baking in a cumulative 31 percent increase in costs every six years. Amendment 35 also provided that Verisign's contract with NTIA will automatically renew every six years unless NTIA informs Verisign of nonrenewal, which would trigger a competitive bidding process.¹³ Amendment 35 has proven incredibly lucrative for Verisign: Verisign's stock rose 17 percent the day that the amendment was signed, and the first of Verisign's .com registration price increases in 2020 was estimated to add \$85 million to Verisign's bottom line.¹⁴

Verisign and ICANN may have a collusive relationship, as ICANN continues to benefit from Verisign's monopoly over the .com registry and the Cooperative Agreement between NTIA and Verisign. Even though Amendment 35 gives Verisign the freedom to raise its prices, ICANN must still allow Verisign to do so.¹⁵ In 2020, Verisign and ICANN signed an agreement that allowed Verisign to raise its prices by the maximum 7 percent allowed in the Cooperative

⁶ Forbes, “What Is A Top-Level Domain (TLD),” Nikita Tambe, July 29, 2024, <https://www.forbes.com/advisor/in/business/software/top-level-domain/>.

⁷ *Id.*

⁸ yourdot.com, “Why Choose a .com?” <https://yourdot.com/why-choose/>.

⁹ Internet Corporation for Assigned Names and Numbers, “.com Registry Agreement,” May 25, 2001, <https://www.icann.org/en/registry-agreements/com/com-registry-agreement-25-5-2001-en>.

¹⁰ U.S. Department of Commerce, “Amendment to Financial Assistance Award,” October 26, 2018, https://www.ntia.gov/files/ntia/publications/amendment_35.pdf.

¹¹ Washington Post, “VeriSign stock falls after ‘.com’ contract renewal includes price freeze,” Steven Overly, December 9, 2012, https://www.washingtonpost.com/business/capitalbusiness/verisign-stock-falls-after-com-contract-renewal-includes-price-freeze/2012/12/07/2404e448-408b-11e2-a2d9-822f58ac9fd5_story.html.

¹² 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>.

¹³ *Id.*

¹⁴ The American Prospect, “The Government Created the Most Profitable Company in America,” David Dayen, June 27, 2024, <https://prospect.org/power/2024-06-27-government-created-most-profitable-company-verisign/>; MIT Computer Science & Artificial Intelligence Laboratory, “Changing Markets for Domain Names: Technical, Economic, and Policy Challenges,” William Lehr, David D. Clark, and Steve Bauer, December 11, 2020, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3746594.

Agreement, in exchange for a \$20 million payment to ICANN over five years.¹⁶ ICANN also takes 25 cents per .com registration each quarter.¹⁷ Both Verisign and ICANN are profiting off of Amendment 35, and Verisign has used its monopoly power—over both the .com market and the TLD market as a whole—to “capture” ICANN and its millions of consumers.

Verisign Uses Its Monopoly Power to Exploit Consumers

Verisign is the world’s leading provider of internet domain name registry services,¹⁸ and the Company uses its significant market power to exploit its millions of consumers.¹⁹ Every year, Verisign receives a small—but steadily increasing—fee from its customers to maintain their 150 million registered .com websites, and the Company has increased its prices in each of the last four years.²⁰ In September 2023, the fee to register a .com TLD was \$9.59—a 6.91 percent increase from 2022, when a .com registration cost \$8.97.²¹ In September 2024, Verisign announced that the .com registration cost will increase further to \$10.26.²²

Verisign has squeezed customers to enrich its investors while doing little to improve service. The Company authorized \$1.14 billion in stock buybacks in July 2023, 76 percent of its total revenue for 2023.²³ Verisign receives an estimated \$6.73 in profit for each domain name registered, a profit margin of nearly 66 percent.²⁴ The Company’s gross profit margin is nearly 90 percent, and its operating margin is nearly 70 percent.²⁵ Meanwhile, Verisign had fewer research and development employees in 2023 than it did in 2021, and the Company spent only 6 percent of its revenue on research and development in both years.²⁶ Competitor domain name companies have

¹⁵ The American Prospect, “The Government Created the Most Profitable Company in America,” David Dayen, June 27, 2024, <https://prospect.org/power/2024-06-27-government-created-most-profitable-company-verisign/>.

¹⁶ U.S. Securities and Exchange Commission, “Form 8-K,” March 27, 2020, <https://investor.verisign.com/static-files/80bcbe57-e06f-47bb-bd0c-d35233d26c14>.

¹⁷ *Id.*

¹⁸ Forbes, “VeriSign,” <https://www.forbes.com/companies/verisign/>.

¹⁹ Verisign, “Verisign as a Domain Registry,” https://www.verisign.com/en_US/domain-names/domain-registry/index.xhtml.

²⁰ Verisign, “Top-Level Domain Zone File Information,” https://www.verisign.com/en_US/channel-resources/domain-registry-products/zone-file/index.xhtml; Openprovider, “Are domain prices going up?” Valeria van der Poel, August 14, 2024, <https://www.openprovider.com/blog/are-domain-prices-going-up>.

²¹ Verisign, “Verisign Reports Fourth Quarter and Full Year 2022 Results,” press release, February 9, 2023, <https://investor.verisign.com/news-releases/news-release-details/verisign-reports-fourth-quarter-and-full-year-2022-results>.

²² Verisign, “Setting the Record Straight – Myths vs. Facts about .com,” Pat Kane, August 13, 2024, <https://blog.verisign.com/domain-names/myths-vs-facts-about-dot-com/>.

²³ U.S. Securities and Exchange Commission, “Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934,” February 15, 2024, p. 22, <https://investor.verisign.com/static-files/05a7fafc-9df8-4203-9e73-70f078538213>; Verisign, “Verisign Reports Fourth Quarter and Full Year 2023 Results,” press release, February 8, 2024, <https://investor.verisign.com/news-releases/news-release-details/verisign-reports-fourth-quarter-and-full-year-2023-results>.

²⁴ American Economic Liberties Project, “A Call for .Com-petition: Reining in Verisign’s Monopoly Over the Internet’s Most Popular Top-Level Domain,” July 25, 2024, <https://www.economicliberties.us/wp-content/uploads/2024/07/2024-7-25-Verisign-Policy-Brief-Final.pdf>.

²⁵ GuruFocus, “VeriSign Inc,” <https://www.gurufocus.com/stock/VRSN/summary?search=VRSN>.

²⁶ Letter from American Economic Liberties Project to NTIA, June 26, 2024, p. 3, <https://www.economicliberties.us/wp-content/uploads/2024/06/Verisign-Letter-to-NTIA-Final-062624.pdf>.

in the past admitted that they were able to “run .com and charge as little as \$1 a year.”²⁷ Verisign is ripping off the owners of 150 million .com websites by charging over \$10 annually for each .com registration, making over \$1 billion with its predatory pricing scheme that the Company then uses to pad its shareholders’ pockets.

NTIA Must Address Verisign’s Predatory Pricing Practices

While NTIA has stated that it intends to renew the Cooperative Agreement with Verisign,²⁸ NTIA should use this opportunity to ensure consumers are not being overcharged for .com registrations. Congress has charged NTIA with “[f]acilitating and contributing to the full development of competition.”²⁹ NTIA must fulfill its intended purpose and ensure that Verisign’s pricing practices facilitate competition in the market for .com domain names. In addition, NTIA must carry out its planned investigation “regarding .com pricing and the health of the .com ecosystem, including retail and secondary markets,”³⁰ and, if it is in the best interest of consumers, refrain from renewing NTIA’s contract with Verisign at the next possible opportunity.

DOJ Should Review Verisign’s Contracts for Possible Violations of Antitrust Laws

DOJ should consider whether the Registry Agreement gives Verisign monopoly power in violation of the Sherman Act. DOJ has long been aware of the anticompetitive harms caused by Verisign, warning NTIA in 2008 that Verisign “possesses significant market power.”³¹ Yet DOJ has failed to take action against Verisign’s exploitation of consumers.

Amendment 35 states that Commerce’s “approval of this Amendment 35 is not intended to confer federal antitrust immunity on Verisign with respect to the .com Registry Agreement.”³² In 2005, a group of domain name stakeholders, including website owners, sued Verisign for anticompetitive behavior, alleging that the Registry Agreement, which presumptively renewed Verisign’s .com contract indefinitely, violated Section 1 and Section 2 of the Sherman Act.³³ Verisign settled the lawsuit.³⁴ In light of Verisign’s subsequent price hikes under Amendment 35 and the 2020 agreement between ICANN and Verisign, DOJ should again investigate Verisign for violations of antitrust laws, and, if necessary, hold the Company accountable.

²⁷ The American Prospect, “The Government Created the Most Profitable Company in America,” David Dayden, June 27, 2024, <https://prospect.org/power/2024-06-27-government-created-most-profitable-company-verisign/>.

²⁸ Letter from Assistant Secretary of Commerce Alan Davidson to Verisign President and CEO D. James Bidzos, August 2, 2024, <https://www.ntia.gov/other-publication/2024/ntia-letter-verisign>.

²⁹ 47 U.S.C. 901(c)(3).

³⁰ Letter from Assistant Secretary of Commerce Alan Davidson to Verisign President and CEO D. James Bidzos, August 2, 2024, <https://www.ntia.gov/other-publication/2024/ntia-letter-verisign>.

³¹ Letter from Acting Assistant Attorney General Deborah A. Garza to Acting Assistant Secretary for Communications and Information Meredith A. Baker, December 3, 2008, p. 2, <https://www.icann.org/en/system/files/files/baker-to-dengate-thrush-18dec08-en.pdf>.

³² 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>.

³³ Coalition for ICANN Transparency Inc. v. Verisign, Inc., 464 F. Supp. 2d 948 (N.D. Cal, 2006).

³⁴ Verisign, “Verisign and Coalition for ICANN Transparency, Inc. (‘CFIT’) Resolve Litigation,” press release, May 11, 2011, <https://investor.verisign.com/news-releases/news-release-details/verisign-and-coalition-icann-transparency-inc-cfit-resolve>.

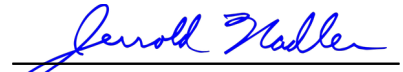
Conclusion

For years, NTIA and DOJ have allowed Verisign to extract excessive payments from its millions of .com customers, including small businesses. Senator Warren has previously highlighted the dangers of domain name registration companies hiking the prices for domain name fees.³⁵ Given that NTIA is set to renew the Cooperative Agreement this month, NTIA and DOJ should take action to ensure that over the next six years, Verisign's consumers are charged fair prices for .com registration.

Sincerely,



Elizabeth Warren
United States Senator



Jerrold Nadler
Member of Congress

³⁵ Letter from Senator Elizabeth Warren to ICANN Leadership, January 16, 2020, <https://www.warren.senate.gov/imo/media/doc/2020.01.16%20Letter%20to%20ICANN%20about%20sale%20of%20.ORG%20registry.pdf>.