



Expired Domain Snapping: Does It Create or Destroy Value?*

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Abstract

We argue that when the consequences of non-trademark snapped domain names are evaluated individually, only a small portion of the activities is *ex ante* value destroying. However, the practice can lead to value destruction at the industry level.

Introduction

The domain name industry in general and domain owners in particular have taken a lot of heat over the very competitive practice of registering expired domain names almost instantaneously as they become available—that is, “snapping” them. The large volume of domain names associated with this practice has brought with it a very large number of disappointed and disgruntled domain name owners. Nevertheless, there are very few situations for which one can *ex ante* argue that the practice is value destroying.

Below, we outline situations that are unambiguously value destroying and we consider various scenarios that might be value destroying in the short term but whose long-term effect on value creation is ambiguous.

Scenarios

1. Snapping a name and then reselling it to the original owner is a value-destroying practice. But the outlook changes if the original owner fails to buy back the name. Most likely, when that is the case, the domain owner’s offer comes to less than whatever value the snapper expects from the name. If so, and unless the snapped domain name represents a strong brand, the sign and magnitude of the activity’s net value is ambiguous. Of course, when trademarks are involved, the activity is not only value destroying but also illegal.

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2. Consider a domain name that generates revenue from a non-parking business. If the acquirer uses the name for a generic parking page, it is highly likely that snapping the name will be value destroying. But suppose that the snapper actually makes better use of the name than the original owner did—value creation could well be the result. And if the snapper sells the parked domain name to a third party at a price that's higher than the value the original owner would have been able to generate, this will result in a net positive value transfer away from the original owner. Obviously, the original owner will not be a happy camper either way.

Industry Impact

Taken individually, the great majority of non-trademark snapped domain names are *ex ante* ambiguous when it comes to value creation. But on the industry level, there can be negative spillover effects. For example, the call for action by [the Coalition Against Domain Name Abuse](#) (CADNA) could be abused to recruit a large number of disgruntled domain name owners and increase their power to bully domain name owners into surrendering names even when the allegations of trademark violation are bogus.

Concluding Remarks

1. The resale of a snapped domain name to its original owner is value destroying.
2. Snapping trademarked domain names is both illegal and value destroying.
3. Snapping a non-trademark domain name with a recognizable brand name has the potential to create value if the acquirer builds on the brand.
4. Snapping could have serious fallout for the industry if it provokes coordinated action by disgruntled owners who lost their domains to renewal lapse. ■