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INTERNET CORPORATION FOR
ASSIGNED NAMES AND NUMBERS

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

WESTERN DIVISION

IMAGE ONLINE DESIGN, INC.,

Plaintiff,

v.

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS,

Defendant.

Case No. CV 12-08968-DDP (JCx)

Assigned for all purposes to the Honorable Dean D. Pregerson

MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF ICANN'S MOTION TO DISMISS COMPLAINT

[Notice of Motion and Motion to Dismiss Complaint; Request for Judicial Notice; and [Proposed] Order Filed, Served and Lodged Concurrently Herewith]

Hearing Date: Jan. 28, 2013
Hearing Time: 10:00 a.m.
Hearing Location: 312 N. Spring St.

TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES

Page

FEDERAL CASES

CALIFORNIA CASES

FEDERAL STATUTES

OTHER AUTHORITIES

INTRODUCTION

Through agreements with the United States Government, defendant Internet Corporation for Assigned Names and Numbers ("ICANN") is tasked with coordinating portions of the Internet's domain name system ("DNS"), which permits Internet users to find websites and communicate within the global Internet. These agreements also provide ICANN with the responsibility for approving new "top level domains" ("TLDs") in the DNS that compete with existing TLDs, such as .COM, .NET and .ORG. ICANN is a not-for-profit public benefit corporation, and because of its unique role in the DNS, its bylaws specifically forbid it from competing with the companies that it authorizes to operate TLDs.

Since 1996, Plaintiff Image Online Design, Inc. ("IOD") has been operating in an "alternative internet" that is not connected to the DNS and can only be accessed through use of special software. In its alternative internet, IOD allegedly operates a ".WEB" TLD. In 2000, ICANN accepted applications for new TLDs, and IOD applied to ICANN to operate a new .WEB TLD. However, ICANN did not approve IOD's application and did not allow any company to operate the .WEB TLD in the DNS.

Now, as ICANN is considering the historic introduction of hundreds of new TLDs, IOD has charged ICANN with various contract, trademark and tort claims seeking to block possible creation of a .WEB TLD in the DNS that may compete with the .WEB TLD that IOD offers in its alternative internet. Although IOD's Complaint contains a long list of causes of action, the Complaint is incredibly short on factual allegations and is based on a complete misapprehension of the 2000 contract it entered with ICANN as well as trademark law.

First and foremost, IOD's entire Complaint is barred by a release of ICANN that IOD executed in 2000 when it applied to ICANN for the .WEB TLD. In that release – which is contained in the very same contract IOD is seeking to enforce with this action – IOD acknowledged that it had "no legally enforceable right" in

any TLD, and IOD released and forever discharged ICANN from "any and all claims" relating to ICANN's "action or inaction" in connection with IOD's application or ICANN's "establishment or failure to establish a new TLD." Yet IOD's breach of contract claims are completely dependent on ICANN's alleged "inaction" with respect to IOD's 2000 application; and IOD's other claims are all premised on ICANN's alleged "establishment or failure to establish" new TLDs. As such, each of IOD's claims falls within the scope of the release and are barred.

Even if the release did not bar IOD's Complaint, every one of its claims is otherwise defective. In particular:

- IOD alleges that ICANN breached a contract with IOD, but the actual terms of that contract – which ICANN is permitted to rely upon in this Motion – do not restrict ICANN from doing exactly what IOD alleges to be the breach.
- As to IOD's trademark claims, IOD alleges that it has a federal registration for the mark ".WEB" and that ICANN has infringed this mark, but IOD fails to disclose that its .WEB mark actually covers "fanny packs," "mouse pads," and the like, which do not encompass the services ICANN allegedly provides, much less the claims that IOD identifies in its Complaint.
- IOD also alleges that it has common law trademark rights in the .WEB TLD, but Judge Kelleher rejected this exact claim when IOD first asserted it in 2000, and nothing has changed since then that would confer such rights on IOD.
- Finally, IOD asserts claims for tortious interference with its business relationships, but it fails to offer even the most basic facts regarding these relationships, alleged acts by ICANN designed to disrupt the relationships, or such disruption.

In short, IOD has not alleged facts sufficient to state a claim against ICANN, and its Complaint should be dismissed.

SUMMARY OF IOD'S COMPLAINT

The Internet's Domain Name System. The Internet is succinctly described as "an international network of interconnected computers." *Reno v. ACLU*, 521 U.S. 844, 849 (1997). Each computer and server has a unique identity, known as an Internet Protocol address ("IP address"), consisting of a series of numbers. (Compl. ¶ 9.) Because series of numbers can be hard to remember, the founders of the Internet created the Domain Name System ("DNS"), which converts numeric IP addresses into easily-remembered domain names permitting users to find specific websites, such as "google.com" or "uscourts.gov." (*Id*. ¶ 10.) When a computer user requests a domain name associated with a particular website, that request is sent to a DNS server, which looks up the IP address assigned to that domain name and allows a connection between the requesting computer and the website. (*Id*. ¶ 15.) The end result is that this Court's website can be found by entering "cacd.uscourts.gov," rather than a string of numbers, which is how computers on the network actually know it.

The ".COM" and ".GOV" referenced in these examples are known as the "Top Level Domains" or "TLDs." (*Id*. at ¶ 17.) The letters immediately to the left of the last "period" or "dot" are known as the Second Level Domain, such as "google" or "uscourts." (*Id*.) The letters to the left of the Second Level Domain (if any) are known as the Third Level Domain, such as the "cacd" used in this Court's website address. (*Id*. at ¶ 18.)

ICANN's Mandate and Operations. ICANN is a California not-for-profit public benefit corporation. (*Id*. ¶ 5.) Prior to ICANN's formation in 1998, the United States government, via contractual arrangements with third parties, operated the DNS. (*Id*. ¶ 24.) ICANN was formed in 1998 as part of the U.S. Government's commitment to privatize the Internet so that administration of the DNS would be in the hands of those entities that actually used the Internet as opposed to governments. (*Id*. ¶ 23.) Pursuant to agreements with the U.S. Department of Commerce, ICANN

has been vested with the sole responsibility for coordinating the DNS and ensuring its continued security, stability and integrity. (*Id*. ¶¶ 26-27.)

ICANN fulfills its coordination role in a number of ways. For example, ICANN enters into contracts with and monitors each "registry," which are the companies that operate the TLDs. (*Id*. ¶¶ 26-28.) In addition, ICANN accredits and enters into contracts with "registrars," which are the companies that contract with consumers and businesses to obtain rights to use second-level domain names in the TLDs, such as yahoo.com and NPR.org. (*Id*. ¶¶ 21-22.)

Pursuant to its agreements with the U.S. Government, ICANN has the exclusive authority to determine whether to introduce new TLDs into the Internet's current architecture. (*Id*. ¶ 26.) ICANN also has the exclusive authority to determine what companies will operate as registries for these TLDs. (*Id*.) ICANN is required to perform these functions "exclusively for charitable, educational, and scientific purposes within the meaning of § 501(c)(3) of the Internal Revenue Code of 1986 . . . ." (ICANN's Request for Judicial Notice ("RJN"), Ex. A, Art. 3.) ICANN does not compete in the DNS or operate any TLDs, and its Bylaws specifically restrict it from acting as a registry or registrar in competition with entities affected by ICANN's policies. (RJN, Ex. B at Art. II, § 2.)

IOD's Operations and its 2000 Application To Operate a .WEB TLD. IOD alleges that it began operating in 1996 in an "alternative internet" that is not linked in any way to the DNS. (Compl. ¶¶ 29-30.) In this alternative internet, IOD has allegedly been providing "registry services" for a .WEB TLD, which can be accessed with the installation of special software to avoid the DNS. (*Id*. ¶ 30.)

One of ICANN's core missions is to create competition within the DNS. (RJN, Ex. A at Art. 4; RJN, Ex. B at Art. I, § 2.6.) In furtherance of this mission, in 2000, ICANN's Board of Directors decided to accept applications for the creation of a limited number of new TLDs. (Compl. ¶¶ 41-42.) Thereafter, ICANN provided potential applicants with application forms and instructions, a summary of

the evaluation criteria and a list of responses to Frequently Asked Questions ("FAQs"). (*Id.* ¶ 68.)

On October 1, 2000, IOD executed and submitted to ICANN an "Unsponsored TLD Application Transmittal Form" to act as the registry operator for a proposed .WEB TLD ("2000 Application"). (*Id.* ¶ 45; RJN, Ex. C.) In its 2000 Application, IOD acknowledged that it had "no legally enforceable right to acceptance ***or any other treatment*** of [its] application or to the delegation in any particular manner of any top-level domain that may be established in the authoritative DNS root." (RJN, Ex. C ¶ B12 (emphasis added); *see also id.* ¶ B6 ("there is no understanding, assurance, or agreement that this application will be selected for negotiations toward entry of an agreement with a registry operator.").) IOD also expressly agreed in its 2000 Application to "release and forever discharge ICANN . . . from any and all claims and liabilities relating in any way to (a) any action or inaction by or on behalf of ICANN in connection with this application or (b) the establishment or failure to establish a new TLD." (*Id.* ¶ B14.2.)

In its 2000 Application, IOD acknowledged that it "thoroughly reviewed" all "documents linked directly or indirectly from 'TLD Application Process: Information for Applicants,' posted at http://www.icann.org/tlds/tld-application-process.htm," an Internet page that provided applicants with all information relevant to the application and evaluation processes. (*Id.* ¶ B3.) For example, the Information for Applicants page referenced in the 2000 Application (RJN, Ex. D), provides links to the "New TLD Application Instructions" page (RJN, Ex. E), and the "New TLD Application Process Overview" page (RJN, Ex. F), both of which explained how to fill out the application, provided guidance to applicants and explained that at the end of the evaluation process, "ICANN ***will announce its selections*** of applications for negotiations toward agreements with registry sponsors and operators." (RJN, Ex. E ¶ I38 (emphasis added); RJN, Ex. F ¶ 4 ("After approval by the Board, ICANN to announce selections for negotiations toward

entry of agreements with registry sponsors and operators.").

The FAQs linked to the Information for Applicants page also contained a wealth of information. (RJN, Ex. G). For instance, the FAQs made clear the possibility that multiple parties may request the same TLD, but that ICANN would evaluate competing requests under the same criteria. (RJN, Ex. G FAQ #4, FAQ #22.) The FAQs also explained what would happen to applications not selected for approval by clearly stating that if there are additional TLD selection rounds in the future, "there will be revisions in the program based on the experience in the first round. ***This will likely require submission of new materials***." (*Id*. FAQ #54 (emphasis added).)

On November 16, 2000, ICANN announced that it had selected seven new TLD applications to proceed towards contract negotiations with ICANN. (Compl. ¶ 46.) IOD's .WEB application was not one of the seven. (*Id*.) Thereafter, IOD filed a "request for reconsideration," which is a mechanism provided for in ICANN's Bylaws, seeking review of ICANN's decision not to select IOD's application. (*Id*. ¶ 48.) On March 16, 2001, ICANN's Reconsideration Committee (the then ICANN Board committee responsible for reviewing requests for reconsideration) recommended against reconsideration of ICANN's decision regarding IOD's application. (*Id*. ¶ 49.) In its report, which IOD specifically identifies in its Complaint ("Reconsideration Report"), the Reconsideration Committee detailed the deliberation and evaluation of each application in the 2000 round, including IOD's:

> Forty-seven applications were submitted by the deadline established; three of those were withdrawn for various reasons, and the remaining forty-four were published on ICANN's website and open to public comments. More than 4,000 public comments were received. The applications and the public comments were carefully reviewed by technical, financial, and legal advisors, who applied the criteria set forth in the various materials previously published by ICANN. The result of that extensive evaluation was a 326-page report, which summarized both the public comments and the analysis of

> the evaluation team. The evaluation team's report was posted on the ICANN website for public comment and review by ICANN's Board of Directors. More than 1,000 additional public comments were received on the staff report. The Board had access to the applications and the public comments as they were filed. Thus, the Board's decision on new TLDs was the product of many inputs from many sources.

(RJN, Ex. H p. 2.) The Reconsideration Committee also detailed some of the shortcomings in IOD's 2000 Application. (*Id*. p. 3-5.) And as IOD alleges, the Reconsideration Committee reiterated what the FAQs stated with regard to applications not selected – "All of the proposals not selected remain pending, and those submitting them will certainly have the ***option*** to have them considered if and when additional TLD selections are made." (*Id*. p. 3 (emphasis added).)

ICANN's 2012 Application Round. ICANN opened another round of applications for new TLDs in 2012 ("2012 Application Round"). (Compl. ¶¶ 54-55.) In connection with the 2012 Application Round, ICANN published a comprehensive guidebook setting out the requirements for submitting an application, and requiring a cost-based $185,000 application fee for each TLD requested. (*Id*. ¶ 54.) Consistent with the 2000 Round FAQ's and Reconsideration Committee's statements (as IOD notes in its Complaint), the guidebook explained that entities that applied for TLDs in 2000 but were not selected could ***reapply*** in the 2012 Round and receive a reduction of $86,000 in the application fee. (*Id*. ¶ 57.) IOD, however, did not take advantage of this offer and did not apply for the .WEB TLD or any other. (*Id*. ¶ 56) Numerous other entities did apply, requesting hundreds of new TLDs, including seven applications to operate a .WEB TLD. (*Id*. ¶ 58.) ICANN has not yet approved any TLDs in connection with the 2012 Application Round. (*Id*. ¶ 96.)

IOD's Claims Against ICANN. In its Complaint, IOD asserts contract, trademark and tortious interference claims against ICANN. IOD alleges that ICANN breached a contract with IOD, and the implied covenant of good faith and

fair dealing, by accepting applications for a .WEB TLD in the 2012 application round before "considering, approving or rejecting" IOD's 2000 Application. (Compl. ¶¶ 78, 77, 85-86.) In its trademark claims, IOD alleges that it has trademark rights in the .WEB TLD and that ICANN has infringed these rights by allegedly indicating "that it intends to permit one or more of the new applicants to operate the .WEB registry." (*Id*. ¶¶ 96, 111, 127.) Finally, IOD claims that ICANN has interfered with its business relations by permitting other entities to apply for a .WEB TLD. (*Id*. ¶ 138, 147.)

ARGUMENT

To survive a motion to dismiss, a plaintiff must allege facts sufficient "to raise a right to relief above the speculative level." *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007). A complaint cannot rely on mere "labels and conclusions," and "a formulaic recitation of the elements of a cause of action will not do." *Id*. Instead, the elements of each claim must be alleged in more than vague and conclusory terms: a complaint must contain enough factual "heft" to "show[] that the pleader is entitled to relief." *Id*. Plausibility is the key: plaintiffs must offer factual allegations that "nudge their claims across the line from conceivable to plausible." *Id*. at 570; *Ashcroft v. Iqbal*, 556 U.S. 662, 670 (2009) ("A claim has facial plausibility when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged."). A plaintiff must plead facts "plausibly suggesting" the existence of unlawful conduct, and courts must evaluate the plausibility of the allegations "in light of common economic experience." *Twombly*, 550 U.S. at 546, 565. But a court need not accept as true legal conclusions or unwarranted factual inferences, even if "couched as a factual allegation." *Papasan v. Allain*, 478 U.S. 265, 286 (1986).

The Supreme Court has directed courts to apply these standards rigorously to prevent a "largely groundless claim" from imposing the enormous burden and

expense of discovery on litigants and courts. *Twombly*, 550 U.S. at 557-58. In particular, the Supreme Court has "counsel[ed]" lower courts "against sending the parties into discovery when there is no reasonable likelihood that the plaintiff[] can construct a claim from the events related in the complaint." *Twombly*, 550 U.S. at 558; *Kendall v. Visa U.S.A., Inc.*, 518 F.3d 1042, 1047 (9th Cir. 2008). This admonition is particularly apt here, as set forth below.

I. IOD Released ICANN Of All The Claims Asserted In Its Complaint.

IOD's Complaint suffers from a number of pleading deficiencies, but the Court can dismiss the entire Complaint on a single ground: In the very contract IOD seeks to enforce against ICANN – IOD's 2000 Application – IOD explicitly released ICANN of all the claims asserted in the Complaint. Although IOD failed to attach a copy of the agreement to its Complaint, ICANN is entitled to rely upon the actual terms of that contract in this Motion, as established in the concurrently filed Request for Judicial Notice. Not only do the actual terms of the 2000 Application make clear that ICANN is in compliance with its contractual obligations, but they also demonstrate that IOD's Complaint is barred by the contract's release of ICANN, as set forth below.

A written release extinguishes any claim covered by its terms. *Skrbina v. Fleming Cos.*, 45 Cal. App. 4th 1353, 1366 (1996). Further, "a general release can be completely enforceable and act as a complete bar to all claims (known or unknown at the time of the release) despite protestations by one of the parties that he did not intend to release certain types of claims." *San Diego Hospice v. Cnty. of San Diego*, 31 Cal. App. 4th 1048, 1053 (1995) (citing *Winet v. Price*, 4 Cal. App. 4th 1159, 1173 (1992)). And because a release acts as a complete bar to recovery, any claims covered by a release must be dismissed with prejudice. *Grillo v. State of Cal.*, 2006 WL 335340, at *7-8 (N.D. Cal. Feb. 14, 2006).

In its 2000 Application, IOD expressly "release[d] and forever discharge[d] ICANN … from any and all claims and liabilities relating in any way to (a) any

action or inaction by or on behalf of ICANN in connection with this application or (b) the establishment or failure to establish a new TLD." (RJN, Ex. C ¶ B14.2.) The prospective nature of IOD's release was reinforced by its representation that "it has no legally enforceable right … to the delegation in any particular manner of any top-level domain ***that may be established*** in the authoritative DNS root." (*Id.* ¶ B12 (emphasis added).) The release and related waiver provisions were a central component of IOD's 2000 Application, comprising a fifth of that document's terms. They state in straightforward language that, in return for ICANN's consideration of its 2000 Application, IOD would not sue ICANN on any claims relating to ICANN's treatment of the 2000 Application or ICANN's establishment or failure to establish a new TLD in the DNS, whenever that may occur. But this is precisely what IOD has done with this lawsuit; IOD asserts claims that it released over a decade ago.

In its breach of contract claims, IOD alleges that ICANN violated the contract formed by the 2000 Application, as well as the implied covenant of good faith, by accepting applications in the 2012 Round from other entities seeking a .WEB TLD "before considering, approving or rejecting IOD's" 2000 Application. (Compl. ¶¶ 78, 86.) These claims flow directly from ICANN's treatment of IOD's 2000 Application; thus, they fall well within the scope of IOD's release of all claims relating to "any action or inaction by or on behalf of ICANN in connection with [IOD's] application." (*Id.* ¶ B14.2.) IOD's contractual claims are therefore barred by the release. *Nilsson v. City of Mesa*, 503 F.3d 947, 952 (9th Cir. 2007) (applicant waived claims resulting from actions specifically contemplated in application containing release clause).

The release in IOD's 2000 Application applies to the remainder of IOD's claims as well. The crux of IOD's Complaint is the allegation that "[a]llowing other entities to file applications for a .WEB TLD, while IOD's [2000] .WEB TLD Application was still pending, is improper, unlawful, and inequitable." (Compl. ¶

63.) Likewise, IOD's trademark and interference claims anticipate – and are dependent on – the establishment of a new .WEB TLD in the DNS that would compete and interfere with IOD's alleged .WEB TLD. (*Id*. ¶¶ 64 ("Allowing other entities to file applications for a .WEB TLD, when IOD owns the .WEB mark, is improper, unlawful and inequitable."); 126 ("selecting an applicant other than IOD to run the .WEB registry in the Internet's primary DNS root system controlled by ICANN would infringe the trademark and service mark rights of IOD."); 138 ("ICANN has intentionally and knowingly interfered with IOD's existing customer contracts by permitting other entities to apply for an operate a .WEB registry in the Internet's primary DNS root system controlled by ICANN.").) Because each of these claims is explicitly based on the future establishment of a TLD in the DNS, each falls within the scope of IOD's release of all claims relating to ICANN's "establishment of failure to establish a new TLD." (RJN, Ex. C ¶ B14.2.)

IOD was obviously aware of its potential claims in 2000 when it chose to sign the release. Shortly before IOD submitted its 2000 Application, Judge Kelleher of this Court granted summary judgment dismissing IOD's trademark claims against a registrar named CORE Association that arose from CORE's overlapping registration of .WEB domain names, which is not dissimilar from the claims asserted here. *Image Online Design, Inc. v. Core Ass'n*, 120 F. Supp. 2d 870 (C.D. Cal. 2000). In light of its prior litigation history and the clear terms of the release, IOD cannot now argue that it was unaware of the claims it was releasing in its 2000 Application.

In sum, the 2000 Application and its release bar IOD's entire Complaint. And because IOD cannot plead around the release, its Complaint should be dismissed with prejudice. *Grillo*, 2006 WL 335340, at *7-8.

II. IOD Has Not Alleged Facts Plausibly Suggesting That ICANN Has Breached Any Terms Of The 2000 Application.

To state a breach of contract claim, a plaintiff must allege a contract,

plaintiff's performance, defendant's breach of the contract, and plaintiff's damage therefrom. *McDonald v. John P. Scripps Newspaper*, 210 Cal. App. 3d 100, 104 (1989). When reviewing breach of contract claims, courts "must determine whether the alleged agreement is 'reasonably susceptible' to the meaning ascribed to it in the complaint." *Klein v. Chevron U.S.A., Inc.*, 202 Cal. App. 4th 1342, 1384 (2012). Here, IOD alleges that ICANN breached the terms of the 2000 Application by accepting applications for a .WEB TLD in the 2012 Round before acting on IOD's 2000 Application. (Compl. ¶¶ 77-78; 85-86.) The fundamental deficiency with these claims – beyond the fact that they are barred by the release – is that IOD fails to identify any contractual terms requiring ICANN to do anything beyond what ICANN did with respect to IOD's application.

The terms and conditions allegedly forming the agreement between ICANN and IOD are set forth in the documents comprising the 2000 Application. In light of these terms, IOD's assertion that ICANN improperly accepted applications for a .WEB TLD "before considering, approving or rejecting" IOD's 2000 Application must fail. (*Id*. ¶ 78.)

First, IOD alleges no facts supporting its claim that ICANN failed to "consider" IOD's Application. To the contrary, the Reconsideration Report that IOD specifically identifies in its Complaint makes clear that ICANN thoroughly vetted and considered all applications, including IOD's. (RJN, Ex. H p. 3.) The Reconsideration Report also detailed some of the reasons why ICANN did not select IOD's 2000 Application. (*Id*. p. 3-5.) Thus, IOD's claim that ICANN breached the alleged contract by failing to consider IOD's 2000 Application is baseless.

Second, the 2000 Application contains no term or promise requiring ICANN to "approve" IOD's 2000 Application. To the contrary, in the 2000 Application, IOD agreed that it had "no legally enforceable right to ***acceptance or any other treatment*** of this application or to the delegation in any particular manner of any

top-level domain that may be established in the authoritative DNS root." (RJN, Ex. C ¶ B12 (emphasis added); *see also id*. ¶ B6 ("there is no understanding, assurance, or agreement that this application will be selected for negotiations toward entry of an agreement with a registry operator").) Thus, IOD's claim that ICANN breached the alleged contract by failing to approve IOD's 2000 Application is fundamentally flawed.

Third, the 2000 Application contains no term or promise requiring ICANN to formally "reject" IOD's 2000 Application. Quite the opposite, the instructions incorporated by reference into the 2000 Application (*id*. ¶ B3.2), state only that ICANN would "evaluat[e] all of the applications received" and, in mid-November 2000, "announce ***its selection of applications*** for negotiations toward agreements" with any applicants it approved. (RJN, Ex. E, ¶¶ I35, I38 (emphasis added); *id*., Ex. F ¶ 4 ("After approval by the Board, ICANN to announce selections for negotiations toward entry of agreements with registry sponsors and operators.").) Moreover, IOD agreed in its 2000 Application that it had "no legally enforceable right" to any particular treatment of its application. (RJN, Ex. C ¶ B12.) Put another way, there was no promise that ICANN would do anything other than announce the TLDs it selected for approval, which is exactly what ICANN did. (Compl. ¶ 46.) Thus, IOD's claim that ICANN breached the alleged contract by failing to formally reject IOD's 2000 Application is belied by the actual terms of the 2000 Application.

Fourth, the 2000 Application contains no term or promise prohibiting ICANN from accepting applications from other entities seeking a .WEB TLD in later rounds (or even the same 2000 round). Indeed, the explanatory documents incorporated in the 2000 Application make clear the possibility that there may be multiple requests for the same TLD and that ICANN would in fact consider competing requests for the same TLD. (RJN, Ex. G, FAQ #4, FAQ #22.) Moreover, as set forth above, IOD expressly represented in its 2000 Application

that it had "no legally enforceable rights" in the .WEB TLD. (RJN, Ex. C ¶ B12.) Thus, IOD's claim that ICANN breached the alleged contract by accepting applications for a .WEB TLD in the 2012 Application Round also fails.

Finally, the 2000 Application contains no term or promise requiring ICANN to consider IOD's 2000 Application every time ICANN decides to re-open applications for new TLDs. In fact, the FAQs incorporated in the 2000 Application clearly state that applicants seeking reconsideration in later rounds would "require submission of new application materials" due to likely revisions in the programs for later rounds. (*Id*. FAQ #54.) The Reconsideration Report echoes the notion that those applicants not selected in 2000 would have the "***option***" of re-applying in later rounds. (RJN, Ex. H p. 3.) And the 2012 Application Round Guidebook, specifically referenced in IOD's Complaint, makes clear that applicants from the 2000 round could reapply in the 2012 Application Round and receive an $86,000 reduction in the application fee. But the guidebook (and common sense) makes clear that applicants from previous rounds would have to ***reapply*** in order to have their applications considered. (Compl. ¶¶ 54, 57.) IOD choose not to reapply, for whatever reason. Thus, IOD's claim that ICANN breached the alleged contract by failing to consider IOD's 2000 Application in the 2012 Application Round is just as deficient as IOD's other purported contract claims.

In short, not only did the parties fail to agree to the terms that IOD alleges ICANN breached, the documents constituting the alleged agreement include terms that directly contradict those alleged by IOD. IOD's inability to identify any express contractual terms that allegedly have been breached is fatal to its breach of contract claim. *Stockton Dry Goods Co. v. Girsh*, 36 Cal. 2d 677, 680 (1951) ("The question of what is to be included in the contract is for the parties, not the court, to determine.").

For the same reasons, IOD's claim for breach of the implied covenant of good faith and fair dealing lacks merit. The terms of the application process were

expressly stated in IOD's 2000 Application and the documents that IOD represented it reviewed before submitting that application – IOD had no right to any particular TLD, its application was not guaranteed acceptance, and no particular treatment of the application was promised. In submitting its 2000 Application, IOD agreed to those terms. IOD cannot plausibly allege that ICANN acted unfairly or in bad faith in adhering to terms of the 2000 Application. *Walnut Creek Pipe Distrib. v. Gates Rubber Co. Sales Div.*, 228 Cal. App. 2d 810, 817 (1964) (breach of the implied covenant requires a finding of defendant's bad faith or unfairness).

III. IOD Has Not Alleged Facts Plausibly Suggesting That ICANN Has Engaged In Trademark Infringement.

In its Third, Fourth, and Fifth Causes of Action, IOD claims that ICANN's acceptance of applications from other entities to operate a .WEB TLD, combined with ICANN statements that it "intends to permit one or more of the new applicants to operate the '.WEB' registry in the Internet's primary DNS root system controlled by ICANN" constitutes both direct and contributory trademark infringement. (Compl. ¶¶ 95-97; 109-12; and 126-28). But as IOD's Complaint concedes, ICANN has not yet approved any new TLDs for introduction into the DNS or use in commerce, meaning that IOD's trademark claims are not ripe for adjudication. In addition, IOD has not alleged any facts plausibly suggesting that ICANN has used (or is about to use) a mark in commerce that infringes IOD's alleged .WEB mark. Nor has IOD alleged sufficient facts to show that it has any protectable trademark rights ICANN could infringe, either directly or indirectly, in the ***generic*** .WEB TLD. Indeed, this Court has already rejected IOD's claim on exactly this issue.

A. IOD's purported trademark claims are not ripe for adjudication.

Under Article III of the Constitution, the party invoking federal jurisdiction must establish the existence of an actual case or controversy. *Gov't Emps. Ins. Co. v. Dizol*, 133 F.3d 1220, 1228 (9th Cir. 1998). In trademark infringement matters,

the Ninth Circuit has held that a party engages in activity that could constitute infringement when the party manifests "specific acts of alleged infringement or an immediate capability and intent to produce an allegedly infringing item." *Sweedlow, Inc. v. Rohm & Haas Co.*, 455 F.2d 884, 886 (9th Cir. 1972). Claims that rest upon "'contingent future events that may not occur as anticipated, or indeed may not occur at all" are insufficient to meet Article III's justiciability requirement. *Bova v. City of Medford*, 564 F.3d 1093, 1096 (9th Cir. 2009) (quoting *Texas v. United States*, 523 U.S. 296, 300 (1998)). Here, IOD seeks an advisory opinion about what the law would be upon a hypothetical infringement of its alleged .WEB trademark.[1]

IOD's Complaint contains no allegations of past or present infringement or "an immediate capability and intent" to infringe in IOD's alleged .WEB mark. *Sweedlow*, 455 F.2d at 886. To be clear, ICANN's mere acceptance of applications for a .WEB TLD is not a present or past act of infringement because there has been no "use in commerce" of the alleged mark by anyone, an essential element of a trademark infringement claim. *Rosenfeld v. Twentieth Century Fox Film*, 2008 WL 4381375 (C.D. Cal. Sept. 25, 2008); 15 U.S.C. §§ 1114(1)(a); 1125(a)(1)(A). The Lanham Act states that "a mark shall be deemed to be in use in commerce . . . when it is used or displayed in the sale or advertising of the services and the services are rendered in commerce." 15 U.S.C. § 1127. ICANN's acceptance of applications from third parties to operate a .WEB TLD is a far cry from ICANN using the alleged .WEB mark in the "sale or advertising" of services.

Moreover, the notion that ICANN might approve .WEB as a new TLD at some future point is, at this time, speculative. (Compl. ¶¶ 126, 130-31). And assuming ICANN does grant someone other than IOD the right to use .WEB as a

[1] This portion of ICANN's Motion to Dismiss is brought under Rule 12(b)(1) of the Federal Rules of Civil Procedure for a lack of subject matter jurisdiction.

TLD, the questions of whether the .WEB TLD will be used by the registry operator for registry services that are confusingly similar to IOD's services and whether IOD will be able to establish trademark rights superior to that registry operator, call for pure conjecture. In short, no present act of infringement has been pled, and no defined threat of infringement has been pled. All that has been alleged is remote speculation about what might happen. This is not enough to meet the justiciability requirement set forth in Article III.

An analogous Ninth Circuit decision dictates dismissal of IOD's claims. In *Sweedlow*, a patent holder brought an infringement action seeking a judgment that the defendant's plastic manufacturing plant, which was still under construction, would infringe upon the plaintiff's patents when placed in operation. 455 F.2d at 885. The Ninth Circuit affirmed the district court's finding that the plaintiff improperly sought an advisory opinion "that if and when defendant completes the plant now under construction, assuming there are no material changes in the intervening period, the present acts not only threaten, but in fact constitute an infringement of plaintiff's patents." *Id*. In other words, the Ninth Circuit found that because the plant was still under construction – and the details of a future, possible infringement were unclear – there was no "actual or imminent infringement." *Id*. 886.

B. IOD fails to state a claim under 15 U.S.C. § 1114(1).

To state a claim for trademark infringement, a plaintiff must show that: (1) it has a valid, protectable trademark; (2) the defendant used an infringing mark in commerce; and (3) the infringing mark is likely to cause consumer confusion. *Brookfield Commc'ns, Inc. v. West Coast Entm't Corp.*, 174 F.3d 1036, 1047 (9th Cir. 1999). "Trademarks represent a 'limited property right in a particular word, phrase, or symbol.'" *Image Online Design, Inc. v. Core Ass'n*, 120 F. Supp. 2d 870, 875 (C.D. Cal. 2000) (quoting *New Kids on the Block v. News America Publ'g, Inc.*, 971 F.2d 302, 306 (9th Cir. 1992)). "If the court determines as a matter of law

from the pleadings that the goods [and/or services offered by the parties] are unrelated and confusion is unlikely, the complaint should be dismissed." *Murray v. Cable Nat'l Broadcasting Co.*, 86 F.3d 858, 860 (9th Cir. 1996).

In this case, it is evident from the pleadings that confusion is unlikely and that IOD's Section 1114 trademark infringement claim should be dismissed because the goods and services covered by IOD's .WEB registration are not related to the so-called services rendered by ICANN. While IOD alleges that it owns a federal registration t for the .WEB mark, Registration No. 3,177,334, IOD does not identify what the registration actually covers, for good reason: IOD's registration for the .WEB mark covers "mouse pads," "CD holders," "fanny packs," "backpacks," "thermal insulator containers for food or beverages," "cups," "mugs," "beverage can insulting sleeves," and "online retail store services featuring computer accessories." (RJN, Ex. I.) Accordingly, as registered, the mark has nothing to do with any of the services ICANN allegedly supplies, and the Complaint does not include any allegations that ICANN is using the mark .WEB in connection with any of the goods or services that actually are covered by IOD's registration.

In fact, coordinating the Internet's DNS and accepting applications for new TLDs are totally unrelated to the goods and services for which IOD's mark is registered. Because the parties' goods and services are not related, there can be no confusion. Thus, there is no infringement as a matter of law. *AMF v. Sleekcraft Boats*, 599 F.2d 341, 348 (9th Cir. 1979). Accordingly, IOD has failed to allege any facts plausibly supporting its Third Cause of Action for trademark infringement.

C. IOD fails to state a claim under 15 U.S.C. § 1125(a).

In its Fourth Cause of Action, IOD alleges that it has common law trademark rights in the .WEB TLD for "telecommunications services, namely, Internet registry services." (Compl. ¶ 29.) IOD also alleges that ICANN's acceptance of seven applications for a .WEB TLDs, and purported statements that ICANN intends to approve one of the applications, constitutes trademark infringement under 15 U.S.C.

§ 1125(a). (Compl. ¶¶ 109-12.) This claim fails as a matter of law because IOD does not allege any facts plausibly suggesting that the .WEB TLD is anything other than a ***generic*** TLD that is not entitled to trademark protection.

A generic term can never serve as a trademark because, by definition, it is not inherently distinctive. *Kendall-Jackson Winery v. E. & J. Gallo Winery*, 150 F.3d 1042, 1047 (9th Cir. 1998). Generic TLDs are, by their very name, generic. As one of the foremost experts on trademark law has stated, a generic TLD is to Internet domain names what a corporate identifier – such as "Inc." or "LLC" – is to a company name. *See* McCarthy on Trademarks & Unfair Competition, § 7:17.50 (4th ed.). Thus, the Ninth Circuit has found that the source identifying nature of an Internet domain name, if any, lies in the characters that precede the TLD, and not the TLD itself. *Brookfield Commc'ns*, 174 F.3d at 1055.

Additionally, as IOD concedes in its Complaint, the United States Patent and Trademark Office ("PTO") has refused to recognize TLDs as worthy of trademark protection. (Compl. ¶ 36). For example, the Trademark Manual of Examining Procedure ("TMEP") expressly instructs the PTO's Examining Attorneys to refuse registration of a mark "composed solely of a TLD for 'domain name registry services' (e.g., the services of registering .com domain names)." TMEP § 1215.02(d). The reason for this mandate is simple: "TLDs generally serve no source identifying function and, thus, are not trademarks." *In re Oppedahl & Larson LLP*, 373 F.3d 1171, 1174 (Fed. Cir. 2004).

Most importantly, this Court has already decided that IOD's alleged .WEB TLD enjoys no trademark protection. In *Image Online Design, Inc. v. Core Association*, Judge Kelleher held that IOD's alleged mark .WEB is not a valid trademark because it does not function as a trademark and, furthermore, that .WEB is generic in connection with domain name registry services. 120 F. Supp. 2d at 875-80. Judge Kelleher ruled that .WEB does not indicate source to a potential domain name registrant, nor does it indicate source to a potential web site visitor.

Id. at 876-77. In other words, there is no source indicating aspect to .WEB in the eyes of the relevant public. Rather, .WEB indicates a type of website. *Id*. at 878-79. Indeed, as relates to registry services, this Court found that .WEB represents "a genus of a type of website" and "would commonly be understood as a website related to the World Wide Web." *Id*. at 879-80.

IOD has failed to allege any facts plausibly suggesting that its .WEB TLD is ***now*** worthy of trademark protection notwithstanding this Court's prior holding that it is not. Nor does IOD offer any factual allegations suggesting that the .WEB TLD is somehow different from all of the other TLD trademark claims rejected by the courts and the PTO. Put simply, and as this Court previously found, IOD "cannot unilaterally confer upon itself valid trademark rights simply by asserting them." *Image Online*, 120 F. Supp. 2d at 876. IOD's "intent, hope, or expectation" that its TLD serves as a mark is irrelevant and insufficient to establish trademark protection for a TLD. TMEP § 1215.02(a) (citing *In re Standard Oil*, 275 F.2d 945, 947 (C.C.P.A. 1960)). Thus, IOD's Fourth claim for relief should be dismissed for failure to allege any facts plausibly supporting this claim.[2]

D. IOD fails to state a claim for contributory infringement.

To be liable for contributory trademark infringement, a defendant must have "(1) 'intentionally induced' the primary infringer to infringe" or "(2) continued to supply an infringing product to an infringer with knowledge that the infringer is mislabeling the particular product supplied." *Perfect 10, Inc. v. Visa Int'l Serv., Ass'n.*, 494 F.3d 788, 807 (9th Cir. 2007) (quoting *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 855 (1982)). "When the alleged direct infringer supplies a service rather than a product, under the second prong of this test, the court must

[2] Even if IOD were able to establish common law rights in the .WEB TLD, IOD's trademark infringement claims would still fail because IOD has not alleged that ICANN has ***used*** the mark. It has not done so because it cannot. Specifically, even if ICANN were to eventually permit a third party to use a .WEB TLD, such approval would not constitute a "use in commerce" ***by ICANN*** of the .WEB mark.

consider the extent of control exercised by the defendant over the third party's means of infringement." *Id*. (internal quotation marks omitted).

IOD's claim of contributory infringement in its Fifth Cause of Action fails for the same reasons that its other trademark claims fail. IOD's Complaint does not set forth any plausible claims for direct trademark infringement by ICANN (as discussed above) or anyone else. Without a plausible claim for direct infringement, there can be no contributory trademark infringement. Accordingly, IOD's contributory infringement claim should be dismissed.

IV. IOD Has Not Alleged Facts Plausibly Suggesting That ICANN Has Intentionally Interfered With IOD's Business Interests.

To state a claim for intentional interference with contract, a plaintiff must plead facts demonstrating: "(1) a valid contract between plaintiff and a third party; (2) defendant's knowledge of the contract; (3) defendant's intentional acts designed to induce breach or disruption of the contract; (4) actual breach or disruption; and (5) resulting damage." *Family Home & Fin. Ctr., Inc. v. Fed. Home Loan Mortg. Corp.*, 525 F.3d 822, 825-26 (9th Cir. 2008) (dismissing interference claim where the plaintiff failed to establish that the defendant's "action was designed to accomplish interference.") The essence of the claim is the existence of a legally binding contract that was breached or disrupted by the defendant's intentional act. *Beck v. Am. Health Grp., Int'l, Inc.*, 211 Cal. App. 3d 1555, 1566-67 (1989).

In its Sixth Cause of Action, IOD asserts that ICANN has interfered with IOD's customer contracts "by permitting other entities to apply and operate a .WEB registry in the Internet's primary DNS root system controlled by ICANN." (Compl. ¶ 138.) This conclusory claim, however, fails because IOD has not alleged any ***facts*** identifying: (i) the relevant contracts; (ii) an actual disruption of these contracts; (iii) ICANN acts "designed to induce breach" of these contracts; or (iv) the resulting damage to IOD. *Semi-Materials Co., Ltd. v. SunPods, Inc.*, 2012 U.S. Dist. LEXIS 128584, *17 (N.D. Cal. Sept. 10, 2012) (dismissing interference

claim because the plaintiff "has not identified any of Defendants' intentional acts designed to induce a breach, actual disruption of the contractual relationship, or damages."); *Michaluk v. Vohra Health Servs., P.A.*, 2012 U.S. Dist. LEXIS 129454, *19-21 (E.D. Cal. Sept. 10, 2012) (same); *PNY Techs., Inc. v. SanDisk Corp.*, 2012 U.S. Dist. LEXIS 55965, *45-46 (N.D. Cal. Apr. 20, 2012) (same). In addition, ICANN has not yet approved any new TLDs, much less a .WEB TLD; thus IOD cannot allege any the facts necessary to support its interference claim. Nor has IOD explained how the mere acceptance of applications to operate TLDs linked to the DNS has actually caused IOD to breach contracts with its customers in its alternative internet. *Haag v. Countrywide Bank, F.S.B.*, 2012 U.S. Dist. LEXIS 69592, *15 (D. Nev. May 18, 2012) (dismissing interference claim where actual disruption "was not plausible").

IOD's Seventh Cause of Action for intentional interference with prospective economic advantage is likewise deficient. (Compl. ¶¶ 144-152.) To state such a claim, a plaintiff must plead facts demonstrating: "(1) an economic relationship between the plaintiff and some third party, with the probability of future economic benefit to the plaintiff; (2) the defendant's knowledge of the relationship; (3) intentional acts on the part of the defendant designed to disrupt the relationship; (4) actual disruption of the relationship; and (5) economic harm to the plaintiff proximately caused by the acts of the defendant." *Pardi v. Kaiser Permanente Hosps., Inc.*, 389 F.3d 840, 852 (9th Cir. 2004). In addition, a plaintiff must allege facts demonstrating that the defendant's conduct was wrongful ***beyond*** the alleged act of interference, meaning violative of some law, statute or regulation. *Korea Supply Co. v. Lockheed Martin Corp.*, 29 Cal. 4th 1134, 1153 (2003).

As with its interference with contract claim, IOD fails to allege basic facts identifying its economic relationships, ICANN's knowledge of those relationships, ICANN's intentional acts "designed" to disrupt these relationships, or actual disruption and damage to IOD. *Semi-Materials Co., Ltd.*, 2012 U.S. Dist. LEXIS

128584 at *14-16. In addition, IOD does not allege any facts demonstrating that ICANN's alleged conduct was wrong beyond the alleged interference. Nor can it, in that all of IOD's other Claims for Relief have failed. *SC Mfg. Homes, Inc. v. Liebert*, 162 Cal. App. 4th 68, 92-93 (2008) (dismissing intentional interference claims where plaintiff failed to establish that the alleged conduct also violated other laws).

CONCLUSION

For the foregoing reasons, ICANN respectfully requests that IOD's entire Complaint be dismissed pursuant to Rule 12(b)(6) and 12(b)(1) of the Federal Rules of Civil Procedure.

Dated: December 7, 2012

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