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10 **UNITED STATES DISTRICT COURT**
11 **FOR THE CENTRAL DISTRICT OF CALIFORNIA**

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

15 Plaintiffs,

16 v.

17 INTERNET CORPORATION FOR
18 ASSIGNED NAMES AND
19 NUMBERS, a California corporation,
20 *et al.*,

21 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.
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Roybal Bldg.

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

4 I. INTRODUCTION

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

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

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

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

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

6 7 II. FACTS

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

15 Defendant Verisign operates the so-called “Wait Listing Service” (“WLS”) at
16 the heart of this litigation. (FAC ¶ 4.65.) Defendants have already launched the
17 WLS. (FAC ¶¶ 1.1, 4.68.) The WLS “purports to give consumers, for an annual
18 fee, the right to be ‘first in line’ on the ‘waiting list’ for currently-registered <.com>
19 and <.net> domain names.” (FAC ¶ 1.1.) Verisign is able to offer the WLS to
20 consumers only because ICANN granted Verisign the authority to do so. (FAC ¶
21 4.45.) WLS consumers will receive no benefit from purchasing a WLS
22 “subscription” *unless and until* the current domain name owner abandons it, which
23 is unlikely. (FAC ¶ 1.1.)

24 By offering WLS subscription pre-orders, Defendants are now selling
25 contingent future interests in property that Defendants do not own and do not
26 currently have the right to sell. (FAC ¶ 1.5.) Verisign has no authority to refuse to
27 delete any expired domain name from the registry. (FAC ¶ ¶ 11.6, 11.7, 11.9.)

28 ICANN lacks the authority to approve Verisign’s attempt to leverage its de facto

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

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

10 Consumers who sign up for Defendants' WLS have no idea they are unlikely
11 to ever win the domain names they hope to register through the WLS.

12 (FAC ¶ 8.13.) Rather, consumers are more likely to pay Defendants money for
13 several years for the WLS, but never receive anything in return for those payments.
14 (FAC ¶¶ 8.11-8.14.) Consumers will fall for this scheme because Defendants do not
15 disclose the likelihood of "winning" (*i.e.*, of obtaining the desired domain name).
16 (FAC ¶¶ 1.2, 8.6.) Defendants likewise do not disclose that domain names
17 registration terms are for up to 100 years, and therefore most domain names will not
18 be available through the WLS for several years and potentially not even for a
19 century. (FAC ¶¶ 4.25, 9.25.) ICANN approved the WLS for a one year trial
20 without requiring Verisign to disclose that consumers may not have the opportunity
21 to renew their WLS subscriptions after the one-year trial period. (FAC ¶ 9.6.)

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

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

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

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

20 III. ARGUMENT

21 A complaint should be dismissed on a 12(b)(6) motion *only* if it appears
22 "beyond doubt" that the plaintiffs can "prove no set of facts in support of their claim
23 which would entitle them to relief". Emrich v. Touche Ross & Company, 846 F.2d
24 1190, 1198 (9th Cir. 1988), citing Conley v. Gibson, 355 U.S. 41, 45-46, (1957)
25 (emphasis added). "In reviewing the sufficiency of the complaint, 'the issue is not
26 whether a plaintiff will ultimately prevail but whether the claimant is entitled to offer
27 evidence to support the claims.'" Id., citing Scheuer v. Rhodes, 416 U.S. 232, 236
28 (1974). It is "axiomatic that [t]he motion . . . is viewed with disfavor and is rarely

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

6 **A. PLAINTIFFS’ CLAIMS UNDER CALIFORNIA’S UNFAIR COMPETITION LAW**
7 **ARE LEGALLY SUFFICIENT.**

8 **1. Plaintiffs Do Not Seek Restitution or Disgorgement, and Are**
9 **Not Required to Establish that They Are “Competent” to**
10 **Bring a Claim Under the UCL.**

11 California's UCL defines "unfair competition" to mean and include "any
12 unlawful, unfair or fraudulent business act or practice and unfair, deceptive, untrue
13 or misleading advertising and any act prohibited by [the false advertising law (BUS.
14 & PROF. CODE § 17500 et seq.)." BUS. & PROF. CODE § 17200. The UCL's
15 purpose is to protect both consumers and competitors by promoting fair competition
16 in commercial markets for goods and services. Barquis v. Merchants Collection
17 Assn., 7 Cal. 3d 94, 110 (1972). By defining unfair competition to include any
18 "*unlawful . . . business act or practice*", the UCL permits violations of other laws to
19 be treated as unfair competition that is independently actionable. Id., citing
20 Cel-Tech Communications, Inc. v. Los Angeles Cellular Telephone Co., 20 Cal. 4th
21 163, 180 (1999). By defining unfair competition to include also any "*unfair or*
22 *fraudulent* business act or practice", the UCL sweeps within its scope acts and
23 practices not specifically proscribed by any other law. Cel-Tech Communications,
24 Inc., *supra*, at p. 180. A private plaintiff may bring a UCL action even when "the
25 conduct alleged to constitute unfair competition violates a statute for the direct
26 enforcement of which there is no private right of action." Stop Youth Addiction,
27 Inc. v. Lucky Stores, Inc., 17 Cal. 4th 553, 565 (1998).

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

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

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

13 ICANN's argument suffers from another fatal flaw: only "[s]uits brought by
14 private individuals *who seek disgorgement and/or restitution on behalf of persons*
15 *other than or in addition to themselves*, and that are not certified as class actions,
16 are denominated 'representative actions'" wherein a plaintiff must demonstrate
17 competence. Marshall v. Std. Ins. Co., 214 F. Supp. 2d 1062, 1067 (C.D. Cal.,
18 2000) (emphasis added). Here, however, Plaintiffs' UCL claims seek only
19 injunctive relief, and not restitution. Accordingly, this is not a "representative
20 action" and Plaintiffs need not satisfy the competency requirement. Id.; *see also*
21 Wilner v. Sunset Life Ins. Co., 78 Cal. App. 4th 952, 969 (2000) (plaintiff could
22 pursue a representative action to the extent she sought forward-looking injunctive
23 relief applicable to the general public, because such relief does not present the due
24 process risks inherent in a broad restitution claim); ABC International Traders, Inc.
25 v. Matsushita Electric Corp. of America, 14 Cal. 4th 1247, 1268, n. 11 (1997)

26
27 ¹ As stated in Plaintiffs' Motion to Strike filed concurrently herewith, this and other unsupported
28 statements in ICANN's Motion should be stricken.

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

8 **2. Plaintiffs Have Sufficiently Pleaded Their UCL Claims**
9 **Against ICANN**

10 A plaintiff alleging unfair business practices under the unfair competition
11 statutes "must state with reasonable particularity the facts supporting the statutory
12 elements of the violation." Khoury v. Maly's of California, 14 Cal. App. 4th 612,
13 619 (1993); Nicolosi Distributing Co. v. Finishmaster, Inc., 2000 U.S. Dist. LEXIS
14 505, *5 (N.D. Cal. 2000). ICANN alleges that the FAC fails to meet this standard,
15 and fails to allege a basis for any UCL-based claim against ICANN. In fact, the
16 FAC states with reasonable particularity the facts supporting the statutory elements
17 of each cause of action asserted against ICANN.

18 **a. Plaintiffs Have Sufficiently Pleaded their First Cause of**
19 **Action**

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

24
25 ² Even if this were not the rule, Plaintiffs have clearly alleged that the public at large will be
26 harmed by the WLS, whether as a result of unknowingly purchasing WLS subscriptions that will never
27 result in domain name registrations (*see, e.g.*, FAC ¶¶ 4.55 - 4.58 ("Verisign Will Provide No Value to
28 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.

1 844 (1958).

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

13 **b. Plaintiffs Have Sufficiently Pleaded their Fifth Cause of**
14 **Action**

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

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

7 c. Plaintiffs Have Sufficiently Pleaded their Seventh Cause
8 of Action

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

23 The authority cited by ICANN for the proposition that the foregoing
24 allegations are insufficient is easily distinguishable and ultimately unpersuasive.
25 For example, ICANN claims that GlobeSpan, Inc. v. O'Neill, 151 F. Supp. 2d 1229,
26 1236 (C.D. Cal. 2001) holds that "[t]he [UCL] allegations cannot simply mirror
27 other claims in the complaint but must state specific facts that support the alleged
28 UCL violation." What the GlobeSpan court actually held was that a UCL claim

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

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

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

23 ///

24 ///

25
26 ³ ICANN makes the bizarre allegation that Plaintiffs' UCL claims against it are based exclusively
27 on ICANN's "failure...to use its contractual relationships" to prevent other Defendants from violating the
28 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.

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

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

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

13 In an astonishing footnote, ICANN claims that domain names cannot be the
14 subject of a “‘disposition’ of property.” (Motion at 14, n. 4.) To support its
15 argument, ICANN cites Lockheed Martin Corp. v. Network Solutions, Inc., 194 F.3d
16 980, 984 (9th Cir. 1999) and Dorer v. Arel, 60 F. Supp. 2d 558, 561 (E.D.Va. 1999).
17 The Ninth Circuit, however, as ICANN knows held last year that the right to use a
18 domain name is a form of intangible personal property. Kremen v. Cohen, 337 F.3d
19 1024, 1029-30 (9th Cir. 2003). ICANN has cited no valid authority to contradict
20 Plaintiffs’ argument that domain name rights may be awarded as prizes in a lottery,
21 like other forms of property. Plaintiff’s First Cause of Action is well pleaded, and
22 this Court should deny ICANN’s motion to dismiss it.

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

4 ICANN argues Plaintiffs are barred from asserting their breach of contract
5 claim against ICANN because a motion for a *preliminary injunction* brought by
6 *different plaintiffs* in a *different case* - Dotster, Inc. v. ICANN, Case No. CV 03-
7 5045 JFW (MANx) (C.D. Cal. Dec. 5, 2003) ("Dotster") - was denied. However,
8 ICANN fails to establish that Plaintiffs' claims are barred by the holding in Dotster,
9 either by collateral estoppel or res judicata. Indeed, ICANN cannot establish even
10 one of the elements of collateral estoppel or res judicata, because Dotster involved
11 different parties, and different issues, than those before the court in this proceeding.
12 Notably, Judge Walter, who presided over the Dotster case, declined to transfer the
13 instant case to his calendar on the grounds that this case "does not involve [the] same
14 or substantially identical questions of law and fact" as did Dotster.⁴ ICANN offers
15 no explanation of why this Court should credit Judge Walters' findings in Dotster,
16 but should reject his ruling that the instant case differs substantially from Dotster.
17 Nor does ICANN explain why Plaintiffs should not be afforded any opportunity to be
18 heard whatsoever. In any event, under clear authority, Dotster is not binding on
19 Plaintiffs, and ICANN's Motion should be denied.

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

22 Collateral estoppel applies when "(1) there was a full and fair opportunity to
23 litigate the issue in the previous action; (2) the issue was actually litigated in that
24 action; (3) the issue was lost as a result of a final judgment in that action; and (4) the
25 person against whom collateral estoppel is asserted in the present action was a party
26 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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28 ⁴ See Judge Walter's Order re Transfer Pursuant to General Order 224.

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

5 Due process prohibits the application of estoppel against litigants who “have
6 never had a chance to present their evidence and arguments on the claim.” Blonder-
7 Tongue Laboratories, Inc. v. University of Illinois Foundation, 402 U.S. 313, 329
8 (1971). Here, Plaintiffs could not have, and did not, argue their claims in Dotster
9 because 1) Plaintiffs were not parties to the Dotster litigation, and 2) Plaintiffs’
10 claims are substantially different from those raised by the Dotster plaintiffs. In
11 particular, the Dotster plaintiffs did not raise the issue of whether ICANN’s conduct
12 violated the UCL, or whether ICANN breached the RAA by denying them the right
13 to delete domain names, as do Plaintiffs in the case at bar.

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

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27 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
28 Dismiss Certain Causes of Action for Failure to State a Claim under FRCP 12(b)(6)).

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

3 Privity “contemplates an express or implied legal relationship by which parties
4 to the first suit are accountable to non-parties who file a subsequent suit with
5 identical issues.” United States v. Rayonier, Inc., 627 F.2d 996, 1003 (9th Cir.
6 1980). In determining privity, the closeness or significance of the relationship
7 between successive defendants is the controlling factor. Gambocz v. Yelencics, 468
8 F.2d 837 (3rd Cir. 1972). Plaintiffs here have no relationship with the Dotster
9 Plaintiffs, other than the fact that (like the Dotster plaintiffs) Plaintiffs are ICANN
10 accredited registrars. As is clear from the cases cited by ICANN, this does not come
11 close to the level of relationship required to support a finding of privity under the test
12 in Rayonier.

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

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

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

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

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

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

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

21 Judge Wilson necessarily decided as part of the *Tapia*
22 action whether the defendants' peremptory challenge
23 against Shaw was racially discriminatory. He held that it
24 was not. We turn then to whether the issue was fully and
25 fairly litigated by the parties in the *Tapia* action. *Tapia*
26 and *Corona* promptly objected to the peremptory challenge
27 against Shaw on the grounds that the challenge was
28 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

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

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

16 According to Miller, a critical factor in determining whether collateral estoppel
17 applies is "whether without fault of his own the (party against whom preclusion is
18 sought) was deprived of crucial evidence or witnesses in the first litigation." Id.
19 (citing Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation, supra,
20 402 U.S. at 333. The court found that "Miller was not foreclosed from offering any
21 evidence it chose in support of its motion for preliminary injunction in the... case
22 [against the first alleged trademark infringer]." Id. at 994-95. The Miller court held
23 only that a party that has previously litigated an issue may be estopped from
24 relitigating it. Miller did not provide, as ICANN attempts to show, that a party that
25 has never had an opportunity to present any witnesses or other evidence in support of
26 its claims, may be subject to collateral estoppel.

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