

# Domain Name Renewals at Nominet

## A White Paper for the PAB

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### *A. Purpose of this document*

At a previous PAB meeting, Nominet's PAB decided to institute a subcommittee to look at the renewals process at Nominet. The background to this was as follows: Nominet's CoM had made a proposal on changing processes for domain name registration and renewal, to ensure that invoices produced were 'correct first time', and that the production of credit notes was minimized. Whilst the PAB broadly supported the proposal, concern was expressed as to whether the entire mechanism of renewals was correct.

I therefore agreed to chair a subcommittee on the subject of the domain name renewals.

This paper is written on personal basis, as a discussion document to help shape the proceedings for that subcommittee. As such it does not necessarily represent the views of either the PAB, the CoM, or the Executive. I have tried to represent diverse views herein.

The paper is also written to encourage contributions, particularly from members.

This paper was originally constructed as a series of questions, posed to the subcommittee and to members. At the first meeting of the subcommittee on 7<sup>th</sup> August, considerable progress was made providing preliminary answers to all initial questions posed, which have been transcribed below each of the questions. Further, a draft framework was defined for a new renewals mechanism – this is presented under Appendix I below.

The subcommittee intends to present the paper for approval by the PAB at its meeting on 2<sup>nd</sup> October. Therefore, feedback on the position represented herein is encouraged. Feedback will be particularly useful if received prior to 25<sup>th</sup> September. Mechanisms for feedback are detailed under section G below.

### *B. Remit*

The issues to be examined by the subcommittee are the processes and procedures for domain name renewals, at a policy level. It is not, in my view, the remit of the subcommittee to determine operational implementation details – these are matters to be determined by the Executive.

Equally, it is understood that the CoM and the Executive will be continuing their work on the existing process whilst the PAB and its subcommittee works on recommendation for change. Whilst it would be desirable for the PAB and its subcommittee to produce a report in short order, it is recognized that making wholesale changes to the process and procedure cannot be done without consultation, both with the stakeholder community (particularly tag-holders), and Nominet's executive function.

### **C. The Obligation To Offer Renewals**

Nominet's Terms and Conditions of Registrations (Ts&Cs) offer registration for an initial two year period, but leave an obligation on Nominet give registrants the opportunity to renew. This is set out in Clause 3.

3. *Renewal of your Domain Name Registration*
- 3.1. *The registration period is two years from the date of entry into the Register of your Domain Name registration. Provided you pay us your renewal fee and subject to clause 8 below, you will have the right to renew the Domain Name registration by entering into a new Contract with us for further periods of two years.*
- 3.2. *Subject to clause 3.3 below, when the Domain Name registration falls due for renewal, we will contact your Agent (at the Agent's address appearing in the Register) to request payment of the relevant renewal fee.*
- 3.3. *If no Agent is listed on the Register entry for the Domain Name, or if the Register entry for the Domain Name indicates that you wish to be invoiced direct, we will request payment of the relevant renewal fee direct from you at the registrant address appearing in the Register.*
- 3.4. *If we fail to receive the renewal fee within thirty (30) days of our making a request for the renewal fee, we will suspend your registration for at least 6 weeks and if we do not receive payment within the suspension period we will cancel your registration without further notice to you. During any period of suspension, we will not point to any name servers listed in the Register entry for the Domain Name, and you will be unable to use or transfer the Domain Name.*

It is clear that the current Ts&Cs could be changed, and indeed may have to be changed to support some possible outcomes of this review. However, extensive changes, particularly those which materially affect registrants rights, may be undesirable, and will no doubt slow implementation of any process changes. Further, it is not the purpose of the subcommittee to carry out a review of Nominet's Ts&Cs. Therefore, it is suggested that the minimum changes possible (preferably none) be made to the Ts&Cs.

It has historically been a tenet of Nominet policy that Nominet should always at least attempt to check with registrants directly whether they wish to renew their domain names, prior to removing them from the register. Nominet has felt this to be important, particularly where the tag-holder, whether in error, through ineptitude, incompetence, bankruptcy, or malice, has failed to communicate the necessity to the registrant. Initially, Nominet made efforts to contact the registrant way beyond the limits of commercial prudence. A more pragmatic approach has recently been adopted. However, the process is made more difficult by incomplete or inaccurate registrant data, particularly data from the period where registrant address was not compulsory at registration.

*Q C.1 Does the PAB subcommittee support the **policy principle** that Nominet should make at least one attempt to contact registrants directly, should their domain name not be renewed by their agent, prior to removing it from the register? Does this principle still apply had the agent not merely failed to renew the domain name, but explicitly informed Nominet that the registrant did not wish to renew?*

*A C.1 The PAB subcommittee **does** support the policy principle that Nominet should make at least one attempt to contact registrants directly, should their domain name not be renewed by their agent, prior to removing it from the register, subject to the answer given to Q F.8 below. The PAB subcommittee holds that this principle would still apply had the agent not merely failed to renew the domain name, but explicitly informed Nominet that the registrant did not wish to renew, not least because that notification might be erroneous, or malicious.*

#### **D. The Current Renewals Process And Its Problems**

On average 1/24<sup>th</sup> of the register renews each month, giving a monthly average of about 146,000 domain name renewals. However, the load varies substantially month to month, due to the variations in monthly registration figures.

Nominet currently offer various systems to tag-holders in order to inform them when Domain Names are up for renewal. Firstly, it is possible to query the automaton to receive a list of registrations up for renewal – whilst this process is not entirely straightforward (requiring application of an algorithm which converts registration date into renewal date), it does work. Secondly, Nominet provides a little-known service where tag-holders can request to be informed in advance of domain names up for renewal in coming months.

Nominet renewal fees are invoiced by Nominet at the invoicing run subsequent to the renewal date. The rationale for the renewal fee becoming due on the renewal date, for those domains that are to be renewed, is clear. Subsequent to the renewal date, Nominet is providing services for these domain names, and that service should be paid for.

Nominet's current invoicing for renewals takes place at the end of the month. The effect of this is, in practice, is to extend the expiry date for renewal until the end of the month in which the domain would expire, as all decisions in relation to renewal of the domain are taken at the time of invoice.

Nominet tag-holders are invoiced for domains which are on their tag at the date of invoicing immediately subsequent to renewal, which are marked in the register 'recur-bill: th' (referred to as 'th' names, as opposed to 'bc' names) –i.e. have been marked to send renewal bills to the tag-holder. A blank field is equivalent to 'th' being present, and the field is blanked on tag change. Therefore, they must currently ensure that those domain names which they do not wish to renew (as agents for the registrants) are removed from their tag, or not marked 'th', prior to this date.

Where domain names are marked 'bc', but which are still tagged, on the invoice date subsequent to the renewal date, Nominet sends an invoice to the customer. As the customer has not at this stage specifically requested a renewal, and as the address data may be poor, it is difficult to determine to what extent this debt is collectable, and the correct stage to write it off.

Where domain names are in a detagged state on the invoice date subsequent to the renewal date, Nominet sends a letter to the customer, informing them of their need to contact Nominet within 21 days if they wish to renew the domain name.

Where domain names are marked 'th' on registration, this is an example of a 'negative renewal' system, in that the tag-holder needs to take positive action only to ensure domain names are *not* renewed by him – by default, Nominet will assume the domain name will be renewed.

Where domain names are marked 'bc' on registration, this is again an example of a 'negative renewal' system, in that although the tag-holder does need to take positive action to ensure domain names are renewed (in this case changing the name to a 'bc' domain), Nominet will, without such action, merely invoice the customer. So by default, Nominet will still assume the domain name will be renewed.

For those domain names which the tag-holder, as agent, does not wish to renew, there are a number of ways for the tag-holder to avoid being billed for a renewal.

One mechanism is to change the tag on a domain name to another tag-holder. This is necessary where the registrant has changed agent (tag-holder).

Another is to 'detag' the domain. The detagging process has the effect of removing the agent's tag from the domain name, together with nameserver entries, and is designed to be used when the tag-holder determines that, at the point of detagging, the agency relationship between the tag-holder and the registrant has been permanently terminated. This is appropriate if, for instance, the tag-holder has completely lost contact with the customer and there is no ongoing contract, or the tag-holder and customer have formally ended their business relationship.

Detagging has been used by some tag-holders, erroneously, as a mechanism of credit control – the point being to withdraw service from the domain name. This is an incorrect use of detagging, as it indicates, incorrectly, to Nominet that the tag-holder is no longer the agent of the registrant. Retagging is an expensive and time-consuming process, not least as Nominet has to securely identify the registrant. Unscrupulous tag-holders have, on occasion, blamed the loss of service on an error by Nominet. A more appropriate way to withdraw service in the event of a credit control problem, is to change the nameserver entries, or the configuration on the nameserver.

The relevance of detagging to the debate on renewals is that, without another tag-holder taking the customer over, detagging has been seen as the only mechanism to avoid an invoice for a registration. However, it is an inappropriate and inflexible mechanism in this respect, for a number of reasons. Firstly and foremost, the detag takes immediate effect. The tag-holder may well be under an obligation to the customer to provide service for the entire two year registration period. Thus the tag-holder cannot detag the domain prior to the renewal time. However to avoid incurring liability for a renewal fee, the tag-holder cannot leave the detag until after the renewal time. This leaves the tag-holder in an extremely difficult position (were it not for some flexibility on Nominet's part – see below), where a detag can only be performed exactly on the renewal date. This is mitigated somewhat by Nominet's process of issuing an invoice only on the last day of the month, rather than immediately upon renewal, but the arrangements are still far from satisfactory. A second lesser difficulty is that detagging is time-consuming and expensive to reverse – so time-consuming that for practical reasons, Nominet has been forced to implement a pragmatic policy of allowing retagging by the ex-agent within one month of detagging. Detagging alone therefore clearly does not provide a satisfactory mechanism to control which domains are renewed and which are not. Thirdly, Nominet will still attempt to contact the registrant and offer renewal (quite possibly at a price higher than the registrant could obtain elsewhere), thus pushing the problem downstream.

An alternative mechanism for the tag-holder to avoid a renewal invoice is to change the domains registered from 'th' to 'bc' (or, alternatively, to register domains 'bc' and only change those to be renewed to 'th'). This is a reversible operation, and does not affect service. Whilst this removes the tag-holder entirely from the renewals process for such domains, it merely puts the burden on Nominet to attempt to collect renewals fees, and is likely to increase the renewal cost to the end user. Thus, whilst less invidious than detagging, manipulating the recur-bill field also does not provide a satisfactory mechanism to control which domains are renewed, and which are not.

At least in part because of the problems with the above mechanisms, Nominet has operated an informal system whereby tag-holders can mark off, on an invoice sent to them, those domains which they do not wish to renew. Nominet then generates credit notes against those invoices, for the non-renewed domains. This procedure is inefficient and expensive for both the tag-holder, and for Nominet. Furthermore, it has been the subject of widespread abuse by less scrupulous tag-holders, being used as a mechanism to delay, and, in-extremis, avoid entirely payment on the accurate parts of invoices, by introducing artificial difficulties in reconciliation. Even where tag-holders are not deliberately abusing the system, less well organized tag-holders, or those with poor documentation, are in practice getting extended credit terms. The timescale during which tag-holders can request credit notes is undefined.

Because actual invoices were cut, the entire sum invoiced would be accounted for by Nominet as revenue, one twenty-fourth being applied to the current month, and twenty three twenty fourths being applied to deferred income, being released each subsequent month into revenue. The debt would then be recorded by Nominet as a trade debtor. As credit notes are produced, there is thus a necessity to do a three-way adjustment of revenue, deferred revenue, and debtors. If a month-end has past, it is not possible to go back and alter a previous revenue figure, therefore revenue adjustments which would have been applied to prior months are instead applied to the current month. This system not only produces a large amount of complexity, but has produced large swings in revenue which make forecasting and financial management difficult.

To complicate matters further, the procedures currently used where there is a change of tag-holder, or a change of registrant, between the renewal date and the invoice date, and between the invoice date and the invoice being reconciled, are to say the least unclear. These (particularly the tag-holder change) provide further opportunities for billing obfuscation by unscrupulous tag-holders.

If a domain name is not renewed by the tag-holder, is detagged, or is marked 'bc', at present, the registrant receives three separate items from Nominet, an invoice (or a letter in the case of detagged domains), a reminder letter and then a deactivation notice (the domain name is then suspended a couple of weeks later). The Executive is currently discussing reducing the items sent to the bare minimum, as the Ts&Cs only require Nominet to make one request for payment of the renewal fee.

#### ***E. The Council of Management's April Communiqué***

At their March strategy meeting, the CoM decided to address the issue of credit notes, in relation both to registrations (which are not within this subcommittee's remit), and renewals.

It has thus been the CoM's and the Executive's objective to ensure that the process is changed according to the following principles:

- To ensure that invoicing is 'right first time' – i.e. transactions which might not occur are not invoiced until it is certain that they will occur or have occurred.
- To ensure that the renewals process is easily comprehensible, and operates in a predictable manner
- To ensure that the renewals process is both cost and time efficient for Nominet, for the tag-holder, and for the registrant
- To ensure that no opportunities exist to exploit the system to avoid or defer payment
- To ensure that where service is provided by Nominet, in general, that the service is paid for

*Q E.1 Does the PAB subcommittee support the principles above?*

*A E.1 The PAB subcommittee supports the principles above.*

The Council of Management thus put various proposals for modification of the invoicing system to the members for comment.

In relation to direct renewals, the system proposed involved issuing pro-forma invoices (rather than true invoices) to registrants, and only issuing an invoice (and thus recording the sale) if the registrant wished to renew, on payment to Nominet. This aspect of the proposal received little comment. The Executive are currently examining operational mechanisms of implementing this proposal. The author notes that this would allow Nominet to send the same proforma invoice to direct billed customers, detagged customers, and customers whose domain names, for whatever reason, the tag-holder does not wish to renew. Whilst these changes have already been through a consultation process, and are in the implementation stage, it is possible that they will be incompatible with other recommendations made by the subcommittee. Therefore, the author feels the subcommittee should be given the opportunity to comment on them.

*Q E.2 Does the PAB subcommittee see incompatibility between the proposed changes above, and the subcommittee's proposed changes elsewhere? If so, what alternative proposals are the subcommittee minded to make?*

*A E.2 The PAB subcommittee sees no incompatibility between the proposed changes above, and the subcommittee's proposed changes elsewhere. Therefore, no alternative proposals to the mooted changes to direct renewals are proposed.*

In relation to tag-holder renewals, the system proposed involved issuing a statement to each tag-holder in advance of the renewal date, detailing what would be invoiced in relation to domains whose renewal dates lay within the month to come (take January as an example month). Only on 14<sup>th</sup> February (or thereabouts) would an invoice be generated, and only in relation to domain names which had not been moved from the tag-holder's tag, thus giving the tag-holder between 14 and 45 days (depending on the day of the month on which the domain was registered) to modify the register to reflect the renewal or otherwise of the domain name. The invoice would then not be subject to further negotiation with the tag-holder.

This aspect of the CoM's communiqué received widespread comment, but not universal support. Several aspects of the proposal were criticized, in particular whether the time period was sufficient, and whether sufficient detail had been provided. The discussion also triggered a wider debate, on whether the entire renewals system (as opposed to merely the billing for the renewals system) should be reexamined. Various proposals, some radical, some minor, were made for change.

The PAB, at its June meeting, endorsed the principles of the CoM's proposal, but in line with comments made by members, requested further detail from the executive of their plans for the renewals invoicing, and agreed that a review should be made of the renewals process.

The Executive announced at the AGM on 11<sup>th</sup> July that its proposals to change mechanisms of renewals billing would be suspended for the time being.

#### ***F. AGM PAB Forum, the Forum Proposal, and Other Issues***

After the AGM, a PAB forum was held, at which I chaired a forum examining renewals. Various questions were asked, the answers to which I will summarize below, and, somewhat surprisingly given divergent points of view on mailing-lists, a rough consensus of a proposal for change arose.

Forum participants were invited to explain their business models, how they dealt with the Nominet renewals system, and what problems it generated. Business models were diverse, from members who registered all domains in their own name, and thus knew exactly which domains they did not wish to renew (very few), to those who bundled domain names with other services, to those who would on-bill renewal directly and thus needed to collect a specific fee from registrants. In the forum, by number of attendees, the latter group was most significant – no attempt was made to correlate this to number of domain names. Members of this group almost invariably attempted to contact registrants in advance of the renewal date, though the mechanisms to do so, and the amount of effort expended in doing so, varied substantially amongst the group. The comment was made that the group was somewhat self-selecting, and that many tag-holders not at the AGM were not contacting registrants prior to the renewal date. Some participants felt that many domain name registrants were unlikely to respond to a renewal request unless their service was impacted.

*Q F.1 Does the PAB subcommittee recognize this as a representative model of members. If not, what other factors should be considered?*

*A F.1 The PAB subcommittee recognize this as a representative model of many members, probably representing the majority by volume. The subcommittee observed that for some portion of the membership, there is no current problem, and that the problems come from that portion of the membership which needs to specify, on or around renewal time, specific domain names which should or should not be renewed.*

*Q F.2 Should there be a contractual obligation on tag-holders to give notice to their customers of an upcoming renewal, and if so, what form should such notice take? Does the necessity for such a contractual obligation depend on the nature of the renewals process adopted?*

*A F.2 The subcommittee believes that the current obligations on tag-holders, including making registrants aware of the terms and conditions of registration, are sufficient. In light of the subcommittee's response to Q C.1 and Q F.8, the subcommittee reasons that Nominet will in any case contact the registrant directly prior to removal of the domain name, and, at the time of registration, there is already an obligation on the tag-holder to make the registrant aware of the terms and conditions of registration, which include the obligation to renew. Further, the registrant will have received a certificate, detailing, inter alia, the renewal date. Tag holders have a commercial incentive to encourage their customers to renew in any case, and the subcommittee was unable to discern any reason why tag-holders might prefer their customers 'forgot' their renewal date. A further contractual obligation to give notice of an upcoming*

*renewal would in any case be hard to define and difficult to enforce. Therefore the subcommittee recommends against such a change.*

A number of participants commented on the non-availability of information from Nominet on which domains would renew when. Many were unaware of the service which Nominet provides alerting tag-holders in advance of registrations.

*Q F.3 What improvements, if any, does the subcommittee recommend to the information provided by Nominet on domains coming up for renewal?*

*A F.3 The subcommittee recommends the following:*

- a) The service described above, where Nominet provides an email alerting tag-holders of upcoming renewals, should be provided by default. After an announcement, all tag-holders should be opted-in to this service forthwith. A system should be made available to tag-holders to opt out of such mailings. The subcommittee considers any possible inconvenience caused to tag-holders not wishing to receive such information, consisting of one email per month, which it would be possible to opt-out of, would be far outweighed by the benefit to those tag-holders who would find this information useful.*
- b) Nominet should provide details on payment status of renewals through the automaton 'query' function at the least. Consideration should be given to providing this information through 'whois' as well – see the subcommittee's recommendation on whois service under Q F.4*
- c) It should be possible directly to query the automaton by renewal date, as well as by registration date.*
- d) The automaton should be fixed so that it is possible to perform query operations for a large number of domain names.*
- e) The subcommittee makes the above recommendations as to what information should be provided. The subcommittee made a working assumption that the existing interfaces would remain, and though it recognizes that changes in such interfaces (for instance a web based interface) might also bring improvements, recommendations on changes to the mechanism of delivery of the information, as opposed to the content provided, was deemed outside the remit of the subcommittee.*

Many participants commented on various inadequacies of the whois system, primarily that it was not obvious when the 'next' renewal date was, or possible to determine whether the tag-holder had paid Nominet for a renewal of a particular domain name. Concern was expressed that the information given was confusing to registrants as it was, and that if details of payment or otherwise were provided, that non-payment within normal credit terms should be distinguished from non-payment outside normal credit terms.

*Q F.4 What information does the subcommittee recommend that the whois system provides in relation to the renewals status of a domain name?*

*A F.4 The subcommittee felt that it was important that the clear, transparent, and unambiguous information be presented via whois. The subcommittee noted that the whois system currently provided no mechanism for registrants to check the renewal status of their domain, nor whether their agent had in fact renewed domains as promised. However, the subcommittee also recognized the dangers in presenting extra information which appeared to be helpful, but without full information. For instance, there is a clear requirement for the registrant to be able to tell if a domain name he has asked to be renewed has been paid for by the tag-holder, as it is only payment of the consideration for renewal which completes the renewal contract. Similarly, this information needs to be made available to other tag-holders to whom a domain might be transferred, so that they can determine whether or not they are shortly to have pay for (and perhaps on-charge) a renewal. However, by simply marking renewals 'paid' or 'unpaid', registrants would see domains the renewals for which payment was in default in a*

*similar manner to domains the renewals for which were merely unpaid because payment was being made within normal credit terms. Therefore, the subcommittee recommends Nominet exercises extreme care in the presentation of whois information.*

*The subcommittee recognizes that following Nominet's previously announced changes to the whois service, due to take effect in October 2002, the 'next renewal date', which corresponds almost exactly to the 'expiry' date described herein, will be shown.*

*On the specifics of what should be shown, assuming the subcommittees other recommendations for changes to the renewals system are adopted, the subcommittee recommends the following:*

- a) That the expiry date for a domain be shown. Under the proposed changes, this would immediately increment after a tag-holder made a request to renew a domain. This is similar, but not identical to the 'next renewal date' shown under Nominet's proposed changes.*
- b) That the payment status for a domain (or renewals) be shown. On registration or renewal this would initial be set to 'PAYMENT IN INVOICE CYCLE'. Following payment, it would be set to 'PAID UNTIL EXPIRY DATE'. If payment was in default (i.e. beyond normal credit terms) it would be set to 'PAYMENT IN DEFAULT'.*

Some participants called for a 'positive renewal system', where the default assumption would be that domains would not renew, except where some positive action was taken by the tag-holder or registrant. It was agreed in the forum to leave the issue of whether, failing renewal by a tag-holder, registrants were then given a 'last chance' to renew directly with Nominet, as a separate and orthogonal issue, an approach which this paper also takes. This approach gained both ground and definition within the forum, and is known henceforth as the 'Forum Proposal'.

Under the Forum Proposal, a domain name could be renewed by a tag-holder, on whose tag that domain resided, at any stage during a domain's registration period. Whilst it would be possible to allow multiple extensions (thus effecting more than two years of renewal), or variable length renewals, this is considered separately, and the working assumption was that domain renewal would allow only a single two year renewal period to be added beyond the current term. The renewal request would be effected by a command to the automaton. Just like a registration, this would produce an invoice to the tag-holder on the next invoice run. Similarly to the new situation with registrations, the invoice would not be up for negotiation, and if the tag-holder had failed to obtain cleared funds from the registrant prior to sending the renewal instruction, the tag-holder would bear the credit risk. A renewal would have the effect of extending the registration period by two years. Should (under Nominet's normal credit terms) a renewal be unpaid, the renewal would be unwound.

If, under the Forum Proposal, a domain name passed its expiry date without being renewed, Nominet would shortly thereafter issue a pro-forma direct invoice to the registrant (thereby satisfying Nominet's contractual obligations), and the domain would be put into an 'in danger' state, for a short period (perhaps a month) – at some point within this period (perhaps 14 days in), service would be suspended. If, during that period, either the tag-holder renewed (again via the automaton), or the registrant renewed directly, the domain name's status would revert to normal. If the end of the period was reached without renewal, the domain name would be available to be returned to the pool.

Throughout the entire process, the domain name would remain on the tag-holder's tag, unless the registrant actually changed tag-holder.

Tag-holder changes are dealt with in a straightforward manner by the above system. As a tag-holder has to take positive action to renew a domain, this action evidences their consent to pay. Domains could thus be transferred either with renewal paid, or unpaid. Both the 'gaining' tag-holder, and the registrant would obviously require a mechanism to determine whether or not renewal had been paid, and thus alteration to the whois service is recommended, to illustrate that a renewal request had been executed (separately from whether cash had been paid for it).



*Q F.5 Does the subcommittee support a positive renewals model, in preference to a negative renewals model?*

*A F.5 The subcommittee supports the principle of a positive renewals model.*

*Q F.6 If so, does the subcommittee support the Forum Proposal? What modifications, if any, should be made to it?*

*A F.6 The subcommittee broadly supports the Forum Proposal, subject to a number of relatively minor clarifications, modifications, and additions of detail. Rather than enumerate the differences here, the subcommittee has detailed its proposed renewals model, which is similar to the Forum Proposal, under Appendix I below.*

*However, it is worth mentioning here the reasoning taken for two decisions in particular, which, though the subcommittee views them as the best solution, may be controversial amongst tag-holders. The subcommittee is especially keen to receive feedback on these two issues.*

*a) Time of suspension*

*As described under point 7 of Appendix I, the subcommittee recommends that registrations will be immediately suspended on expiry of the domain name (i.e. on second anniversary of registration or a previous renewal), unless the domain has been renewed prior to this date. This is a significant change to the current system whereby an ill-defined period of grace is given prior to suspension of domain names. The subcommittee also recommends under point 6 that Nominet not contact registrants (other than those on the Nominet tag) prior to this date. There is a view that there is a danger inherent in this recommendation that support load, for both Nominet, and for the tag-holder is thus increased. The subcommittee's reasoning for its recommendation is explained below.*

*The renewals system is predicated on the assumption that the tag-holder attempts to collect the renewal fee **prior** to the domain becoming expired. This is the case under the current system, and the subcommittee's feedback showed that this is exactly what happens in practice. Further, the subcommittee received strong feedback, particularly at the AGM open-forum session, that some registrants would **never** part with money until their domain had been suspended.*

*Further, the subcommittee considers that the point of a two year registration or renewal period is that service is provided for two years, not for two years plus an arbitrary amount. Hence, service should end when that service has no longer been paid for (or, to be more precise, when no request for ongoing service has been made). Whilst it is true that Nominet gives credit to tag-holders on registrations, the same observation can be made with respect to renewals under the proposed model - and thus a renewal request made shortly before the expiry of a domain will still result in continuity of service, but the payment for the renewal by the tag-holder will only become due over thirty days later, i.e. according to the normal invoicing cycle. Nominet should not, however, be giving registrants additional 'time credit' on renewals, as this is likely to delay payments both to Nominet by tag-holders, and to tag-holders by registrants. The effect of this grace period is merely an effective increase in the period of renewal.*

*The subcommittee therefore recommends that suspension be effective immediately on expiry of the domain.*

*As far as the notice given to tag-holders is concerned, the feedback given to the subcommittee indicated that whilst tag-holders had no problem in principle with Nominet contacting registrants after the expiry of a domain, tag-holders were in general against Nominet making contact with registrants directly, in reference to an upcoming renewal, during the period of registration – a period during which it must be assumed that there is, in general, an ongoing business relationship between tag-holder and registrant. This was for a number of reasons.*

*The first was one of confusion due to asynchronous and independent messages from two sources: a tag-holder might have already written to a registrant offering renewal of a domain name, and the tag-holder might have already acted upon this, but, for a number of reasons, this might not have reached Nominet's register prior to Nominet sending some form of invitation to renew. It was felt that the registrant had already been made aware of the requirement to renew by the terms and conditions, and that tag-holders already had every financial incentive to market renewals to their own customers, thus reminding registrants of the obligation to renew. Secondly, communication with registrants comes at a cost to the party performing the communication. If Nominet performed this communication, the cost is eventually borne by all tag-holders or registrants. It was felt that in a competitive market for domain name services, tag-holders should be able to differentiate themselves by differing balances of customer care and charges, and Nominet should in general restrict itself to performing the minimum degree of communication necessary for its contractual obligations and public service duty. Thirdly, it was felt that as a general point of principle, there is little evidence that there is a problem with tag-holders failing to warn registrants of upcoming renewals, and Nominet should not seek to interfere with the relationship between tag-holder and registrant where there is no evidence of a problem.*

*The subcommittee noted that problems were most likely to arise here if a tag-holder failed to contact a registrant entirely, and had also failed to make the registrant aware of terms and conditions in the first place. The subcommittee notes that under these circumstances, the registrant probably has good cause to wish to deal with an entity other than the tag-holder in any case. The subcommittee observes that it recommends a web interface be provided which will allow registrants a last-resort mechanism of renewal 24 hours a day, 365 days a year, and that it is precisely for such poorly treated registrants that Nominet offers such last-resort facilities.*

*The subcommittee also notes that for registrants on the Nominet tag (i.e. where no tag-holder is involved), as per point 6 of Appendix I, the subcommittee **does** propose that Nominet sends notice to registrants of the necessity to renew. For the reasons stated above, the subcommittee does not currently recommend sending a modified form of this notice to other registrants, but would in particular welcome feedback on this alternative.*

b) Winding back of renewals

*Under Appendix I point 14, the subcommittee proposes that if a domain name is renewed, but payment is not made within normal credit terms, then until payment is made, the renewal date be 'wound back' to the original expiry date. This could result in suspension of the domain name if the original expiry date had since passed. At first sight, there appears to be little controversy in this suggestion, as it accords with the principle that if a service is not paid for under normal credit terms, then the service should not be provided.*

*However, a potential issue arises if the tag is changed subsequent to the renewal. For illustration, assume the tag on a domain name is changed from OldTag to NewTag, after OldTag executes a renewal. OldTag then fails to pay for the renewal, and, perhaps, is put into liquidation. The expiry date is then wound back, and the service to the registrant is cut off, the original expiry date having passed. The registrant then complains to NewTag, on the basis that his service has been cut off. Whilst NewTag can point out that the registrant did not pay NewTag for renewal, but paid OldTag, who in turn failed to pay Nominet, it is obvious that this is not a particularly pleasant situation for NewTag. Note that NewTag would be able to renew the domain name at the discounted rate, but would obviously wish to recover costs from the registrant, who, having already paid one tag-holder for registration, is unlikely to want to part with further monies. Obviously the registrant has the further option of renewing directly.*

*The logic behind winding back expiry dates is clear, in that it prevents many obvious abuses of the system. If there are exploitable weaknesses where domains can remain renewed, but unpaid for, in perpetuity, registrants or tag-holders exploiting those weaknesses will effectively receive a free service which is in turn paid for by other, more honest registrants or tag-holders. To illustrate the problem in its extreme form, perhaps an unscrupulous tag-holder could set up 'NewCo' - a limited company. Every six months, it takes the 1/4 of its domain*

names it can renew, and changes the tag to NewCo, which renews each one, then changes the tag back. NewCo is then liquidated. The exercise is then repeated. Without winding back of expiry dates, such a tag-holder could renew all domains for free – and possibly even offer it as a service to other tag-holders!

Whilst it would alternately be possible to prevent registrants or tag-holder changing tags until the domain name has been paid for, this has several problems. Firstly, it is the subcommittee's understanding that there are likely to be potential competition-law issues. Secondly, in the event that a tag-holder is providing poor service (perhaps not giving the registrant any notice of an upcoming renewal), it is surely the registrant's right to change tag-holder for his renewal term.

In the subcommittee's opinion, the winding-back option is the least bad presented. The situation is ameliorated as one of the benefits of making the payment status available would be that a new tag-holder can identify a situation where the renewal has not yet been paid for, and could warn the customer 'well it says OldTag has asked for your domain to be renewed, but they haven't paid Nominet yet - if they go bust or do something funny, we'll have to charge you for another renewal'. Whilst if domains are re-tagged immediately after renewal, the ex-tag-holder has little incentive, other than, of course, their legal obligation to pay for the renewals, a strict policy of setting of payment received against oldest invoice is likely to take care of this issue for tag-holders with ongoing business. Further, note that if Nominet's credit terms are more strictly enforced (which will be easier under the new system), then the situation will become apparent to the registrant in short order. As many payments are made by credit card, this will give the registrant the opportunity to ask for a charge-back.

The subcommittee particularly welcomes feedback on this recommendation.

The issue of whether Nominet should contact the registrants to give them a 'last chance' to renew was considered by the forum. Participants in general agreed that Nominet should, particularly under a positive renewal system such as the forum had proposed, because the default action would be to not renew the domain name. Participants considered the issue of whether Nominet was 'going around' the tag-holder, but were mostly of the view that given the first contact would be after the renewal was due, the tag-holder should have already established that a renewal via him was unlikely. Participants in general agreed that Nominet did have an obligation to offer a last chance renewal, especially in light of the likelihood of failure by a minority of tag-holders to contact some registrants.

*Q F.7 Does the subcommittee support the forum's view that a 'last chance' renewal notice should be sent by Nominet to the tag-holder? If so, at what rate should they be charged?*

*A F.7 Firstly, the subcommittee considered that the intent of question Q F.7 was to ask whether a last chance renewal notice was sent to the **registrant**, not the tag-holder. However, both questions are relevant and interesting, and thus the subcommittee considered both. The subcommittee recommends that a 'last chance' renewal notice be sent to both the registrant, and the tag-holder, on 'Day 0' (i.e. the date on which the renewal becomes due). Assuming the subcommittee's recommendations are adopted, the subcommittee felt that the renewal cost should not be influenced by whether or not such a notice had been sent (i.e. by the timing of the renewal) – if the renewal was indirect (i.e. via a tag-holder), and thus automatic, it should be billed at the discounted rate; if the renewal was direct (i.e. from the registrant), and thus manual, it should be billed at the non-discounted rate. The committee further noted that such renewal notices sent to registrants could simply refer the registrant to a web page, which would request the domain name to be renewed, and a credit card number, and this would thus minimize any manual intervention.*

The forum recognized that the effectiveness of any 'last chance' notice was dependent to a high degree on the accuracy of the registrant information on Nominet's register. It was generally observed that if a registrant had moved (or otherwise changed contact information) and failed to inform Nominet or their tag-holder, then failure to receive such a notice would be the registrant's responsibility. However, it

was also noted that some tag-holders may not process registrant address changes, and, on old registrations, the registrant address might not be filled in at all. The view has also been expressed that Nominet should take a much more commercial and ruthless attitude on renewals – a process compared to a rental where the customer hasn't paid, and thus service should quickly cease. Under this view, the onus, would be on members to ensure they looked after their customers – failures to do so would be far more transparent.

*Q F.8 If the subcommittee supports a 'last chance' direct renewal notice, does the subcommittee have a view as to what extent Nominet should attempt to obtain registrant contact information when the database is inaccurate, and/or when no response has been received? How should this be balanced, if at all, with taking a more commercial view of the renewals process?*

*A F.8 The subcommittee supports to principle of taking a commercial view of the renewals process. The subcommittee recommends that Nominet make a 'single-shot' attempt to contact the registrant, by email (to email addresses as per the register database), and by post (to the registrant address). The subcommittee notes that there is already an obligation on the registrant to keep his contact information up to date, and a parallel obligation on tag-holders to process changes to contact information requested by registrants. The subcommittee notes that there is an obligation on Nominet to offer registrants the opportunity to renew the domain name, and not an obligation to act as a private detective agency if the registrant has failed to provide or update contact information. The subcommittee therefore believes Nominet will have met both its legal requirements, and its public service standards, with a single notice, sent over multiple media.*

Forum participants noted that the renewal process itself gives an opportunity for data cleaning. Specifically, it would be possible to not allow domains to be renewed without the registration passing the current tests made of new registrations, for instance, having registrant address information available. Such a change need not necessarily be made at the same time as a renewal system change, but would ensure, over a two year period, all registrant address information was populated. Participants noted the registrant (and, by agency, the tag-holder) were already under an obligation to ensure contact details were correct.

*Q F.9 To what extent, if any, does the subcommittee support the use of the renewals process for data cleaning?*

*A F.9 The subcommittee supports the principles of data integrity and database cleaning, but considers that the renewal process should not be the only mechanism by which data is cleaned. The subcommittee noted that, as with a registration, immediately after a renewal occurs, a certificate is produced, complete with a reply form, which gives the registrant the opportunity to correct any inaccuracies in the database in any case. Whilst the subcommittee can see advantages in insisting on the same requirements for data at renewal, as at initial registration, the subcommittee feels that introducing such compulsory data cleaning simultaneously with other changes to the renewals system as recommended by the subcommittee would place an unreasonable burden on many tag-holders. Therefore, whilst the subcommittee recommends that Nominet encourage tag-holders to use the renewals process as an opportunity to ensure database entries are correct it does not recommend that data cleaning as described above be made compulsory at this time, but suggests that the option be kept under review.*

The author notes that in a positive renewal scenario, there is little difference between 'th' and 'bc' domains. If the time between pro-forma invoice and removal of service was sensible, it is possible to imagine that the distinction could be removed entirely.

*Q F.10 If the subcommittee supports the Forum Proposal, or some near variant thereof, what distinction does the subcommittee see between the different settings of the 'recur-bill' field?*

*A F.10 If the subcommittee's recommendations are implemented, the subcommittee considers that the recur-bill field will have become redundant, and should be removed.*

It has been previous Nominet policy that two year renewal periods are sufficiently long to minimize billing costs, but sufficiently short to maintain active contact with the registrant, and thus have a welcome side effect of ensuring that the database is accurate.

Participants mentioned the possibility of changing both the default renewal period, or offering different renewal periods (possibly at different prices), or allowing multiple renewals to 'stack up'.

Renewals, by introducing a 're-contracting' with Nominet, allow Nominet to make changes to the Ts&Cs which are brought in by the renewals process. Although the Ts&Cs contain a 'Barclaycard' clause, the scope of this is limited.

*Q F.11 Does the subcommittee endorse Nominet's previous view that the renewals process, in principle, helps ensure the accuracy and integrity of the database, and helps return used names to the pool, and that these advantages are sufficiently significant that they must at least be weighed against the inherent costs of the renewals process?*

*A F.11 The subcommittee endorses Nominet's previous view, as described above, and considers that these advantages are sufficiently significant that they must be weighed against the costs of the renewals process. However, the subcommittee reiterates that the renewals process is not the only mechanism to achieve the laudable goals described above, and other mechanisms might well be more cost effective.*

*Q F.12 To the extent that the subcommittee does not endorse renewals as a mechanism of data cleaning, what substitute mechanisms, if any, does the subcommittee propose to achieve a similar effect?*

*A F.12 The subcommittee considers that certificate reply forms (whether on paper, or translated into some electronic form), and the obligations on registrants to provide updated contact information, are alternate mechanisms for data cleaning. Were some mechanism provided to allow registrants to automatically update their own data on line via a web interface, this would be another such mechanism. These may be parallel mechanisms as opposed to substitute mechanisms.*

*Q F.13 Does the subcommittee feel the default period of renewal should be changed, and if so, to what?*

*A F.13 The subcommittee recommends no change to the default period of renewal (two years). The subcommittee noted the average life-span of a business was three years, and this thus provides a relatively efficient mechanism of ensuring that domain names falling into disuse are returned to the pool without too long a delay. The subcommittee felt that a move to annual renewal would substantially increase costs for little benefit.*

*Q F.14 Does the subcommittee feel that more flexible periods of registrations should be allowed, and if so, how?*

*A F.14 The subcommittee considers this to be an interesting proposal, and notes that, should its other recommendations be implemented, it is highly compatible with the system proposed. However, due to the number and extent of other changes proposed, the subcommittee does not recommend offering more flexible periods of registration at this time. The subcommittee notes that under its proposals, a renewal request could be made up to six months prior to the expiry date, effectively giving a domain a maximum life of two and a half years.*

*Q F.15 Does the subcommittee believe that longer periods of renewal impact upon Nominet's potential flexibility to alter contract terms, and if so, what action could be taken to ameliorate this?*

*A F.15 Not applicable, given that the subcommittee does not recommend longer periods of renewal.*

The third of Nominet's current financial principles state that it should provide a sufficient financial surplus in order to provide for a legal fund, and two years' operating expenses. The two years' operating expenses is linked to the maximum amount of time domain names have to run on the register. Allowing renewal at any time during the registration period, and (more so) allowing longer renewal period, would increase the cash balance as the renewal would be paid in advance. However, the maximum amount of time domain names have to run would be extended beyond two years.

*Q F.16 To what extent, if any, does the subcommittee believe that the third financial principle should be altered in light of the fact that many proposed modifications can extend the potential life of a domain name on the register beyond the current maximum of two years?*

*A F.16 The subcommittee recommends that as the maximum time for a domain to remain on the register will increase, under its proposals, to two and a half years, that the third financial principle be changed to reflect this, i.e. to cover two and a half years' operating costs. The subcommittee notes that the prepayments for renewal periods which have yet to commence, being cash, will count toward the reserve figure in any case.*

The issue of physical certification of renewals seems to the author to be an issue that should be considered together with physical certification of registrations, and whilst this is the subject of ongoing interesting debate, it appears to be outside the scope of this subcommittee's remit. However, *pari-passu*, there is the need to ensure that certificates for renewal correctly reflect the paid renewal period, and/or the date of expiry of registration. This brings to the fore questions such as when should a new certificate, for a domain name renewed during the middle of a registration period, be issued.

*Q F.17 What recommendations do the subcommittee make on changes to the certificate model, which derive from their other recommendations of changes to the renewals process?*

*A F.17 The subcommittee recommends that certificates continue to be issued as soon as possible after payment for the renewal has been received. The subcommittee notes that the terms and conditions to which the registrant has agreed will be those at the time of renewal, as opposed to at the time the certificate is issued, though the 'Barclaycard' clause may well act to ensure that those are replaced by the current terms and conditions, as detailed when the certificate is sent out.*

Renewals provide a load on Nominet which varies considerably month on month. Systems which provide a smoothing of that load may result in greater efficiencies at Nominet, particularly in terms of staffing. Allowing renewal at any time during the term helps, but it may not be the only solution.

*Q F.18 What level of importance does the subcommittee attribute to the problem of varying demand, and, what proposals, if any, does the subcommittee endorse in order to provide load-smoothing of renewals?*

*A F.18 The subcommittee recognizes the advantages and desirability of load smoothing. However, the subcommittee feels it is of paramount importance that the renewals process is both timely and predictable. Therefore, the subcommittee recommends that the Council of Management look at other measures to provide load smoothing, or to ameliorate the effect of a 'bumpy' load.*

### **G. Mechanisms for Feedback**

Feedback from interested parties should be made by email to [pab-suggest@nominet.org.uk](mailto:pab-suggest@nominet.org.uk), clearly marking your email 'RENEWALS SUBCOMMITTEE' in the subject line. Alternatively, please approach a PAB member, or the subcommittee chair, Alex Bligh, at [alex@nominet.org.uk](mailto:alex@nominet.org.uk).

Feedback is particularly welcomed on the two items listed under A F.6.

It is currently proposed to table the issue will be taken to the full PAB at its next meeting, on 2<sup>nd</sup> October 2002. The deadline for feedback via this route is 12pm 1<sup>st</sup> October 2002, though to allow PAB members the opportunity to fully review all feedback, members are encouraged to **provide feedback prior to 25<sup>th</sup> September 2002.**

Alex Bligh  
Nominet PAB, CoM, Chair PAB Subcommittee on Domain Name Renewals

### **Z. Change Log**

- |              |   |
|--------------|---|
| Version 1.00 | First release version   |
| Version 1.01 | Added Change Log, Fixed minor typos   |
| Version 1.90 | Added Answers provided by first subcommittee, and Appendix I on the proposed renewal model. Draft for approval by subcommittee members. |
| Version 2.00 | Fixed various typos. Added explanation of subcommittee's decisions under A F.6.   |

## Appendix I – Proposed Model for Renewals

The following points represent the subcommittee's view of how Nominet renewals should work in future. Reasoning for the changes is not presented within this Appendix, but within the body of the document. Respondents are particularly referred to the text of A F.6.

1. A 'positive renewal' system should be adopted. Whilst registrants (and their tag-holders, as their agents), will be given the opportunity to renew domains, the default case, if neither tag-holder nor registrant takes positive action, will be that domains will not renew, and thus service to domains will lapse on the then-current expiry date, and, shortly thereafter, domains remaining unrenewed will be returned to the pool.
2. Domains will become renewable 6 months prior to their expiry date. Domains shall remain renewable up to, and beyond the expiry date, until such time as the domain is returned to the pool.
3. The expiry date of a domain shall initially be two years from the date of registration. Each renewal shall extend the expiry date by a further two years.
4. A domain name may be renewed by its current tag-holder, during its period of renewability, by sending a PGP signed message to the automaton, in a manner similar to that used for registrations. Such renewals will be charged at the discounted price, and be invoiced in the normal manner. A certificate will be generated in the normal manner. A domain cannot be renewed by a tag-holder other than the current tag-holder via the automaton.
5. A domain name may be renewed directly by the registrant, via a web interface, on a credit card, at the non-discounted price. Nominet will send the registrant a VAT invoice together with a certificate.
6. Nominet shall not normally contact registrants prior to the expiry date, and shall respect the fact that the appropriate channel of communication is via the tag-holder. However, for domains on the 'NOMINET' tag (i.e. those receiving service, but where no tag-holder is involved), Nominet shall contact the registrant, by post and by email, between 60 and 30 days prior to the expiry date, reminding them of the expiry date, and inviting them to renew. This communication will not occur for domains on other tags.
7. When the expiry date for a domain is reached (i.e. in the absence of a renewal request which extends the expiry date) service provided to the domain name shall be suspended, i.e. all DNS service shall be removed (i.e. the build of the zone file will not include entries for the domain), and the whois service shall indicate that service is suspended due to the expiry of the domain name. The tag on the domain name shall *not* be changed, and the tag-holder will continue to be able to execute all normal operations, including changing nameservers, and requesting renewal of the domain. However, in the absence of a renewal request, the domain will remain suspended, and will not be present in the zone file. Domains will thus be re-tagable either with renewal paid, or unpaid. Both the 'gaining' tag-holder, and the registrant thus require a mechanism to determine whether or not renewal had been paid, and this is provided by the whois alterations described below. The domain name may not, however, be transferred to another registrant whilst suspended without payment of the renewal fee. Equally, Nominet will not perform a manual tag-change (i.e. requested by the registrant) without payment of the renewal fee.
8. On, or immediately after, the expiry date, Nominet shall send notice to both the registrant, and the tag-holder, that the domain name has expired, and warn them of imminent removal of the domain name from the register. Contact with the registrant shall be by post and by email. Contact with the tag-holder shall be by email only. The notice shall advise them that they are likely to receive a preferential rate by going to their tag-holder, whose contact information shall be listed. However, the notice will also give instructions to the registrant on how to renew their domain name directly with Nominet, giving the URL described above, as a last



resort. The notice to the registrant should take the form of a pro-forma invoice. The notice shall make it clear that the domain may have already been renewed whilst the notice was in transit to the registrant.

9. Where notice is sent to the registrant, the postal address used shall be derived from the register, using the reg-addr field, or, if that is not filled in, the administrative contact field. Where notice is sent by email, it shall be sent to *all* appropriate contacts. Nominet shall not, as part of the renewals process, engage in detective work to correct seemingly inaccurate data.
10. If a valid renewal request is processed when a domain is suspended, the expiry date will be extended as normal (i.e. by 2 years from the prior expiry date, not to 2 years from the date of the late renewal), and the domain name shall cease to be suspended.
11. At a date between 6 and 8 weeks after the expiry of a domain, where that domain remains unrenewed, it shall be returned to the pool. No further communications shall be made to the registrant or tag-holder, with the exception that following return of the domain to the pool, the registrant shall be informed that the domain name has been removed from his tag (assuming other proposals to inform tag-holders of domains removed from their tag are implemented).
12. Once a renewal request has been processed, it will not be possible to cancel the renewal and generate a credit note.
13. Where renewal is performed by the current tag-holder, that tag-holder will be invoiced for renewal, and no other, irrespective of subsequent changes of tag. This is a mirror of the rules for registration of domain names.
14. If invoices for renewals remain unpaid beyond credit terms, the expiry date should effectively be 'wound back' by two years, which may result in the domain name becoming suspended if the expiry date has passed. This will occur irrespective of subsequent changes of tag. Nominet will, however, continue to pursue the defaulting tag-holder for the debt. If the debt is recovered, the expiry date will be returned to its setting post-renewal.
15. The whois service shall be modified such that the expiry date for a domain be shown. Further, the payment status for a domain (or renewals) will be shown. On registration or renewal this will initially be set to 'PAYMENT IN INVOICE CYCLE'. Following payment, it will be set to 'PAID UNTIL EXPIRY DATE'. If payment was in default (i.e. beyond normal credit terms) it would be set to 'PAYMENT IN DEFAULT'.
16. The 'query' function of the automaton shall be altered such that the expiry date is available on a query, such that queries can be made by expiry date, and such that queries resulting in a large amount of data (i.e. large number of domain names) work.
17. Nominet shall by default provide its email service alerting tag-holders of upcoming renewals each month. After an announcement, all tag-holders will be opted-in to this service forthwith. A system will be made available to tag-holder to opt out of such mailings.
18. Throughout the entire process, the domain name will remain on the tag-holder's tag, whether the domain is renewed or not, until the domain name is finally removed from the register – the only exception to this is where the registrant actually changes tag-holders.
19. The recur-bill field, having become meaningless, will be removed.