NEWMAN & NEWMAN, ATTORNEYS AT LAW, LLP
Derek A. Newman (190467)
S. Christopher Winter (190474)
Venkat Balasubramani (189192)
505 Fifth Avenue South, Suite 610
Seattle, WA 98104
Telephone: (206) 274-2800
Facsimile: (206) 274-2801

Attorneys for Plaintiffs

UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

REGISTERSITE.COM, an Assumed Name of ABR PRODUCTS INC., a New York Corporation, *et al.*,

Plaintiffs,

v.

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS, a California corporation, *et al.*,

Defendants.

Case No. CV 04-1368 ABC (CWx)

Hon. Audrey B. Collins

PLAINTIFFS' OPPOSITION TO MOTION BY DEFENDANT INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS TO DISMISS CERTAIN CAUSES OF ACTION FOR FAILURE TO STATE A CLAIM UNDER FRCP 12(B)(6)

DATE: July 12, 2004
TIME: 10:00 a.m.
COURTROOM: Room 680 – Roybal Bldg.

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Plaintiffs respectfully submit this joint opposition to defendant Internet Corporation for Assigned Names and Numbers' Motion to Dismiss Certain Causes of Action for Failure to State a Claim under FRCP 12(b)(6) (the "Motion").

I. INTRODUCTION

Defendant Internet Corporation for Assigned Names and Numbers ("ICANN") seeks to prevent any inquiry into the legitimacy of Verisign's so-called Wait Listing Service ("WLS") by asking this Court to dismiss Plaintiffs' claims at the pleading stage, before Plaintiffs have an opportunity to conduct discovery. The Court should deny ICANN's request.

ICANN bases its Motion on two inconsistent and contradictory theories: first, that Plaintiffs' interests are *not identical* to those of other registrars (or to those of the general public) and Plaintiffs are therefore not competent to bring a representative action under the Unfair Competition Law (BUS. & PROF. CODE §§ 17200 *et seq.*) (the "UCL"); and second, that Plaintiffs' interests *are identical* to those of other registrars, and Plaintiffs should therefore be precluded from litigating issues raised by those registrars in Dotster, Inc. v. ICANN, Case No. CV 03-5045 (C.D. Cal. Dec. 5, 2003) ("Dotster"). Both theories are based on strained interpretations of case law, selective presentation of the facts, and references to purported "facts" not referenced in the pleadings or in any documents subject to judicial notice. Neither ultimately provides any basis for dismissal of Plaintiffs' claims at this early stage of the litigation. Accordingly, ICANN's Motion should be denied.

ICANN also argues that i) the WLS is not a lottery because it does not distribute property, and ii) the rights distributed via the WLS are not distributed by chance. These arguments also fail. Ninth Circuit law is clear that domain names **are** property, and California law is clear that whether property is distributed by chance is determined from the perspective of the "ticket holder", rather than the initial property holder, as ICANN argues. When considered from that perspective,

the WLS distributes domain names by chance, and is therefore an illegal lottery.

An examination of the First Amended Complaint ("FAC") demonstrates that Plaintiffs' claims against ICANN are well pleaded, and ICANN cannot meet its burden of proving that it is "beyond doubt" that "no set of facts" would entitle Plaintiffs to relief. Accordingly, ICANN's Motion must be denied.

II. FACTS

Plaintiffs are domain name registrars, each of whom offers a service to assist consumers in registering expired domain names. (FAC ¶ 1.4.) Defendant Verisign, Inc. ("Verisign") controls the authoritative database of domain name registrations in <.com> and <.net>. (FAC ¶ 4.9.) Each plaintiff is empowered to act as a registrar, and Verisign is empowered to act as a registry, by virtue of an agreement with Defendant ICANN, which manages the Domain Name System on behalf of the public. (FAC ¶ ¶ 2.15, 4.19, 4.44.)

Defendant Verisign operates the so-called "Wait Listing Service" ("WLS") at the heart of this litigation. (FAC ¶ 4.65.) Defendants have already launched the WLS. (FAC ¶¶ 1.1, 4.68.) The WLS "purports to give consumers, for an annual fee, the right to be 'first in line' on the 'waiting list' for currently-registered <.com> and <.net> domain names." (FAC ¶ 1.1.) Verisign is able to offer the WLS to consumers only because ICANN granted Verisign the authority to do so. (FAC ¶ 4.45.) WLS consumers will receive no benefit from purchasing a WLS "subscription" *unless and until* the current domain name owner abandons it, which is unlikely. (FAC ¶ 1.1.)

By offering WLS subscription pre-orders, Defendants are now selling contingent future interests in property that Defendants do not own and do not currently have the right to sell. (FAC ¶ 1.5.) Verisign has no authority to refuse to delete any expired domain name from the registry. (FAC ¶ ¶ 11.6, 11.7, 11.9.) ICANN lacks the authority to approve Verisign's attempt to leverage its de facto

control over domain names into de jure rights. (FAC ¶ 11.10.)

Additionally, because the decision of the current domain name owner to abandon its property is beyond Defendants' control, the WLS is an illegal lottery. (FAC ¶ 1.1.) Specifically, Defendants require consideration (*i.e.* payment of money), for the chance (*i.e.*, whether the current domain name owner abandons its property) to win the valuable domain name prize (currently owned by a party unrelated to Defendants). (FAC ¶¶ 5.11-5.13.) ICANN and the other defendants have aided or assisted in setting up, managing, or drawing the lottery in the WLS lottery enterprise, in violation of California Penal Code § 322. (FAC ¶ 5.19.)

Consumers who sign up for Defendants' WLS have no idea they are unlikely to ever win the domain names they hope to register through the WLS. (FAC ¶ 8.13.) Rather, consumers are more likely to pay Defendants money for several years for the WLS, but never receive anything in return for those payments. (FAC ¶¶ 8.11-8.14.) Consumers will fall for this scheme because Defendants do not disclose the likelihood of "winning" (*i.e.*, of obtaining the desired domain name). (FAC ¶¶ 1.2, 8.6.) Defendants likewise do not disclose that domain names registration terms are for up to 100 years, and therefore most domain names will not be available through the WLS for several years and potentially not even for a century. (FAC ¶¶ 4.25, 9.25.) ICANN approved the WLS for a one year trial without requiring Verisign to disclose that consumers may not have the opportunity to renew their WLS subscriptions after the one-year trial period. (FAC ¶ 9.6.)

Each Plaintiff executed an agreement with ICANN, called the Registrar Accreditation Agreement (the "RAA"). (FAC ¶ 2.15.) Section 2.3 of the RAA requires ICANN to act in a manner that does not "unreasonably restrain competition" or "apply standards, policies, procedures or practices arbitrarily, unjustifiably, or inequitably". (FAC ¶ 16.6.) Unless the WLS is enjoined, however, the WLS will affect the right of Plaintiffs and other registrars to delete domain names, by eliminating that right altogether as to domain names on which WLS

subscriptions have been placed. (FAC ¶ 16.7.) Moreover, registrars such as Plaintiffs who do not offer the WLS will not be able to determine whether a WLS subscription has been purchased on a particular domain name. (FAC ¶ 16.17.) Nothing in the RAA or any other agreement allows ICANN to make equivalent access to the registry conditional on a registrar's offering additional services that they do not wish to offer, or on bearing the expense associated with offering such services. (FAC ¶ 16.18.)

On April 8, 2004, Plaintiffs filed the FAC in this action, alleging that the creation of the WLS violated the RAA, as well as the California Unfair Competition Law (Bus. & Prof. Code § 17200 *et seq.*) (the "UCL"). Plaintiffs filed the FAC on behalf of themselves and the general public (*see, e.g.*, FAC ¶¶ 4.51 - 4.58). Plaintiffs offer services that compete with the WLS (FAC ¶ 1.4) and, as owners of domain names, are potential consumers of WLS services (FAC ¶ 2.15).

Defendants have already begun selling WLS subscriptions (FAC ¶ 1.4), but have not yet finalized the WLS system. (FAC ¶¶ 4.66-4.67.) In the event Defendants complete deployment of WLS, which is expected soon, several of the Plaintiffs will literally be put out of business. (FAC ¶ 4.53.) Accordingly, Plaintiffs are suffering injury now as a result of Defendants' WLS offering (FAC ¶ 8.17.), and Plaintiffs will suffer even greater injury imminently. (FAC ¶ 4.53.)

III. ARGUMENT

A complaint should be dismissed on a 12(b)(6) motion *only* if it appears "beyond doubt" that the plaintiffs can "prove no set of facts in support of their claim which would entitle them to relief". Emrich v. Touche Ross & Company, 846 F.2d 1190, 1198 (9th Cir. 1988), citing Conley v. Gibson, 355 U.S. 41, 45-46, (1957) (emphasis added). "In reviewing the sufficiency of the complaint, 'the issue is not whether a plaintiff will ultimately prevail but whether the claimant is entitled to offer evidence to support the claims.'" Id., citing Scheuer v. Rhodes, 416 U.S. 232, 236 (1974). It is "axiomatic that [t]he motion . . . is viewed with disfavor and is rarely

granted." McDougal v. County of Imperial, 942 F.2d 668, 676 n.7 (9th Cir. 1991). A claim advancing multiple theories of recovery is sufficient if it shows the plaintiff would be "entitled to any relief which the court can grant." *See* Air Line Pilots Ass'n, Int'l v. Transam. Airlines, Inc., 817 F.2d 510, 516 (9th Cir. 1987).

A. PLAINTIFFS' CLAIMS UNDER CALIFORNIA'S UNFAIR COMPETITION LAW ARE LEGALLY SUFFICIENT.

1. Plaintiffs Do Not Seek Restitution or Disgorgement, and Are Not Required to Establish that They Are "Competent" to Bring a Claim Under the UCL.

California's UCL defines "unfair competition" to mean and include "any unlawful, unfair or fraudulent business act or practice and unfair, deceptive, untrue or misleading advertising and any act prohibited by [the false advertising law (BUS. & PROF. CODE § 17500 et seq.)]." BUS. & PROF. CODE § 17200. The UCL's purpose is to protect both consumers and competitors by promoting fair competition in commercial markets for goods and services. Barquis v. Merchants Collection Assn., 7 Cal. 3d 94, 110 (1972). By defining unfair competition to include any "*unlawful* . . . business act or practice", the UCL permits violations of other laws to be treated as unfair competition that is independently actionable. Id., citing Cel-Tech Communications, Inc. v. Los Angeles Cellular Telephone Co., 20 Cal. 4th 163, 180 (1999). By defining unfair competition to include also any "*unfair* or *fraudulent* business act or practice", the UCL sweeps within its scope acts and practices not specifically proscribed by any other law. Cel-Tech Communications, Inc., *supra*, at p. 180. A private plaintiff may bring a UCL action even when "the conduct alleged to constitute unfair competition violates a statute for the direct enforcement of which there is no private right of action." Stop Youth Addiction, Inc. v. Lucky Stores, Inc., 17 Cal. 4th 553, 565 (1998).

CAL. BUS. & PROF. CODE § 17204 permits plaintiffs to bring actions under the unfair competition statute as representatives of the general public. CAL. BUS. &

PROF. CODE § 17204 ("any person acting for the interests of itself, its members, or the general public" may seek relief under the statute). To bring a representative action on behalf of the general public, a plaintiff must be "competent," that is, he must seek to vindicate the rights of the general public (as opposed to the rights of sophisticated corporations, for example). Rosenbluth Int'l v. Superior Court, 101 Cal. App. 4th 1073, 1075 (2002).

ICANN asserts that Plaintiffs are not competent to bring representative UCL claims on behalf of the public because "[w]hile claiming to bring the action on behalf of 'consumers', Plaintiffs are simply attempting to protect their own business interests, which are opposed to the interests of consumers ." (Motion at 8:15-17)[1], and because "the 'alleged victims' are the various other registrars accredited by ICANN . . .". (Motion at 8:26-2.)

ICANN's argument suffers from another fatal flaw: only "[s]uits brought by private individuals *who seek disgorgement and/or restitution on behalf of persons other than or in addition to themselves*, and that are not certified as class actions, are denominated 'representative actions'" wherein a plaintiff must demonstrate competence. Marshall v. Std. Ins. Co., 214 F. Supp. 2d 1062, 1067 (C.D. Cal., 2000) (emphasis added). Here, however, Plaintiffs' UCL claims seek only injunctive relief, and not restitution. Accordingly, this is not a "representative action" and Plaintiffs need not satisfy the competency requirement. Id.; *see also* Wilner v. Sunset Life Ins. Co., 78 Cal. App. 4th 952, 969 (2000) (plaintiff could pursue a representative action to the extent she sought forward-looking injunctive relief applicable to the general public, because such relief does not present the due process risks inherent in a broad restitution claim); ABC International Traders, Inc. v. Matsushita Electric Corp. of America, 14 Cal. 4th 1247, 1268, n. 11 (1997)

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[1] As stated in Plaintiffs' Motion to Strike filed concurrently herewith, this and other unsupported statements in ICANN's Motion should be stricken.

("'often, no logical connection exists between an order of restitution or disgorgement of past illicit gains and an injunction addressing future conduct'"); Marshall v. Std. Ins. Co., 214 F. Supp. 2d at 1067 (after holding that suit could not proceed as representative action, court allowed plaintiff to seek injunctive relief on behalf of general public.) None of the cases cited by ICANN holds, or even suggests, that the competency requirement of Rosenbluth applies to plaintiffs seeking only injunctive relief. Accordingly, ICANN's motion based on Rosenbluth must fail.[2]

2. Plaintiffs Have Sufficiently Pleaded Their UCL Claims Against ICANN

A plaintiff alleging unfair business practices under the unfair competition statutes "must state with reasonable particularity the facts supporting the statutory elements of the violation." Khoury v. Maly's of California, 14 Cal. App. 4th 612, 619 (1993); Nicolosi Distributing Co. v. Finishmaster, Inc., 2000 U.S. Dist. LEXIS 505, *5 (N.D. Cal. 2000). ICANN alleges that the FAC fails to meet this standard, and fails to allege a basis for any UCL-based claim against ICANN. In fact, the FAC states with reasonable particularity the facts supporting the statutory elements of each cause of action asserted against ICANN.

a. Plaintiffs Have Sufficiently Pleaded their First Cause of Action

Plaintiffs' First Cause of Action is for violation of the UCL predicated on an illegal lottery in violation of CAL. PENAL CODE § 319. (FAC ¶¶ 5.1 - 5.20.) The elements of an illegal lottery are: (1) a prize; (2) distributed by chance; and (3) consideration. California Gasoline Retailers v. Regal Petroleum Corp., 50 Cal. 2d

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[2] Even if this were not the rule, Plaintiffs have clearly alleged that the public at large will be harmed by the WLS, whether as a result of unknowingly purchasing WLS subscriptions that will never result in domain name registrations (*see, e.g.*, FAC ¶¶ 4.55 - 4.58 ("Verisign Will Provide No Value to Consumers Purchasing WLS")), or as a result of the elimination of competing backorder services (*see, e.g.*, FAC, ¶¶ 4.51 - 4.54 ("Consumer Choice in Expired Domain Names Will End")). As such, Plaintiffs would be competent to bring claims for restitution and disgorgement on behalf of the general public under the UCL if they sought to do so.

844 (1958).

The First Amended Complaint alleges that "the WLS will allocate domain names to certain WLS subscribers " (FAC ¶ 5.10); that "Defendants' WLS distribution of domain names is by chance" (FAC ¶ 5.11); and that "WLS subscribers will pay ample consideration for a chance to obtain property in this manner." (FAC ¶ 5.13.) The FAC thus alleges each of the elements of an illegal lottery. The FAC further alleges that Defendants and each of them have aided or assisted in setting up, managing, or drawing the lottery in the WLS lottery enterprise. (FAC ¶ 5.19.) The FAC further alleges that Verisign cannot offer the WLS without ICANN's approval. (FAC ¶ 4.45.) These allegations aver with reasonable particularity that ICANN has violated CAL. PENAL CODE § 322, and therefore the UCL.

b. Plaintiffs Have Sufficiently Pleaded their Fifth Cause of Action

Plaintiffs' Fifth Cause of Action is for violation of the UCL predicated on fraudulent (*i.e.,* deceptive) business practice, namely, the sale of WLS subscriptions without regard to whether the subscribed domain name is due to expire during the subscription period. The Fifth Cause of Action incorporates Plaintiffs' previous allegations by reference, and adds the allegation that "ICANN approved the WLS for a one-year trial without requiring Verisign to disclose (or to require registrars to disclose) that consumers may not have the opportunity to renew their WLS subscriptions after the one-year trial period." (FAC ¶ 9.6.) But for ICANN's approval, Verisign would not be able to offer worthless "services" to consumers consisting of WLS subscriptions on domain names not scheduled to expire during the trial period. (FAC ¶ 4.45.) Although ICANN asserts that it "does not sell, and will never sell" WLS subscriptions (Motion at 11:12-13), ICANN *retains the ability to render certain WLS subscriptions worthless* by declining to extend the trial period. (FAC ¶ 4.50.) The FAC alleges that consumers are likely to be deceived by

ICANN's failure to inform consumers that WLS subscriptions on domains not scheduled to expire during the trial period can be rendered worthless *by ICANN* (should ICANN decline to give unconditional approval of the WLS upon termination of the trial period). At this early stage, Plaintiffs' short and plain allegation that consumers are likely to be deceived by ICANN's omission is sufficient to withstand dismissal on a motion under FED. R. CIV. P. 12(b)(6).

c. Plaintiffs Have Sufficiently Pleaded their Seventh Cause of Action

Plaintiffs' Seventh Cause of Action is for violation of the UCL predicated on fraudulent (*i.e.*, deceptive) business practices, namely, sales of property (*i.e.*, contingent future interests in domain names) that Defendants do not own. The Seventh Cause of Action alleges that ICANN has acted *ultra vires* by granting Verisign power to exercise property rights in domain names, even though ICANN has no authority to grant that power and even though its agreements with Plaintiffs and Verisign expressly prohibit such a grant. (FAC ¶¶ 11.1 - 11.12.) The FAC further alleges that consumers are likely to be misled into believing that purchasing a WLS subscription gives them a legitimate right in a domain name, which it does not. (FAC ¶ 11.11.) The FAC alleges that ICANN's approval of the WLS, with its unauthorized grant of property rights to Verisign, amounts to a violation of the UCL. (FAC ¶ 11.12.) Plaintiffs' short and plain allegation that consumers are likely to be deceived by ICANN's omission is sufficient to withstand dismissal on a motion under FED. R. CIV. P. 12(b)(6).

The authority cited by ICANN for the proposition that the foregoing allegations are insufficient is easily distinguishable and ultimately unpersuasive. For example, ICANN claims that GlobeSpan, Inc. v. O'Neill, 151 F. Supp. 2d 1229, 1236 (C.D. Cal. 2001) holds that "[t]he [UCL] allegations cannot simply mirror other claims in the complaint but must state specific facts that support the alleged UCL violation." What the GlobeSpan court actually held was that a UCL claim

should be dismissed if it is based on other claims for which there is no underlying factual support. Id. at 1236. In fact, and contrary to ICANN's assertions, California does allow UCL claims to "mirror other claims in the complaint" provided those other claims are sound ones. *See* Quelimane Co., Inc. v. Stewart Title Guaranty Co., 19 Cal. 4th 26, 38 (1998) (citation omitted).

Similarly, ICANN relies on Silicon Knights, Inc. v. Crystal Dynamics, Inc., 983 F.Supp. 1303, 1316 (N.D. Cal. 1997) for the proposition that Plaintiffs are required to plead "with specificity the factual support for a UCL claim against each defendant." (Motion at 12:7-8.) Silicon Knights, however, did not so hold. Rather, Silicon Knights stands for the rather obvious point that if a plaintiff asserts a UCL claim based on another cause of action in the complaint (such as a claim for unfair competition based on a Lanham Act violation), and the complaint fails to state facts sufficient to constitute a cause of action for the underlying claim, then there is no basis for the UCL claim. Thus, when a "[p]laintiff's causes of action fail to state claims for relief against Individual Defendants, there is no underlying basis for the unfair competition claims as alleged against [those] Defendants." Id.

The authority cited by ICANN is therefore inapposite. As discussed above, Plaintiffs allege that ICANN has authorized the creation of an illegal lottery system that is misleading to consumers, as well as prohibited by ICANN's agreements with Plaintiffs and with Verisign.[3] **The WLS lottery would not exist if ICANN had not authorized it.** Plaintiffs have met their burden of alleging sound UCL claims, and this Court should deny ICANN's motion to dismiss those claims.

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[3] ICANN makes the bizarre allegation that Plaintiffs' UCL claims against it are based exclusively on ICANN's "failure...to use its contractual relationships" to prevent other Defendants from violating the UCL. (Motion at 10:15-17.) As indicated, however, Plaintiffs' UCL claims against ICANN are actually based on specific actions ICANN has taken to assist in creating an illegal lottery that, by its very nature, cannot be operated without deceiving consumers.

3. Plaintiffs Have Alleged That, Under the WLS, Prizes Are Awarded by Chance.

ICANN alleges that "Plaintiffs have not, and cannot, plead that WLS is dominated by 'chance.'" (Motion at 13:6.) Actually, ¶ 5.11 of the FAC alleges that "Defendants' WLS distribution of domain names is by chance," which is sufficient to defeat ICANN's argument. FED. R. CIV. P. 8(a) requires plaintiffs to **plead** their claims, not to prove them conclusively. Moreover, Plaintiffs' argument is well supported by California law, as set forth in detail in Plaintiffs' opposition to Verisign's Motion to Dismiss the First Amended Complaint for Failure to State a Claim Pursuant to FED. R. CIV. P. 12(b)(6), filed concurrently herewith.

4. Domain Names Are Property That May Be Distributed in a Lottery.

In an astonishing footnote, ICANN claims that domain names cannot be the subject of a "'disposition' of property." (Motion at 14, n. 4.) To support its argument, ICANN cites Lockheed Martin Corp. v. Network Solutions, Inc., 194 F.3d 980, 984 (9th Cir. 1999) and Dorer v. Arel, 60 F. Supp. 2d 558, 561 (E.D.Va. 1999). The Ninth Circuit, however, as ICANN knows held last year that the right to use a domain name is a form of intangible personal property. Kremen v. Cohen, 337 F.3d 1024, 1029-30 (9th Cir. 2003). ICANN has cited no valid authority to contradict Plaintiffs' argument that domain name rights may be awarded as prizes in a lottery, like other forms of property. Plaintiff's First Cause of Action is well pleaded, and this Court should deny ICANN's motion to dismiss it.

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B. PLAINTIFFS WERE NOT PARTIES TO THE DOTSTER LITIGATION, AND PLAINTIFFS' BREACH OF CONTRACT CLAIM AGAINST ICANN IS NOT BARRED BY THE DOCTRINES OF COLLATERAL ESTOPPEL OR RES JUDICATA

ICANN argues Plaintiffs are barred from asserting their breach of contract claim against ICANN because a motion for a *preliminary injunction* brought by *different plaintiffs* in a *different case* - Dotster, Inc. v. ICANN, Case No. CV 03-5045 JFW (MANx) (C.D. Cal. Dec. 5, 2003) ("Dotster") - was denied. However, ICANN fails to establish that Plaintiffs' claims are barred by the holding in Dotster, either by collateral estoppel or res judicata. Indeed, ICANN cannot establish even one of the elements of collateral estoppel or res judicata, because Dotster involved different parties, and different issues, than those before the court in this proceeding. Notably, Judge Walter, who presided over the Dotster case, declined to transfer the instant case to his calendar on the grounds that this case "does not involve [the] same or substantially identical questions of law and fact" as did Dotster.[4] ICANN offers no explanation of why this Court should credit Judge Walters' findings in Dotster, but should reject his ruling that the instant case differs substantially from Dotster. Nor does ICANN explain why Plaintiffs should not be afforded any opportunity to be heard whatsoever. In any event, under clear authority, Dotster is not binding on Plaintiffs, and ICANN's Motion should be denied.

1. Plaintiffs' Contract Claim Is Not Barred by Collateral Estoppel.

Collateral estoppel applies when "(1) there was a full and fair opportunity to litigate the issue in the previous action; (2) the issue was actually litigated in that action; (3) the issue was lost as a result of a final judgment in that action; and (4) the person against whom collateral estoppel is asserted in the present action was a party or in privity with a party in the previous action." In re Palmer, 207 F.3d 566, 568 (9th Cir. 2000) (citing Pena v. Gardner, 976 F.2d 469, 472 (9th Cir. 1992)).

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[4] *See* Judge Walter's Order re Transfer Pursuant to General Order 224.

In this case, collateral estoppel does not apply because Plaintiffs had no opportunity to argue their claims in Dotster, their issues were not litigated in Dotster, their issues were not subject to judgment in Dotster, and there is no privity between Plaintiffs and the Dotster plaintiffs.

Due process prohibits the application of estoppel against litigants who "have never had a chance to present their evidence and arguments on the claim." Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation, 402 U.S. 313, 329 (1971). Here, Plaintiffs could not have, and did not, argue their claims in Dotster because 1) Plaintiffs were not parties to the Dotster litigation, and 2) Plaintiffs' claims are substantially different from those raised by the Dotster plaintiffs. In particular, the Dotster plaintiffs did not raise the issue of whether ICANN's conduct violated the UCL, or whether ICANN breached the RAA by denying them the right to delete domain names, as do Plaintiffs in the case at bar.

Most significantly, the Dotster case was litigated before ICANN had actually approved the WLS, and the harm that the Dotster plaintiffs sought to enjoin was therefore speculative. Even if the necessary elements for collateral estoppel or res judicata were present, which they are not, it would be profoundly disingenuous for ICANN to argue that Plaintiffs are barred from asserting their claims by virtue of a case that ultimately failed as unripe.[5] In any event, ICANN has now approved the WLS (FAC ¶ 4.65), and Plaintiffs are currently being harmed by virtue of Defendants' acceptance of binding "pre-orders" for WLS subscriptions. As such, and as Judge Walter recognized, there is little overlap between the instant case and the Dotster litigation.

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[5] *See* Judge Walter's Order Denying Plaintiffs' Motion for Preliminary Injunction in Dotster, p. 5, n. 2 (the "Order") (attached as Ex. A to ICANN's Request for Judicial Notice in Support of Its Motion to Dismiss Certain Causes of Action for Failure to State a Claim under FRCP 12(b)(6)).

2. There Is No Privity Between the Dotster Plaintiffs and the Plaintiffs in the Current Lawsuit.

Privity "contemplates an express or implied legal relationship by which parties to the first suit are accountable to non-parties who file a subsequent suit with identical issues." United States v. Rayonier, Inc., 627 F.2d 996, 1003 (9th Cir. 1980). In determining privity, the closeness or significance of the relationship between successive defendants is the controlling factor. Gambocz v. Yelensics, 468 F.2d 837 (3rd Cir. 1972). Plaintiffs here have no relationship with the Dotster Plaintiffs, other than the fact that (like the Dotster plaintiffs) Plaintiffs are ICANN accredited registrars. As is clear from the cases cited by ICANN, this does not come close to the level of relationship required to support a finding of privity under the test in Rayonier.

ICANN first cites McMahon v. Pier 39 Ltd. Partnership, 2003 U.S. Dist. LEXIS 22178 (N.D. Cal. 2003), an opinion whose first sentence is "[t]he parties in the instant action have now been through thirteen lawsuits relating to the same underlying facts." The McMahon court held as follows:

> All of Plaintiff's claims except for the eleventh cause of action...are identical to claims plaintiff made in prior adjudications. The claims have received final judgments on the merits and the parties are identical. Therefore, plaintiff is precluded from relitigating these claims...

Id. at *10. McMahon stands for the principle that a party may not relitigate the same claims it has already had an opportunity to argue. It does not hold – as ICANN would have the court believe – that other, unrelated parties are precluded from bringing similar claims against the same defendant.

ICANN also relies on In re Schimmels, 127 F.3d 875 (9th Cir. 1987). That case involved a "qui tam action" brought by private individuals on behalf of themselves and the U.S. government. Id. at 877 (citing 31 U.S.C. § 37299(a), which allows such actions to be brought by "[a] person... for the person and the United States Government"). The Schimmels court found that "[t]he government was aware

of, and even tacitly participated in, the adjudication of the [private parties'] adversary proceeding, but never sought to intervene therein." Id. at 882.

Schimmels clearly does not apply to this case. The Plaintiffs in this action have no relationship to the plaintiffs in Dotster, and have had no opportunity to litigate their claims against ICANN. ICANN has not cited any evidence indicating that the Dotster plaintiffs, for example, are controlled by the same parties as the current Plaintiffs, because there is no such evidence. Instead, what ICANN has done, essentially, is to argue that the alleged posting of Dotster pleadings on ICANN's website and the "enthusiastic discuss[ion]" of Dotster issues "within the Internet community" had the same effect as a notice of class action. (Motion at 19-20.) Under ICANN's logic, any domain name registrar that misses the postings on ICANN's website regarding actions other parties have brought against ICANN, is out of luck and may never bring similar claims on its own behalf. There is no legal support for ICANN's theory.

Another case cited by ICANN, Shaw v. Hahn, 56 F.3d 1128 (9th Cir. 1995), is easily distinguished. In Shaw, an African-American juror who was subject to a peremptory challenge, argued that she should not have been excluded from jury service based on her race. The court held that another party had already objected to the challenge against Ms. Shaw, and that the trial court judge had already decided that very issue:

> Judge Wilson necessarily decided as part of the *Tapia* action whether the defendants' peremptory challenge against Shaw was racially discriminatory. He held that it was not. We turn then to whether the issue was fully and fairly litigated by the parties in the *Tapia* action. Tapia and Corona promptly objected to the peremptory challenge against Shaw on the grounds that the challenge was racially discriminatory...After considering the defendants' proffered reasons, Judge Wilson concluded that they were neutral, nonpretextual, and comported with his own observations.

Id. at 1131. The Shaw court held that other parties had already made an objection on Ms. Shaw's behalf regarding the challenge against her. It did not hold that other

African-Americans were precluded from bringing suits based on peremptory challenges in the future on the ground that the court had already ruled on Ms. Shaw's challenge – yet this is logically equivalent to ICANN's current argument.

One of the more disingenuous parts of ICANN's brief involves Miller Brewing Co. v. Jos. Schlitz Brewing Co., 605 F.2d 990 (7th Cir. 1979). ICANN selectively cites passages from that case, in an attempt to give the impression that a ruling in one case involving the Miller Brewing Company had a preclusive effect against a different defendant in another case. The Miller court, however, ruled against the brewing company, not against the unrelated defendant. The court had previously ruled that, under trademark law, Miller Brewing Company could not prevent a competitor from using the word "LITE" to describe its beers, and the Miller court simply applied collateral estoppel to prevent Miller from making that identical claim a second time against another competitor. The court held that collateral estoppel was appropriate because "Miller had a full and fair opportunity to litigate on the issue determined." Id. at 992.

According to Miller, a critical factor in determining whether collateral estoppel applies is "whether without fault of his own the (party against whom preclusion is sought) was deprived of crucial evidence or witnesses in the first litigation." Id. (citing Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation, *supra*, 402 U.S. at 333. The court found that "Miller was not foreclosed from offering any evidence it chose in support of its motion for preliminary injunction in the... case [against the first alleged trademark infringer]." Id. at 994-95. The Miller court held only that a party that has previously litigated an issue may be estopped from relitigating it. Miller did not provide, as ICANN attempts to show, that a party that has never had an opportunity to present any witnesses or other evidence in support of its claims, may be subject to collateral estoppel.

The above cases all involve close relationships between parties: some parties are identical, others are related by statute, and others brought claims on the express

behalf of other parties (*e.g.*, Shaw). There is no close relationship of this sort between the Plaintiffs in this case and those in Dotster. Accordingly, ICANN fails to prove this essential element of a collateral estoppel defense.

3. Plaintiffs' Contract Claim Is not Barred by Res Judicata.

Res judicata applies when there is "(1) an identity of claims, (2) a final judgment on the merits, and (3) privity between parties." Tahoe-Sierra Preservation Council, Inc. v. Tahoe Regional Planning Agency, 322 F.3d 1064, 1077 (9th Cir. 2003) (citation omitted).

a. There Is No Identity of Claims Between the Present Case and Dotster.

The Ninth Circuit uses the following criteria to determine whether two claims are the same for the purposes of res judicata: "(1) whether rights or interests established in the prior judgment would be destroyed or impaired by prosecution of the second action; (2) whether substantially the same evidence is presented in the two actions; (3) whether the two suits involve infringement of the same right; and (4) whether the two suits arise out of the same transactional nucleus of facts." Nordhorn v. Ladish Co., 9 F.3d 1402, 1405 (9th Cir. 1993).

The claims in Dotster fail to meet the Nordhorn test. ICANN has not alleged that the rights of Dotster plaintiffs would be "destroyed or impaired" by Plaintiffs' prosecution of this case. Moreover, Plaintiffs would not present "substantially the same evidence"; indeed, they would be particularly harmed by the application of res judicata given Judge Walter's determination that the Dotster plaintiffs did a poor job of presenting their own evidence. *See* Order, p. 5, n. 2 (the Dotster plaintiffs based their arguments on the "inadmissible conclusions of their own executives"). Plaintiffs should not be precluded from submitting more comprehensive testimony to this court, simply because the Dotster plaintiffs did a poor job of presenting their own case.

The two cases do not involve "infringement of the same right," as Plaintiffs' claims center on their inability to delete domain names, while the Dotster plaintiffs'

claims were based on their alleged inability to register domain names. Finally, this case arises out of a different nucleus of facts – for example, Defendants are selling "pre-orders" for WLS subscriptions, and Plaintiffs therefore suffer immediate harm in a way that the Dotster plaintiffs did not.

Even Judge Walter agreed that Dotster presented different questions of law and fact than this case does – accordingly, there is no "identity of claims". ICANN's attempt to apply res judicata to this case fails as a matter of law.

As discussed above, there is no privity between the current Plaintiffs and the plaintiffs in Dotster. *See* Rayonier, *supra*, 627 F.2d at 1003. ICANN cites Tahoe-Sierra, *supra*, in support of its argument that there is privity, but that case is inapplicable. Tahoe-Sierra involved parties that brought certain claims in court and were later estopped from relitigating identical claims later; claims they had already had the opportunity to argue for themselves:

> Although the Association attempts to frame its complaint in terms of new injuries caused by new acts...[w]e have addressed many of these allegations before, when we considered the Association's 1991 and 1992 amended complaints...After eighteen years of litigation...the final judgments of *Tahoe III* and *Tahoe IV* should rest in peace... Once a sophisticated party has had a full and fair opportunity to be heard... we recognize the merits of finality...

Id. at 1076-77.

The "Association" in Tahoe-Sierra had repeated opportunities to bring its claims before the court, and consequently privity was not an issue – the Association's members were bound because they had "clearly hitched their fortunes to the Association's able leadership". Id. at 1082. In contrast, the Plaintiffs in the current action have never "hitched their fortunes" to the Dotster plaintiffs', and have not received a "full and fair opportunity to be heard."

ICANN cannot show, at this early stage, that there is no set of facts that might support Plaintiffs' claims, and this Court should allow the Plaintiffs to present their evidence. ICANN's motion to dismiss Plaintiffs' claims under FED. R. CIV. P.

12(b)(6) should be denied.[6]

IV. CONCLUSION

In an effort to deny Plaintiffs any chance to present their case against it, ICANN has attempted to shield itself with Dotster, a case involving different plaintiffs, different claims, and different evidence. ICANN has also assumed nonexistent facts that are critical to its argument, misread Plaintiffs' FAC, miscited relevant authorities, and rejected the Ninth Circuit's holding that domain names are property. This Court should reject ICANN's baseless arguments and deny its motion to dismiss Plaintiffs' claims. In the alternative, Plaintiffs respectfully request leave to file a Second Amended Complaint within sixty (60) days of the Court's ruling.

Dated this 17th day of June, 2004.

Respectfully Submitted,

NEWMAN & NEWMAN,
ATTORNEYS AT LAW, LLP

By: _____

Derek A. Newman (190467)
S. Christopher Winter (190474)
Venkat Balasubramani (189192)

Attorneys for Plaintiffs

[6] ICANN invites the Court to decline supplemental jurisdiction over Plaintiffs' Twelfth Cause of Action, alleging that there is a "substantial issue" as to whether that claim and Plaintiffs' other claims "derive from a common nucleus of operative fact." (Motion at 22-23, n. 7) In fact, all of Plaintiffs' claims against ICANN are closely related – all involve the domain name deletion issue and the anticompetitive nature of the WLS, as implemented by Verisign, ICANN, and others. Plaintiffs incorporate by reference Section II.B of their Opposition to Motion by Defendant Verisign, Inc. to Dismiss Plaintiffs' Eleventh Claim for Relief for Improper Venue. This court should retain jurisdiction of all claims Plaintiffs have asserted against ICANN; judicial economy will be promoted if all related claims are decided in a single venue.

PROOF OF SERVICE

I hereby certify that on this **17th day of June**, 2004, I served the foregoing document described as:

–PLAINTIFFS' OPPOSITION TO MOTION BY DEFENDANT INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS TO DISMISS CERTAIN CAUSES OF ACTION FOR FAILURE TO STATE A CLAIM UNDER FRCP 12(B)(6) and –PROOF OF SERVICE

to be served on all interested parties in this action by transmitting a true copy thereof by Email, and by Federal Express addressed as follows:

Laurence J. Hutt, Esq.
Arnold & Porter LLP
1900 Avenue of the Stars, 17th Floor
Los Angeles, CA 90067- 4408

Email: Laurence_Hutt@aporter.com

Jeffrey A. LeVee, Esq.
Jones Day
555 West Fifth Street, Suite 4600
Los Angeles, CA 90013 - 1025

Email: jlevee@jonesday.com

Frederick F. Mumm, Esq.
Davis Wright Tremaine LLP
865 S. Figueroa Street, Suite 2400
Los Angeles, CA 90017 - 2566

Email: fredmumm@dwt.com

I declare that I am employed in the office of a member of the bar of this court at whose direction the service was made.

Executed on **June 17th , 2004** at Seattle, Washington.

Diana Au