1	Jeffrey A. LeVee (State Bar No. 125863)			
2	Courtney M. Schaberg (State Bar No. 193728 Sean W. Jaquez (State Bar No. 223132)	3)		
3	JONES DAY 555 West Fifth Street, Suite 4600			
4	Los Angeles, CA 90013-1025 Telephone: (213) 489-3939			
5	Facsimile: (213) 243-2539			
6	Attorneys for Defendant INTERNET CORPORATION FOR			
7	ASSIGNED NAMES AND NUMBERS			
8	UNITED STATES DISTRICT COURT			
9	NORTHERN DISTRICT OF CALIFORNIA			
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11				
12	SYNCALOT, INC., a California	Case No. 03 C 4378 MJJ		
13	corporation, and DAVID BLOOM, an individual, in individual and representative	NOTICE OF MOTION AND MOTION OF		
14	capacities, on behalf of themselves and all others similarly situated,	DEFENDANT INTERNET CORPORATION FOR ASSIGNED NAMES		
15	Plaintiffs,	AND NUMBERS TO DISMISS PLAINTIFFS' FIRST AMENDED AND		
16	v.	SUPPLEMENTAL COMPLAINT; MEMORANDUM OF POINTS AND		
17	VERISIGN, INC., a Delaware corporation,	AUTHORITIES IN SUPPORT THEREOF		
18	INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS, a	[Filed concurrently with Request for Judicial Notice]		
19	not-for-profit California corporation, and the UNITED STATES DEPARTMENT	Date: June 15, 2004		
20	OF COMMERCE,	Time: 9:30 a.m. Dept.: Courtroom 11, 19 th Floor		
21	Defendants.	Judge: Honorable Martin J. Jenkins		
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TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD:

PLEASE TAKE NOTICE that on June 15, 2004 at 9:30 a.m., or as soon thereafter as the matter may be heard, in Courtroom 11, 19th Floor of the above-entitled Court, Defendant Internet Corporation for Assigned Names and Numbers ("ICANN") will and hereby does move this Court, pursuant to Rule 12(b)(6) of the Federal Rules of Civil Procedure, for an order dismissing all claims against ICANN in the First Amended and Supplemental Class Action Complaint ("First Amended Complaint" or "FAC") filed by Plaintiffs Syncalot, Inc. and David Bloom (collectively, "Plaintiffs").

RELIEF SOUGHT

ICANN seeks an order pursuant to Rule 12(b)(6) of the Federal Rules of Civil Procedure dismissing Plaintiffs' First Amended Complaint against ICANN. Plaintiffs' First Amended Complaint fails to allege a case or controversy against ICANN and fails to state a claim against ICANN upon which relief can be granted. Plaintiffs' sole claim against ICANN is a request for declaratory relief as to whether defendant VeriSign, Inc. ("VeriSign") has breached the .com and .net Registry Agreements between ICANN and VeriSign. Plaintiffs are not signatories to either agreement, and both agreements expressly state that there are no third-party beneficiaries. Therefore, Plaintiffs cannot base any claim against ICANN on an assertion that they have contractual rights under either agreement. ICANN has no legal interest in this dispute and is not a proper (and certainly not a necessary or indispensable) party.

ISSUES TO BE DECIDED

- 1. Whether Plaintiffs' First Amended Complaint alleges an actual controversy between Plaintiffs and ICANN sufficient to confer standing upon Plaintiffs to sue ICANN.
- 2. Whether Plaintiffs' First Amended Complaint states a claim against ICANN upon which relief can be granted.

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LAI-2093649v1

1	This motion is based upon this Notice, the Memorandum of Points and Authorities	
2	attached hereto, the concurrently-filed Request for Judicial Notice, the papers and records filed	
3.	herein, and other such evidence and argument as the Court may entertain at the hearing on the	
4	Motion.	
5	Dated: April 13, 2004 JONES DAY	
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7	By: Petrey Unit	
8	Jeffrey A. La Vee	
9	Attorneys for Defendant INTERNET CORPORATION FOR	
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MEMORANDUM OF POINTS AND AUTHORITIES

INTRODUCTION

Plaintiffs' First Amended Complaint presents no dispute between Plaintiffs and ICANN. The sole reason that Plaintiffs have named ICANN as a party to this matter is that Plaintiffs wish to litigate two contracts that exist between ICANN and VeriSign. Plaintiffs have no rights either directly or indirectly under either agreement. Plaintiffs' First Amended Complaint fails to allege a case or controversy against ICANN and fails to state a claim against ICANN upon which relief can be granted.

STATEMENT OF FACTS

ICANN is a not-for-profit corporation that was organized under California law in 1998. FAC, ¶ 9. Pursuant to a series of agreements with the United States Department of Commerce ("DOC"), ICANN is responsible for administering certain technical aspects of the Internet's domain name system. FAC, ¶¶ 1.10, 9, 105. Among its various activities, ICANN contracts with Internet "registries" who maintain the master database of domain names for a particular top-level domain ("TLD"). FAC, ¶¶ 1.10, 33. Each TLD — such as .com and .net — is operated by a single registry that functions similar to a phone book, making sure that each domain name registered in that TLD is unique. FAC, ¶¶ 32-33. The registry then makes this information available to the Internet community, which allows computers to access each domain name within that TLD. FAC, ¶¶ 31-33.

VeriSign, through its .com and .net Registry Agreements with ICANN, performs the registry function for the .com and .net TLDs. FAC, ¶ 1.10, 69. Plaintiffs contend that, in September 2003, "without notice and apparently without any outside consultation," VeriSign began intercepting all domain name lookup requests in the .com and .net TLDs and diverted requests where no domain name existed to "VeriSign's own for-profit website," which VeriSign referred to as Site Finder. FAC, ¶ 1.4, 1.8. Plaintiffs allege that, prior to VeriSign's action, if a domain name request asked for a specified domain name that did not exist, a standard form response, called a "NXDOMAIN" ("no such domain"), was returned. FAC, ¶ 1.8. Plaintiffs

allege that this change to the .com and .net TLDs by VeriSign has directly harmed Plaintiffs, who are entitled to declaratory, equitable, and injunctive relief. FAC, ¶¶ 1-8 of Prayer for Relief.

Plaintiffs' initial complaint named only VeriSign as a defendant. Plaintiffs' First Amended Complaint now adds ICANN and the United States Department of Commerce ("DOC") as defendants. In addition, the First Amended Complaint revises a number of Plaintiffs' initial causes of action.

Plaintiffs now claim third-party beneficiary status to the .com and .net Registry Agreements between ICANN and VeriSign. The First Amended Complaint, however, never alleges that ICANN committed any breach under these agreements or caused any wrong to Plaintiffs in general. Rather, the First Amended Complaint requests declaratory relief against VeriSign, and attempts to obtain that relief via court-ordered interpretations of agreements between ICANN and VeriSign. FAC, ¶ 107(e)-(g).

The .com and .net Registry Agreements are the only two agreements "expressed or implied . . . involving . . . ICANN" that could relate to Plaintiffs' request. *Id.* Both agreements, however, contain an express "No Third-Party Beneficiary" provision which reads: "[t]his Agreement shall not be construed to create any obligation by either ICANN or Registry Operator to any non-party to this Agreement, including any registrar or Registered Name holder." RJN, Ex. A (.com Registry Agreement) at ¶ 32; *see* RJN, Ex. B (.net Registry Agreement) at ¶ 5.14 (substituting "Registered Name holder" for "SLD [secondary level domain] holder"). Nor is there any express language in either the .com or .net Registry Agreement that could confer any distinct right in favor of third parties.

Plaintiffs specifically allege that they are third-party beneficiaries to the "Tentative Registry Agreement' or such other Agreement as covers that subject matter." FAC, ¶ 69. However, there is no "Tentative Registry Agreement" between VeriSign and ICANN. Pursuant to Federal Rule of Evidence 201, ICANN respectfully requests that this Court take judicial notice of the current .com and .net Registry Agreements between VeriSign and ICANN that are publicly available on ICANN's web site. See Exhibit A (.com Registry Agreement) and Exhibit B (.net Registry Agreement) to the concurrently-filed Request for Judicial Notice ("RJN"). Upon a motion to dismiss, a court may take judicial notice of a contract whose authenticity is not in question and upon which a plaintiff's complaint necessarily relies. Parrino v. FHP, Inc., 146 F.3d 699, 706 (9th Cir. 1998).

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LEGAL STANDARD

Although this Court must accept as true material factual allegations in the complaint, "conclusory allegations of law and unwarranted inferences are insufficient to defeat a motion to dismiss for failure to state a claim." *Anderson v. Clow (In re Stac Elecs. Sec. Litig.)*, 89 F.3d 1399, 1403 (9th Cir. 1996) (internal quotation omitted). To withstand scrutiny under Rule 12(b)(6), the complaint "must contain either direct or inferential allegations respecting all the material elements to sustain a recovery under some viable legal theory." *Scheid v. Fanny Farmer Candy Shops, Inc.*, 859 F.2d 434, 436 (6th Cir. 1988) (internal quotations omitted). In undertaking this analysis, the Court is not required to "accept as true allegations that contradict matters properly subject to judicial notice or by exhibit." *Sprewell v. Golden St. Warriors*, 266 F.3d 979, 988 (9th Cir. 2001). If the complaint fails on a motion to dismiss, it should be dismissed with prejudice if amendment would be futile. *See Reddy v. Litton Indus., Inc.*, 912 F.2d 291, 296 (9th Cir. 1990).

ARGUMENT

Plaintiffs' First Amended Complaint is devoid of any allegations against ICANN and must be dismissed. Plaintiffs' sole basis for bringing ICANN into this lawsuit is to litigate contractual rights that Plaintiffs do not possess. Plaintiffs' allegations fail to demonstrate that Plaintiffs have standing to sue ICANN or that Plaintiffs have a cognizable legal theory against ICANN because Plaintiffs are not third-party beneficiaries to the contracts and ICANN is not a necessary party.

I. PLAINTIFFS' FIRST AMENDED COMPLAINT FOR DECLARATORY RELIEF SHOULD BE DISMISSED BECAUSE PLAINTIFFS LACK STANDING TO SUE ICANN.

Before a federal court can hear any matter, the court must have jurisdiction over the subject matter of the suit. See Lujan v. Defenders of Wildlife, 504 U.S. 555, 559-61 (1992). One aspect of a federal court's subject matter jurisdiction is Article III of the United States Constitution's case-or-controversy requirement. Allen v. Wright, 468 U.S. 737, 750 (1984). Standing is a core element of the case-or-controversy requirement. Allen, 468 U.S. at 750-51. A motion to dismiss a claim for lack of standing is proper under Federal Rule of Civil Procedure 12(b)(6). Glen Holly Entertainment Inc. v. Tektronix Inc., 343 F.3d 1000, 1014 n.5 (9th Cir.

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2003) (stating that a motion to dismiss for lack of standing is proper under Fed. R. Civ. P. 12(b)(6)); Mai Systems Corp. v. UIPS, 856 F. Supp. 538, 540 (N.D. Cal. 1994) ("Failure to properly allege standing is a ground for dismissal under Rule 12(b)(6).") (citing Western Mining Council v. Watt, 643 F.2d 618 (9th Cir. 1980)).

An action seeking declaratory relief is not exempt from the Article III standing requirement. Government Employees Ins. Co. v. Dizol, 133 F.3d 1220, 1222 (9th Cir. 1998) (en banc) (citing Aetna Life Ins. Co. v. Haworth, 300 U.S. 227, 239-40 (1937)) ("[L]awsuit seeking federal declaratory relief must first present an actual case or controversy within the meaning of Article III, section 2 of the United States Constitution."). To warrant the issuance of a declaratory judgment, the plaintiff's allegations must show that there is a substantial controversy between parties having adverse legal interests of sufficient immediacy and reality. Public Utilities Commission v. FERC, 100 F.3d 1451, 1458 (9th Cir. 1996) (quoting Maryland Casualty Co. v. Pacific Coal & Oil Co., 312 U.S. 270, 273 (1941)).

The Supreme Court has articulated three components that form the irreducible constitutional minimum for standing that Plaintiffs must establish with respect to ICANN:

(1) Plaintiffs have suffered an "injury in fact" that is concrete and particularized, and actual or imminent, not conjectural or hypothetical; (2) Plaintiffs' injury is "fairly traceable" to the challenged action of ICANN; and (3) it is likely, as opposed to merely speculative, that Plaintiffs' injury will be redressed by a decision against ICANN. Friends of the Earth, Inc. v. Laidlaw Envtl. Services, 528 U.S. 167, 180-81 (2000). "The party invoking federal jurisdiction bears the burden of establishing these elements." Lujan, 504 U.S. at 559-61. The absence of any one element of standing requires dismissal. Id. at 561.

The allegations in Plaintiffs' First Amended Complaint are insufficient to maintain a declaratory relief action against ICANN because they fail to state any legal issue with ICANN that needs to be decided by this Court. Government Employees Ins. Co., 133 F.3d at 1222 ("[L]awsuit seeking federal declaratory relief must first present an actual case or controversy within the meaning of Article III, section 2 of the United States Constitution." (citation omitted)). Even assuming Plaintiffs have suffered some alleged injury, Plaintiffs' allegations fail to satisfy

the second and third prongs of the Supreme Court's *Friends of the Earth* test, and Plaintiffs therefore lack standing to sue ICANN.

Plaintiffs' alleged injury is "degraded Internet performance" and damage to "owners of domain names, providers of Internet service and Internet software applications developers." FAC, ¶ 41. This injury is alleged to have been caused by "VeriSign's interceptions and/or SiteFinder Diversion Technology." *Id.* There is no allegation, nor could there be, that this injury is "fairly traceable to" conduct by ICANN. Indeed, there is no allegation of *any conduct* by ICANN — challenged or otherwise.

Moreover, there is no allegation that Plaintiffs' alleged injury could possibly be redressed by a decision against ICANN. The only "relief sought" that even mentions ICANN is a request for a determination as to whether *VeriSign* has breached the .com and .net Registry Agreements between ICANN and VeriSign. FAC, ¶ 107(e)-(g). In fact, all of Plaintiffs' requests for relief challenge actions by, or seek judicial action solely against, VeriSign, and Plaintiffs' First Amended Complaint does not even seek to obtain a judgment against ICANN.

The First Amended Complaint shows there exists no dispute between Plaintiffs and ICANN. Without allegations of an actual dispute between Plaintiffs and ICANN, there exists no basis for declaratory relief. *Government Employees Ins. Co.*, 133 F.3d at 1222. *See Audette v. Int'l Longshoremen's & Warehousemen's Union*, 195 F.3d 1107, 1111 n.3 (9th Cir. 1999) (stating that a request for a declaratory judgment that merely seeks relief, rather than states a cause of action, fails to state a claim). That is, because there is no "substantial controversy between parties having adverse legal interests of sufficient immediacy and reality," *Public Utilities Commission* directs that Plaintiffs' First Amended Complaint against ICANN for declaratory relief must be dismissed for lack of standing.

II. PLAINTIFFS' FIRST AMENDED COMPLAINT FAILS TO STATE A COGNIZABLE LEGAL THEORY AGAINST ICANN.

Under Federal Rule of Civil Procedure 12(b)(6), a trial court should dismiss a complaint where there is a "lack of a cognizable legal theory." *Balistreri v. Pacifica Police Dep't*, 901 F.2d 696, 699 (9th Cir. 1990); see Securities Investor Protection Corp. v. Vigman, 764 F.2d 1309,

1318 (9th Cir. 1985) ("plaintiff's complaint must set out more than mere bald allegations of a claim"). In addition, a Rule 12(b)(6) motion should be granted if it appears from the face of the complaint "that the plaintiff can prove no set of facts in support of his claim which would entitle him to relief." *Conley v. Gibson*, 355 U.S. 41, 45-46 (1957).

Plaintiffs have failed to allege a cognizable legal theory against ICANN. Plaintiffs' claims are contract-based but Plaintiffs are not parties to any contract with ICANN, and Plaintiffs' declaratory relief claim against ICANN cannot be rescued by alleging that Plaintiffs are third-party beneficiaries to the agreements. *See* RJN, Ex. A (.com Registry Agreement), Ex. B (.net Registry Agreement). Further, because Plaintiffs have no rights under the Registry Agreements between ICANN and VeriSign, ICANN is not a necessary or indispensable party to this lawsuit.

A. Plaintiffs Are Not Third-Party Beneficiaries To The .Com And .Net Registry Agreements And Cannot Assert Any Rights Thereunder.

In order for a third-party to recover under a contract, the third party must demonstrate that the contract was intentionally made for its direct benefit. *Klamath Water Users Protective Ass'n v. Patterson*, 204 F.3d 1206, 1210 (9th Cir. 1999) (citation omitted) (showing of contractual intent to directly benefit the third party was required even though the contract operated to the benefit of the third party and was entered into with the third party in mind); *Norse v. Henry Holt & Co.*, 991 F.2d 563, 568 (9th Cir. 1993) (finding that a contract provision preventing interference with existing third-party rights did not demonstrate the requisite intent to turn holders of such rights into third-party beneficiaries); *Williams v. Fenix & Scission, Inc.*, 608 F.2d 1205, 1208 (9th Cir. 1979) (stating that third party was not a beneficiary where promisor had no "reason to know" that such benefit was a motivating cause for the promisee in making the contract).

The requisite intent to benefit a third party must be that of "the parties to the contract." Britton v. Co-op Banking Group, 4 F.3d 742, 745 (9th Cir. 1993). Without the requisite showing of intent to benefit a third party, the "third party has no rights under the contract." Id. (citing Sherman v. British Leyland Motors, Ltd., 601 F.2d 429, 440 n.13 (9th Cir. 1979) (denying third-party beneficiary status where the agreement was not found to provide rights or responsibilities expressly intended for third parties)).

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In analyzing whether a contract demonstrates an intent to benefit a third party, the contracting parties' intent "must appear from the terms of the contract" to be "expressly" made for the third party's benefit. *Lincoln Alameda Creek v. Cooper Indus., Inc.*, 829 F. Supp. 325, 329-30 (N.D. Cal. 1992) (holding that a third party's reliance on the contract was without merit where the contract did not "clearly intend[] to inure to her benefit" and the third party failed to present "any facts to prove that [the contracting parties] intended for her to rely on it."). "Expressly' means in an express manner; in direct or unmistakable terms; explicitly; definitely; directly." *Lazar v. Tans Union LLC*, 195 F.R.D. 665, 674 (C.D. Cal. 2000) (citations omitted).

A "No Third-Party Beneficiary" clause in a contract is a significant, if not controlling, factor in determining the contracting parties intent. See McKesson HBOC, Inc. v. New York State Common Ret. Fund, Inc., 339 F.3d 1087, 1091 (9th Cir. 2003) (finding under comparable Delaware law, that a "no third-party beneficiary" clause represents an express rejection of any intent to create a class of third-party beneficiaries); Ratcliff Architects v. Vanir Construction Mgmt., 88 Cal. App. 4th 595, 603-04 (2001) (finding a "no third-party beneficiary" clause to be "particular" in showing that the agreement creates no rights in persons not a party to the agreement). Under California law, a "no third-party beneficiary" clause is an express disclaimer that the contract "creates any rights or confers any benefits on third parties." Sessions Payroll Mgmt., Inc. v. Noble Const. Co., Inc., 84 Cal. App. 4th 671, 680-81 (2000); see Sofias v. Bank of America, 172 Cal. App. 3d 583, 587 (1985) (finding a "no third-party beneficiary" clause sufficient to deny third-party rights under the agreement).

Plaintiffs are plainly not third-party beneficiaries of the .com or .net Registry Agreements. Neither agreement explicitly or implicitly grants such rights to Plaintiffs or any other similarly situated party. See RJN, Ex. A (.com Registry Agreement), Ex. B (.net Registry Agreement). In fact, both the .com and .net Registry Agreements contain provisions explicitly denying any third-party beneficiary rights:

No Third-Party Beneficiaries. This Agreement shall not be construed to create any obligation by either ICANN or Registry Operator [VeriSign] to any non-party to this Agreement, including any registrar or Registered Name holder. RJN, Ex. A (.com Registry Agreement) at ¶ 32;

No Third-Party Beneficiaries. This Agreement shall not be construed to create any obligation by either ICANN or Registry Operator [VeriSign] to any non-party to this Agreement, including any registrar or SLD holder. RJN, Ex. B (.net Registry Agreement) at ¶ 5.14.

In a recent Second Circuit decision applying California law, the court held that the "No Third-Party Beneficiary" provision in an ICANN Registrar Accreditation Agreement "expressly and intentionally excluded non-parties from claiming rights under it in court proceedings." *Register.com, Inc. v. Verio, Inc.*, 356 F.3d 393, 400 (2nd Cir. 2004). Moreover, the court was "not persuaded" by plaintiff's allegations that the third-party should still be able to enforce the agreement because: (1) "public policy interests [were] at stake"; (2) plaintiff registrar had "indisputable obligations to ICANN as a registrar"; or (3) plaintiff registrar had "unclean hands' in imposing a restriction it was contractually bound not to impose." *Id.*

B. Plaintiffs' Claim That ICANN Is A Necessary Or Indispensable Party Lacks Merit.

Plaintiffs allege that ICANN is a necessary or indispensable party. FAC, ¶ 104. Whether a party is necessary or indispensable is determined by application of Federal Rule of Civil Procedure 19. Virginia Surety Co. v. Northrop Grumman Corp., 144 F.3d 1243, 1247-48 (9th Cir. 1998). A party is deemed "necessary" if complete relief is impossible among the existing parties and the absent party has a legally protected interest in the outcome of the litigation. Pit River Home & Agric. Coop. Ass'n v. United States, 30 F.3d 1088, 1099 (9th Cir. 1994). After determining whether the party is necessary to the litigation, the court may then determine if the party is indispensable. Id. A party is "indispensable" if in "'equity and good conscience,' the court should not allow the action to proceed in its absence." Dawavendewa v. Salt River Project Agric. Improvement & Power Dist., 276 F.3d 1150, 1161-62 (9th Cir. 2002) (quoting Kescoli v. Babbitt, 101 F.3d 1304, 1310 (9th Cir. 1996)).

It is clear from the First Amended Complaint that ICANN is not a proper party to this action, let alone a necessary or indispensable party. Plaintiffs have alleged a number of different grounds for their claims against VeriSign. ICANN's relationship to this lawsuit is as a party to the .com and .net Registry Agreements only. Plaintiffs cannot, however, assert any rights —

1	directly or as third parties — under these agreements. It would be unnecessary and improper for	
2	the Court to adjudicate ICANN and/or VeriSign's rights or obligations under either agreement.	
3	Register.com, Inc., 356 F.3d 393, 400-01 (stating that ICANN need not intervene on behalf of	
4	defendant in an effort to enforce contractual obligations between ICANN and plaintiff registrar).	
5	ICANN has certainly not requested that this Court make any such determination. Without the	
6	involvement of the agreements, the only remaining disputes in the First Amended Complaint are	
7	between Plaintiffs and VeriSign. Therefore, ICANN is an improper defendant in this action, and	
8	Plaintiffs' claims against it should be dismissed.	
9	CONCLUSION	
10	For all of the foregoing reasons, Plaintiffs' First Amended Complaint must be dismissed	
11	with prejudice against defendant ICANN pursuant to Federal Rules of Civil Procedure 12(b)(6),	
12	for lack of standing and for a failure to state a claim.	
13	Dated: April 13, 2004 JONES DAY	
14		
15	By:	
16	Jeffrey A. LeVee Attorneys for Defendant	
17	INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS	
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