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URLucky to cash in on dot-com era

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Published: Friday, March 22, 2002

Many Internet stars flamed out, but Web addresses live on in a lucrative secondary market

By STEVE TANNER

Unlike dot-com companies that crumbled like sand castles, domain names are finding a much heartier post-bubble life.

The secondary market for domain names has held much steadier than Wall Street over the last few years, with an average selling price in the five-figure range, according to Cheryl Regan, spokeswoman for secondary domain name marketplace GreatDomains.com, a subsidiary of Mountain View-based VeriSign Inc.

"It's becoming a lot like the real estate market," says Michael Tippit, general manager of domain name auction site Afternic.com, a subsidiary of New York-based domain registrar Register.com Inc. "And the prices of some of these domain names are surprisingly high."

Yet for most Web users, it's nothing more than a name followed by ".com" that represents a particular destination in cyberspace. For others, familiar or particularly catchy domain names are courted similarly to how a stock broker bats his eyes at so-called Wall Street darlings.

But most comparisons to the stock market end there; and unlike a company's stock, a domain name can only be owned by one party -- which sets the stage for fierce bidding wars.

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Those who buy and sell domain names don't like to talk about prices, nor do they have reliable records to show how valuations have changed historically, so most information is anecdotal. But Tippit says one undisclosed domain name was recently sold to a large telephone company on Afternic's site for more than \$100,000.

Top-shelf domains still sell for big bucks, but the high-profile sales -- including the \$7.5 million deal for Business.com two years ago -- are just a footnote to the excesses of the dot-com boom (the Business.com address is now owned by a Santa Monica-based search engine company).

Now it's back to basics.

"Ultimately what will determine the value of a domain name is who the target buyer is and how important it is to acquire the domain," says Mark Standley, principal with Back of the Envelope LLC, a Chicago-based appraisal service exclusively for domain names.

And that kind of demand is what motivated William Crook, a wireless technology researcher in Nashville, Tenn., to purchase more than 300 permutations of domain names with the word "mobile" in 2000.

"It made no sense to most people I talked to back in 2000," says Crook, adding that he didn't do much marketing for his domain names until about six months ago. At the time, he says, these properties were quite affordable and most of them were not owned yet. But it is impossible to verify any affordability, as Crook refuses to disclose prices.

Burt Alper, strategy director of Oakland-based branding firm Catchword, is familiar with this code of silence.

"We found them to be very secretive as well," says Alper, whose company helps clients acquire the appropriate domain name as part of its branding and marketing services. "Nobody wants to break it down too precisely and give away their secrets."

The persistence of "cybersquatters" -- those who register domain names with corporate brands and hold them for the equivalent of a ransom -- has largely gone away.

"Now you're seeing the maturation of the market," says Afternic's Tippet. "And you've got a legitimate marketplace."

Disputes over domain names, though, will likely continue.

San Jose-based semiconductor company eASIC Corp. found itself on the brink of disaster in July when it realized that eASIC.com was no longer registered in its name. The registrar, Register.com, claimed it had an unpaid registration invoice of \$34 and promptly pulled the plug without notice.

"And it was given away the same day," says company CEO Zvi Or-Bach, who adds that he never received notice of the disputed invoice, nor was there a grace

period. The domain name was taken in about three hours, and Or-Bach still suspects foul play, though he is unable to prove anything.

Register.com spokeswoman Lisette Zarnowski says the company sends out multiple notices 45 days in advance of deadlines, and insists that Register.com allows a grace period of 30 days.

"I suspect that maybe we had outdated or incorrect contact information [for eASIC]," she says.

After originally paying less than \$1,000 for the name, eASIC spent \$10,000 on legal fees before reaching a settlement for an undisclosed amount with the unidentified buyer to get it back.

"We still don't know what happened," Or-Bach says.

But one thing is certain. The secondary market for domain names will continue to grow as more Web sites go live. Whether the valuations will hold steady in the coming years remains to be seen.

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