

The man who owns the Internet

Kevin Ham is the most powerful dotcom mogul you've never heard of, reports Business 2.0 Magazine. Here's how the master of Web domains built a \$300 million empire.

By [Paul Sloan](#), Business 2.0 Magazine editor-at-large
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(Business 2.0 Magazine) -- Kevin Ham leans forward, sits up tall, closes his eyes, and begins to type -- into the air. He's seated along the rear wall of a packed ballroom in Las Vegas's Venetian Hotel. Up front, an auctioneer is running through a list of Internet domain names, building excitement the same way he might if vintage cars were on the block.

As names come up that interest Ham, he occasionally air-types. It's the ultimate gut check. Is the name one that people might enter directly into their Web browser, bypassing the search engine box entirely, as Ham wants? Is it better in plural or singular form? If it's a typo, is it a mistake a lot of people would make? Or does the name, like a stunning beachfront property, just feel like a winner?

When Ham wants a domain, he leans over and quietly instructs an associate to bid on his behalf. He likes wedding names, so his guy lifts the white paddle and snags Weddingcatering.com for \$10,000. Greeting.com is not nearly as good as the plural Greetings.com, but Ham grabs it anyway, for \$350,000.

Ham is a devout Christian, and he spends \$31,000 to add Christianrock.com to his collection, which already includes God.com and Satan.com. When it's all over, Ham strolls to the table near the exit and writes a check for \$650,000. It's a cheap afternoon.

Just a few years ago, most of the guys bidding in this room had never laid eyes on one another. Indeed, they rarely left their home computers. Now they find themselves in a Vegas ballroom surrounded by deep-pocketed bankers, venture-backed startups, and other investors trying to get a piece of the action.

And why not? In the past three years alone, the number of dotcom names has soared more than 130 percent to 66 million. Every two seconds, another joins the list.

But the big money is in the aftermarket, where the most valuable names -- those that draw thousands of pageviews and throw off steady cash from Google's and Yahoo's pay-per-click ads -- are driving prices to dizzying heights. People who had the guts and foresight to sweep up names shed during the dotcom bust are now landlords of some of the most valuable real estate on the Web.

The man at the top of this little-known hierarchy is Kevin Ham -- one of a handful of major-league "domainers" in the world and arguably the shrewdest and most ambitious of the lot. Even in a field filled with unusual career paths, Ham's stands out.

Trained as a family doctor, he put off medicine after discovering the riches of the Web. Since 2000 he has quietly cobbled together a portfolio of some 300,000 domains that, combined with several other ventures, generate an estimated \$70 million a year in revenue. (Like all his financial details, Ham would neither confirm nor deny this figure.)

Working mostly as a solo operator, Ham has looked for every opening and exploited every angle -- even inventing a few of his own -- to expand his enterprise. Early on, he wrote software to snag expiring names on the cheap. He was one of the first to take advantage of a loophole that allows people to register a name and return it without cost after a free trial, on occasion grabbing hundreds of thousands of names in one swoop.

And what few people know is that he's also the man behind the domain world's latest scheme: profiting from traffic generated by the millions of people who mistakenly type ".cm" instead of ".com" at the end of a domain name.

Try it with almost any name you can think of -- Beer.cm, Newyorktimes.cm, even Anyname.cm -- and you'll land on a page called Agoga.com, a site filled with ads served up by [Yahoo](#) ([Charts](#), [Fortune 500](#)).

Ham makes money every time someone clicks on an ad -- as does his partner in this venture, the West African country of Cameroon. Why Cameroon? It has the unforeseen good fortune of owning .cm as its country code -- just as Germany runs all names that end with .de.

The difference is that hardly any .cm names are registered, and the letters are just one keyboard slip away from .com, the mother lode of all domains. Ham landed connections to the Cameroon government and flew in his people to reroute the traffic. And if he gets his way, Colombia (.co), Oman (.om), Niger (.ne), and Ethiopia (.et) will be his as well.

"It's in the works," Ham says over lunch in his hometown of Vancouver, British Columbia. "That's why I can't talk about it." He's nearly as reluctant to share details about his newest company, called Reinvent Technology, into which he's investing tens of millions of dollars to build a powerhouse of Internet businesses around his most valuable properties.

Given Ham's reach on the Web -- his sites receive 30 million unique visitors a month -- it's remarkable that so few people know about him. Even in the clubby world of domainers, he's a mystery man. Until now Ham has never talked publicly about his business. You won't find his name on any domain registration, nor will you see it on the patent application for the Cameroon trick.

There are practical reasons for the low profile: For one, Ham's success has drawn enemies, many of them rivals. He once used a Vancouver post office box for domain-related mail -- until the day he opened a package that contained a note reading "You are a piece of s**t," accompanied by an actual piece of it.

Bitter domainers are one thing, lawyers another. And at the moment, Ham's biggest concern is that corporate counsels will come after him claiming that the Cameroon typo scheme is an abuse of their trademarks. He may be right, since this is the first time he's been identified as the orchestrator.

When asked about the .cm play, John Berryhill, a top domain attorney who doesn't work for Ham, practically screams into the phone, "You know who did that? Do you have any idea how many people want to know who's behind that?"

Spreading the word

Kevin Ham is a boyish-looking 37-year-old, trim from a passion for judo and a commitment to clean living. His drink of choice: grapefruit juice, no ice. His mild demeanor belies the aggressive, work-around-the-

clock type that he is. Ham frequently steers conversations about business back to the Bible. Not in a preachy way; it's just who he is.

The son of Korean-born immigrants, Ham grew up on the east side of Vancouver with his three brothers. His father ran dry-cleaning stores; his mother worked graveyard shifts as a nurse. A debilitating illness at the age of 14 led Ham to dream of becoming a doctor. He cruised through high school and then undergraduate work and medical school at the University of British Columbia.

Christianity had long been a mainstay with his family, but as an undergrad, he made the Bible a focal point of his life; he joined the Evangelical Layman's Church and attended regular Bible meetings. Ham recalls that it was about this time -- 1992 or 1993 -- that he was introduced to the Web. A church friend told him about a powerful new medium that could be used to spread the gospel.

"Those words really struck me," Ham says. "It's the reason I'm still working."

After he graduated from med school in 1998, Ham and his new bride took off for London, Ontario, for a two-year residency. By the second year, Ham had become chief resident, and when he wasn't rushing to the emergency room, he indulged his growing fascination with the Net, teaching himself to create websites and to code in Perl.

Information about Web hosting at the time was so scattered that Ham began creating an online directory of providers, complete with reviews and ratings of their services. He called it Hostglobal.com.

From there it was a short step to the business of buying and selling domains. About six months after he launched Hostglobal, Ham was earning around \$10,000 per month in ad sales. But when one of his advertisers -- a service that sold domain registrations -- told him that a single ad was generating business worth \$1,500 a month, Ham figured he could get in on that too.

From doctor to domainer

It made sense: People shopping for hosting services were often interested in buying a catchy URL, so Ham launched a second directory, called DNSindex.com. Like similar services operating at the time, it gave customers a way to register domain names.

But Ham added the one feature that early domain hunters wanted most: weekly lists of available names, compiled using free sources he found on the Web. Some lists he gave away; others he charged as much as \$50 for. In a couple of months, he had more than 5,000 customers.

By the time he finished his residency in June 2000, his two small Web ventures were pulling in more money in a month -- sometimes \$40,000 -- than Ham made that year at the hospital. That was enough, he reasoned, to put off starting a medical practice for three more months, maybe six. "It just didn't make sense not to do it," he says.

With a new baby in tow, Ham and his wife moved back to Vancouver, settling into a one-bedroom apartment. Ham's timing, it turned out, was spot-on. Tech stocks were tumbling, dotcoms were folding left and right, and investors were fleeing the Web. More important to him, hundreds of thousands of valuable domain names that were suddenly considered worthless began to expire, or "drop." Ham and a handful of other trailblazers were ready to snap them up.

Figuring out when names would drop was tedious work.

At the time, Network Solutions controlled the best names; it was for a long time the only retail company, or registrar, selling .coms. It didn't say when expiring names would go back on the market, but twice a day

it published the master list of all registered names -- the so-called "root zone" file (now managed by [VeriSign \(Charts\)](#)). It was a fat list of well over 5 million names that took hours to download and often crashed the under-powered PCs of the day.

So Ham wrote software scripts that compared one day's list with the next. Then he tracked names that vanished from the root file. Those names would be listed briefly as on hold, and Ham figured out that they would almost always drop five or six days later -- at about 3:30 a.m. on the West Coast. In the dark of night, Ham launched his attacks, firing up five PCs and multiple browsers in each. Typing furiously, he would enter his buy requests and bounce from one keyboard to the next until he snagged the names he wanted.

He missed a lot of them, of course.

Ham had no clue that there were rivals out there who were way ahead him, deploying software that purchased names at a rate that Ham's fingers couldn't match. Through registration data, he eventually traced many of those purchases to one owner: "NoName." Behind the shadowy moniker was another reclusive domain pioneer, a Chinese-born programmer named Yun Ye, who, according to people who know him, operated out of his house in Fremont, Calif.

By day Ye worked as a software developer. At night he unleashed the programs that automated domain purchases. (Ye achieved deity status among domainers in 2004 when he sold a portfolio of 100,000 names to [Marchex \(Charts\)](#), a Seattle-based, publicly traded search marketing firm, for \$164 million. He then moved to Vancouver.)

Ham went back to the keyboard, writing scripts so that he, too, could pound at the registrars. Ham's track record began to improve, but he still wasn't satisfied. "Yun was just too good," he says.

Then Ham did something brash: He bought his way to the front of the line. Since registrars had direct connections to Network Solutions's servers, Ham's play was to cut out the middleman. He struck deals with several discount registrars, even helping them write software to ensure that they captured the names Ham wanted to buy during the drops. In exchange for the exclusivity, Ham offered to pay as much as \$100 for some names that might normally go for as little as \$8.

Within weeks Ham had struck so many deals that, according to rivals, he controlled most of the direct connections. "I kept telling them to hit them harder," Ham says in a rare boastful moment. "We brought down the servers many times." During one six-month period starting in late 2000, Ham registered more than 10,000 names.

Rival domainers, locked out of much of the action, didn't appreciate Ham's tactics. It was one of them, most likely, who sent him the turd. "Kevin came in and closed the door for everyone else," says Frank Schilling, a domainer who figured out what Ham had done and sealed similar deals. "There was a ton of professional jealousy."

Ham, in fact, owes a lot to Schilling. Both men lived in Vancouver at the time, and after Ham sought out Schilling in November 2000, the two met at a restaurant to compare notes.

"How much traffic do you have?" Schilling asked. An embarrassed Ham replied that he had no idea. Schilling mentioned that he was experimenting with a new service, GoTo.com, that would populate his domains with ads. Ham spent the next week figuring out how much traffic his sites were generating, and he was amazed by the initial tally: 8,000 unique visitors per day from the 375 names he owned at the time.

"From then on," Ham says, "I knew that what I was building would be very, very valuable." He soon

signed up with GoTo (which was later purchased by Yahoo). On his first day, Ham made \$1,500.

The system worked then as it does now: People don't always use [Google \(Charts, Fortune 500\)](#) or Yahoo to find something on the Web; they'll often type what they're looking for into a browser's address bar and add ".com."

It's a practice known as "direct navigation," or type-in traffic, and millions do it. Need wedding shoes? Type in "weddingshoes.com" -- a site that Ham happens to own -- and you'll land on what looks like a shoe-shopping portal, filled with links from dozens of retailers.

Click on any one of those links, and the advertiser that placed it pays Yahoo, which in turn pays a cut to Ham. That single site, Ham says, brings in \$9,100 a year. Small change, maybe, but the name cost him \$8, and his annual overhead for it is about \$7. Multiply that model several thousand times over, and you get a quick idea of the kind of cash machine that Ham was creating from his living room.

By early 2002, roughly \$1 million a year was pouring into Ham's operation, which he ran with the help of his high school friend and current partner, Colin Yu. But again he felt the tug of his conscience. He occasionally left Vancouver to do medical missionary stints, helping patients in Mexico, the Philippines, and China. He found the experience rewarding, but the development boom he saw taking off in China just reminded him of the virtual real estate boom he was leading back home.

Soon Ham was back working full-time on the Web. "There was just too much more to do," he says.

A little taste

There was no looking back. The next few years were among Ham's most aggressive. One of his most valuable tricks was one he had experimented with in the early days, a practice called domain "tasting." Tasting takes advantage of a provision that allows domain-name buyers a free five-day trial period. Intended to protect customers who mistakenly purchase the wrong name, it handed aggressive domainers another means with which to expand -- and exploit -- their portfolios.

Ham cobbled together new lists of domain words in every combination, registering hundreds of thousands of new names for free, monitoring the traffic, and then returning the duds. By 2004, Ham had amassed such a deep portfolio that he pulled his names from third-party registrars, launched his own registrar, and then created another company, appropriately named Hitfarm, that could do a better job than Yahoo of matching ads with domain names -- for himself and 100 or so other domainers.

Like any shopping spree, though, Ham's tasting binge didn't last. It brought in so many names -- offbeat strings of letters, names with too many dashes, and other variations that humans would be hard-pressed to think of -- that Ham saw the quality of his portfolio dropping in proportion to its growing size. For every few thousand names he'd register, he'd toss back all but a hundred or so.

Tasting exacerbated another problem too: Ham's software grabbed all kinds of typographical variations of trademarked names. Called typo-squatting, it's a practice now coming under the same intense scrutiny long faced by cybersquatters. [Microsoft \(Charts, Fortune 500\)](#) and Neiman Marcus are just two companies whose lawyers have brought anti-cybersquatting lawsuits, charging domainers with intentionally profiting from variations of their trademarks.

"Tasting changed everything," says Ham, who has since abandoned the practice, though he concedes that Hitfarm still holds some problematic names. "I said, forget it," he says. "Generic names are already too hard to come by. And the legal risks are too great."

The legal risks should diminish, however, if you don't own the domain names at all -- and that's the secret

behind the Cameroon play.

New world order

The domain confab in Vegas is like any other trade conference: The real intrigue happens at cocktail hour. One subject in the air is Cameroon. Late last summer, domainers began noticing that something odd happens to .cm traffic: It all winds up at a site called Agoga.com. Domainers know, of course, that .cm belongs to Cameroon. And they know that whoever controls Agoga.com has created a potential gold mine.

What they don't know is who's behind it all.

At one of the meet-and-greets, Ham is standing drinkless, as usual, sporting a polo shirt, chatting with a few people he knows and some he's just met. In this crowd, it seems, everyone wants to know Ham. Finally, he is alone.

"I hear you're the guy behind .cm?"

Ham looks surprised by the reporter's question, then flashes a big smile and says, "I had help."

Over a series of conversations a few weeks later in Vancouver, Ham shares some details about a deal that, despite his innate reticence, he's clearly proud of. About a year ago, he says, he worked his contacts to gain connections to government officials in Cameroon. Then he flew several confidantes to Yaoundé, the capital, to make their pitch. His key programmer went along to handle the technical details.

"Hey," Ham says, flagging his techie down near the office elevator. "Didn't you meet with the president of Cameroon?"

"Nah," the programmer says. "We met with the prime minister. But we did see the president's compound."

It's an odd scene to picture: a domainer's reps in a sit-down with Ephraim Inoni, the prime minister of Cameroon, to discuss the power of type-in typo traffic and pay-per-click ads. And yet, as with most of the angles Ham has played, the Cameroon scheme is ingeniously straightforward.

Ham's people installed a line of software, called a "wildcard," that reroutes traffic addressed to any .cm domain name that isn't registered. In the case of Cameroon, a country of 18 million with just 167,000 computers connected to the Internet, that means hundreds of millions of names. Type in "paper.cm" and servers owned by Camtel, the state-owned company that runs Cameroon's domain registry, redirect the query to Ham's Agoga.com servers in Vancouver.

The servers fill the page with ads for paper and office-supply merchants. (Officials at Yahoo confirm that the company serves ads for Ham's .cm play.) It all happens in a flash, and since Ham doesn't own or register the names, he's not technically typo-squatting, according to several lawyers who handle Internet issues.

The method is spelled out in a patent application filed by a Vancouver businessman named Robert Seeman, who Ham says is his partner in the venture and who also serves as chief adviser at Reinvent Technology. (Seeman declined to be interviewed for this story.)

Ham won't reveal specifics but says Agoga receives "in the ballpark" of 8 million unique visitors per month. Fellow domainers, naturally, are envious.

"As soon as it started happening, there was a huge sense of 'Why didn't I think of that?'" says attorney

Berryhill, who represents Schilling and other domainers.

Still, several companies have already tracked down Ham's attorneys, claiming trademark infringement. Ham argues that his system is legally in the clear because it treats every.cm typo equally and doesn't filter out trademarked names.

Berryhill concurs. "You can't really say that [wildcarding] is targeting trade-marks," he says. "It captures all the traffic, not just trademark traffic." Moreover, the anti-cybersquatting statute applies only to people who register a trademarked domain; using a wildcard doesn't require registering names.

Clever though it may be, .cm is "a very small part of our operations," Ham says. He won't disclose how much he pays to the government of Cameroon, whose officials could not be reached for comment.

The partnership has been a rocky one so far, and the system has sporadically shut down. But .cm is only one of several country domains where the typo play can work. According to Ham, he and his team are working with other governments. The dream typo play -- .co -- belongs to Colombia, to which Ham says Seeman paid several visits long before they began working on Cameroon. (Citing safety concerns, Ham hasn't yet made the trip. "I would only go if the president requests to meet me," he says.)

As for other countries he might soon invade, Oman (.om) is an obvious target. Niger and Ethiopia are out there too, but since they would play off less lucrative .net typos, they might not be worth the trouble.

As for Colombia, Ham says, "we're making progress."

The long view

Ham leans over his office PC to check on a domain auction. Steven Sacks, a domainer based in Indianapolis who works for Ham, is telling him about some names up for sale. Ham shoots back an instant message: "I like doctordegree.com ... and rockquarry.com ... sunblinds.com."

The days of figuring out the drop are long over. Everything's open now. Lists are easy to obtain. You can preorder a name before it drops and hope to get it. Or, like Ham, you can shell out five or six figures in online auctions. The only great deals, at least for .com names, tend to happen privately, when a domainer manages to find an eager or naive seller.

Ham still buys 30 to 100 names a day, but he's no longer getting them on the cheap. In fact, he and Schilling, who today maintains a \$20 million-a-year portfolio from his home in the Cayman Islands, are often accused of driving up prices.

Take, for example, the \$26,250 Ham paid for Fruitgiftbaskets.com, or the \$171,250 for Hoteldeals.com. "The amount he will pay is crazy," says Bob Martin, president of Internet REIT, a domain investment firm that has raised more than \$125 million from private investors, including Maveron, the venture firm backed by Starbucks founder Howard Schultz.

Nonsense, Ham says. The names are expensive only if you value them the way people like Martin do. The VCs and bankers, who were late to the domain gold rush, assess names by calculating the pay-per-click ad revenue and attaching a multiple based on how long it would take to pay off the investment.

Viewed that way, Ham's personal portfolio alone is worth roughly \$300 million. But some of Ham's recent domain purchases would also look silly: They'd take 15 or 20 years just to justify the price, and that assumes continuation of the pay-per-click model.

But Ham is taking a longer view. The Web, he says, is becoming cluttered with parked pages. The model

is amazingly efficient -- lots of money for little work --but Ham argues that Internet users will soon grow weary of it all.

He also expects Google, Microsoft, and Yahoo to find ways to effectively combat typo-squatting. Some browsers can already fix typos; Internet Explorer catches unregistered domains and redirects visitors to a Microsoft page -- in effect controlling traffic the same way that Ham is doing with .cm. "The heat is rising," Ham says.

When Ham buys a domain now, he's not doing pay-per-click math but rather sizing it up as a potential business. Reinvent Technology aims to turn his most valuable names into mini media companies, based on hundreds of niche categories.

Among the first he'd like to launch, not surprisingly, is Religion.com. Ham recently leased the entire 27th floor in his Vancouver building and is now hiring more than 150 designers, engineers, salespeople, and editorial folks.

Much of that effort is going into developing search tools based more on meaning and less on keywords. "Google is only so useful," Ham says.

The aim is to apply a meaning-based, or "semantic," system across swaths of sites, luring customers from direct navigation and search engines alike. Religion.com would then become an anchor to which scores of other sites would be tied.

"It's time to build out the virtual real estate," Ham says. "There's so much more value in these names than pay-per-click." Seeman's patent application even mentions the possibility of turning Web traffic from Cameroon and other future foreign partners into full-fledged portals.

It's all part of the master plan, as Ham aims to become the first domainer to move from the ranks of at-home name hunter to Internet titan. Smaller players have been selling out to VC-backed groups, and Ham expects that the best names will eventually be owned by just a handful of companies.

If he bets right, he might very well be one of them. "If you control all the domains," he says, "then you control the Internet."

Paul Sloan, an editor-at-large at Business 2.0, covers the ever-changing Internet landscape on his blog, [The Key](#). ■

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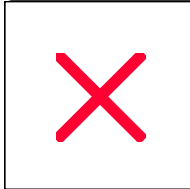
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