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14 VERISIGN, INC.

15
16 **UNITED STATES DISTRICT COURT**
17 **CENTRAL DISTRICT OF CALIFORNIA**

18 VERISIGN, INC., a Delaware
corporation,)

19 Plaintiff,)

20 v.)

21 INTERNET CORPORATION FOR)
22 ASSIGNED NAMES AND)
23 NUMBERS, a California corporation,)

24 Defendant.)

Case No. CV 04-1292 AHM (CTx)

**SUPPLEMENTAL AND
RENEWED REQUEST OF
PLAINTIFF VERISIGN, INC.
FOR JUDICIAL NOTICE
ACCOMPANYING ITS
OPPOSITION TO DEFENDANT'S
MOTION TO DISMISS THE
FIRST THROUGH SIXTH
CLAIMS FOR RELIEF IN THE
AMENDED COMPLAINT
PURSUANT TO RULE 12(b)(6)**

25 Date: August 23, 2004
26 Time: 10:00 a.m.
Courtroom: 14 – Spring Street Bldg.
Hon. A. Howard Matz

1 Plaintiff VERISIGN, INC. (“VeriSign”), in opposition to the Motion of
2 Defendant Internet Corporation for Assigned Names and Numbers (“ICANN”) to
3 Dismiss the First through Sixth Claims for Relief in the First Amended Complaint
4 pursuant to Federal Rule of Civil Procedure 12(b)(6), hereby requests that the Court
5 take judicial notice, pursuant to Federal Rule of Evidence 201, of the following official
6 records of the United States District Courts, true and correct copies of which are
7 attached hereto as Exhibits 2-4:¹

8 ***Exhibit 2: Voluntary dismissal of Syncalot action.*** ICANN argues in its
9 current moving papers that VeriSign took positions in *Syncalot, Inc. v. VeriSign, Inc.*,
10 No. C-03-4378-MJJ (N.D. Cal.), that are allegedly inconsistent with positions VeriSign
11 is taking in this action with respect to the definition of the relevant market for antitrust
12 purposes, and that VeriSign should therefore be “judicially estopped” from maintaining
13 its positions on that subject here.² However, even if VeriSign’s positions in the two
14 cases were inconsistent (and, as explained in VeriSign’s accompanying opposition to
15 ICANN’s motion to dismiss, they are not), the doctrine of judicial estoppel does not

17 ¹ VeriSign previously requested that the Court take judicial notice of appendices C and
18 K to the .com Registry Agreement, in connection with its opposition to ICANN’s
19 original motion to dismiss pursuant to Rule 12(b)(6). Copies of those appendices are
20 attached as Exhibit 1 to VeriSign’s prior Request for Judicial Notice. (*See* VeriSign’s
21 Req. for Judicial Notice Ex. 1, filed Apr. 22, 2004.) VeriSign hereby renews that
22 request for judicial notice of Exhibit 1, in addition to requesting that judicial notice also
23 be taken of Exhibits 2-4 as set forth herein.

24 ² To support its errant judicial estoppel argument in its moving papers, ICANN asks the
25 Court to take judicial notice of certain documents from other court cases (particularly,
26 the *Syncalot* and *Registersite* cases). Judicial notice of those documents, as requested
27 by ICANN in its Second Supplemental Request for Judicial Notice, is inappropriate and
28 unwarranted, and VeriSign is filing an opposition to that Request.

VeriSign is here seeking judicial notice of Exhibits 2 and 3 as part of its *rebuttal* to
ICANN’s judicial estoppel arguments and to place the *Syncalot* and *Registersite*
documents of which ICANN seeks judicial notice in proper perspective. Therefore, if
the Court denies ICANN’s Second Supplemental Request for Judicial Notice, as
VeriSign urges the Court to do, and if the Court agrees with VeriSign that judicial
estoppel is inapplicable, the Court then need not take judicial notice of Exhibits 2 and 3.
However, as explained herein, judicial notice of Exhibit 4 is sought for other reasons
and in support of other arguments. VeriSign therefore requests that judicial notice of
Exhibit 4 be taken *regardless* of the Court’s action on ICANN’s Second Supplemental
Request.

1 apply here because, although ICANN fails to mention it, the *Syncalot* court never
2 decided the issue of the relevant market and, consequently, had no occasion to accept or
3 reject VeriSign's arguments. Rather, as Exhibit 2 reflects, the plaintiffs in *Syncalot*
4 voluntarily dismissed that action without decision.


5 **Exhibit 3: Order granting motion to dismiss in Registersite.** ICANN also
6 argues that VeriSign allegedly took an inconsistent position with respect to market
7 definition in *Registersite.com v. Internet Corp. for Assigned Names & Numbers*, No.
8 CV-04-1368 ABC (CWx) (C.D. Cal.), warranting the application of judicial estoppel
9 here. Once again, however, even if VeriSign's positions in the two cases were in
10 conflict (and they are not, as explained in VeriSign's opposition to the instant motion),
11 judicial estoppel still would not apply in this case because the *Registersite* court did not
12 accept or reject VeriSign's position there. Rather, as Exhibit 3 demonstrates, the
13 *Registersite* court granted VeriSign's motion to dismiss without resolving the issue of
14 the relevant market for antitrust purposes.

15 **Exhibit 4: Order on motion to dismiss in Popular Enterprises.** ICANN argues
16 that VeriSign has improperly defined a market for "web address directory assistance
17 services," because VeriSign's definition fails to include "obvious substitute products,
18 such as web search engines and other resources." (Mot. at 9-10.) In *Popular*
19 *Enterprises v. VeriSign, Inc.*, No. 6:03-CV-1352-ORL-19JGG (M.D. Fla.), however,
20 the court ruled that, even viewing this market as broadly as ICANN urges here,
21 VeriSign's presence in the market still has the ability to affect competition. (See Ex. 4
22 at 5.)

1 The existence and contents of these records are facts not subject to reasonable
2 dispute. VeriSign therefore respectfully requests that the Court take judicial notice of
3 these court records in connection with its opposition to ICANN's Motion to Dismiss.
4

5 DATED: July 28, 2004.

ARNOLD & PORTER LLP

6
7 By: 
8 LAURENCE J. HUTT
Attorneys for Plaintiff
VERISIGN, INC.

9 #329067

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EXHIBIT 2

E-filing

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14 srlesser@lockslaw.com

15 Attorneys for Plaintiffs

16 UNITED STATES DISTRICT COURT
17 FOR THE NORTHERN DISTRICT OF CALIFORNIA
18 SAN JOSE DIVISION

19 SYNCALOT, INC., a California corporation, and) CASE NO: C-03-4378-MJJ
20 DAVID BLOOM, an individual, in individual)
21 and representative capacities, on behalf of) NOTICE OF DISMISSAL
22 themselves and all others similarly situated,)
23 Plaintiffs,) Fed.R. Civ.P. Rule
24) 41(a)(1)(i)

25 vs.

26 VERISIGN, INC., a Delaware corporation, THE)
27 INTERNET CORPORATION FOR ASSIGNED)
28 NAMES AND NUMBERS, a not-for-profit)
California corporation, and the UNITED)
STATES DEPARTMENT OF COMMERCE,)
Defendants.)

FILED
MAY 03 2004
RICHARD W. WIEKING
CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA


1 TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD:
2 PLEASE TAKE NOTICE that plaintiffs SYNCALOT, INC. and DAVID
3 BLOOM hereby dismiss this action without prejudice pursuant to Rule 41(a)(1)(i)
4 of the Federal Rules of Civil Procedure and the declaration of Ira P. Rothken
5 attached hereto.¹

7 DATED: April 30, 2004

ROTHKEN LAW FIRM

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19 IT IS SO ORDERED
20 
21 MARTIN J. JENKINS
22 UNITED STATES DISTRICT JUDGE
23 5/2/2004
24 DATE

Attorneys for Plaintiffs

26 _____
27 ¹ As stated in 5-23 Moore's Federal Practice - Civil § 23.160, "...the 2003 amendments to Rule
28 23(e) intentionally resolved the debate in favor of limiting the courts' supervisory powers over
dismissals and voluntary settlements to class actions in which a class has been certified.")

EXHIBIT 3

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FILED
CLERK, U.S. DISTRICT COURT
JUL 12 2004
CENTRAL DISTRICT OF CALIFORNIA
BY DA DEPUTY

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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

REGISTERSITE.COM, an Assumed) CASE NO.: CV 04-1368 ABC (CWx)
Name of ABR PRODUCTS INC., a)
New York corporation, et al.,) ORDER RE: DEFENDANTS' MOTIONS TO
) DISMISS
Plaintiff,)
)
v.)
)
INTERNET CORPORATION FOR)
ASSIGNED NAMES AND NUMBERS, a)
California corporation, et al.)
)
Defendants.)

Pending before the Court are Defendants' motions to dismiss. The motions came on regularly for hearing on July 12, 2004. Upon consideration of the submissions of the parties, the case file, and oral argument of counsel, the motion to dismiss filed by Defendants Verisign, Inc. and Network Solutions, Inc. is hereby GRANTED IN PART and DENIED IN PART. The remaining motions are MOOT for reasons discussed below.

//

THIS CONSTITUTES NOTICE OF ENTRY
AS REQUIRED BY FRCP, RULE 77(d).

ENTERED
CLERK, U.S. DISTRICT COURT
JUL 14 2004
CENTRAL DISTRICT OF CALIFORNIA
BY M/G DEPUTY

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I. FACTUAL AND PROCEDURAL HISTORY

On April 8, 2004, Plaintiffs filed a First Amended Complaint ("FAC") asserting a federal antitrust claim under the Sherman Act, U.S.C. § 1, and eleven various state law claims. The Plaintiffs¹ consist of eight businesses that assist consumers in registering expired Internet domain names. (FAC ¶ 1.4.) Plaintiffs assert claims against four defendants: Verisign, Inc. ("Verisign"), Network Solutions, Inc. ("NSI"), Internet Corporation for Assigned Names and Numbers ("ICANN"), and eNom, Inc. ("eNom").

Verisign is a registry operator responsible for maintaining the database of domain registrations for the <.com> and <.net> domain names. (FAC ¶ 4.9.) Verisign plans to launch a new service, the Wait Listing Service ("WLS"). (FAC ¶ 1.1.) The WLS purports to give consumers, for an annual fee, the right to be "first in line" on the "waiting list" for currently-registered <.com> and <.net> domain names. (FAC ¶ 1.1.) According to Plaintiffs, Verisign requires that each consumer who purchases a WLS subscription also purchase any resulting domain name registration from the same registrar from whom he purchased the WLS subscription. (FAC ¶¶ 13.6, 13.7.) NSI and eNom are registrars who are currently advertising and taking "pre-orders" for the Verisign WLS service. (FAC ¶¶ 2.11-2.14, 7.6, 8.6.) Plaintiffs allege that a consumer will receive no benefit from purchasing a WLS subscription unless and until the current registrant decides to abandon its domain name, which is unlikely. (FAC ¶ 1.1.) As such, the WLS service will fail to provide any value to consumers.

¹ Plaintiffs include: (1) Registersite.com, (2) Name.com, (3) R. Lee Chambers Company LLC, (4) Fiducia LLC, (5) Spot Domain, LLC, (6) !\$6.25 Domains! Network, Inc., (7) Ausregistry Group PTY LTD., and (8) !\$! Bid It Win It, Inc.

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1 (FAC ¶ 4.55-4.58.).

2 In their ninth cause of action, Plaintiffs allege that the WLS
3 service is an illegal tying arrangement in violation of the Sherman
4 Act. Verisign allegedly exercises market power with respect to
5 registry services, including WLS subscriptions. (FAC ¶ 13.9.) WLS
6 subscriptions and domain name registrations are separate, distinct
7 services. (FAC ¶ 13.8.) Consumers are free to transfer their
8 registered domain names between registrars. (FAC ¶ 13.3.) However,
9 consumers will be unable to purchase a WLS subscription without
10 agreeing to purchase a domain name registration if the subscription is
11 successful. (FAC ¶ 13.9.) Plaintiffs claim that "a not insubstantial
12 volume of commerce in [domain name registrations] will be affected by
13 Verisign's tying agreement." (FAC ¶ 13.16.)

14 On May 28, 2004, the Court received Defendant eNom's motion to
15 dismiss the FAC, Defendant ICANN's motion to dismiss certain causes of
16 action, Defendant Verisign's motion to dismiss the eleventh cause of
17 action, and Defendants Verisign's and NSI's motion to dismiss the FAC.
18 On June 17, 2004, Plaintiffs filed oppositions to each of the motions
19 and a motion to strike certain portions of ICANN's motion. The
20 Defendants filed replies on June 30, 2004.

21 II. LEGAL STANDARD

22 A Rule 12(b)(6) motion tests the legal sufficiency of the claims
23 asserted in the complaint. See Fed. R. Civ. P. 12(b)(6). Rule
24 12(b)(6) must be read in conjunction with Rule 8(a) which requires a
25 "short and plain statement of the claim showing that the pleader is
26 entitled to relief." 5A Charles A. Wright & Arthur R. Miller, Federal
27 Practice and Procedure § 1356 (1990). "The Rule 8 standard contains
28 'a powerful presumption against rejecting pleadings for failure to

1 state a claim.'" Gilligan v. Jamco Dev. Corp., 108 F.3d 246, 249 (9th
2 Cir. 1997). A Rule 12(b)(6) dismissal is proper only where there is
3 either a "lack of a cognizable legal theory" or "the absence of
4 sufficient facts alleged under a cognizable legal theory." Balistreri
5 v. Pacifica Police Dept., 901 F.2d 969, 699 (9th Cir. 1988); accord
6 Gilligan, 108 F.3d at 249 ("A complaint should not be dismissed
7 'unless it appears beyond doubt that the plaintiff can prove no set of
8 facts in support of his claim which would entitle him to relief").

9 The Court must accept as true all material allegations in the
10 complaint, as well as reasonable inferences to be drawn from them.
11 See Pareto v. F.D.I.C., 139 F.3d 696, 699 (9th Cir. 1998). Moreover,
12 the complaint must be read in the light most favorable to plaintiff.
13 See id. However, the Court need not accept as true any unreasonable
14 inferences, unwarranted deductions of fact, and/or conclusory legal
15 allegations cast in the form of factual allegations. See, e.g.,
16 Western Mining Council v. Watt, 643 F.2d 618, 624 (9th Cir. 1981).

17 Moreover, in ruling on a 12(b)(6) motion, a court generally
18 cannot consider material outside of the complaint (e.g., those facts
19 presented in briefs, affidavits, or discovery materials). See Branch
20 v. Tunnell, 14 F.3d 449, 453 (9th Cir. 1994). A court may, however,
21 consider exhibits submitted with the complaint. See id. at 453-54.
22 Also, a court may consider documents which are not physically attached
23 to the complaint but "whose contents are alleged in [the] complaint
24 and whose authenticity no party questions." Id. at 454. Further, it
25 is proper for the court to consider matters subject to judicial notice
26 pursuant to Federal Rule of Evidence 201. Mir, M.D. v. Little Co. of
27 Mary Hospital, 844 F.2d 646, 649 (9th Cir. 1988).

28

1 III. DISCUSSION

2 A. Plaintiffs' Federal Antitrust Claim

3 Plaintiffs' ninth claim alleges that Verisign, eNom, and NSI have
4 established an illegal per se tying arrangement in violation of the
5 Sherman Act, 15 U.S.C. § 1. A tying arrangement involves a seller's
6 refusal to sell one product (the tying product) unless the buyer also
7 purchases a second product (the tied product) from the seller. Hamro
8 v. Shell Oil Co., 674 F.2d 784, 786 (9th Cir. 1982). In this case,
9 Plaintiffs allege that Verisign has established a tying arrangement
10 because "[e]ach consumer who purchases a WLS subscription [the tying
11 product] will be required to agree to purchase any resulting domain
12 name registration [the tied product] from the same registrar from whom
13 he purchased the WLS subscription." (FAC ¶ 13.6.)

14 In response to these allegations, Defendants argue that
15 Plaintiffs lack standing because Defendants have yet to sell any WLS
16 subscriptions. Plaintiffs counter that threatened injury confers
17 standing. The Court agrees with Plaintiffs. "In order to establish
18 standing, a plaintiff must first show that she has suffered an 'injury
19 in fact - an invasion of a legally protected interest which is (a)
20 concrete and particularized and (b) actual or imminent, not
21 conjectural or hypothetical.'" Scott v. Pasadena Unified Sch. Dist.,
22 306 F.3d 646, 654 (9th Cir. 2002) (citation omitted). Here,
23 Plaintiffs allege that Verisign plans to launch the WLS no more than
24 thirty days after it is approved, that approval is likely, and that
25 eNom and NSI are currently advertising the WLS and are accepting pre-
26 orders for WLS subscriptions on their Web sites. (FAC ¶¶ 4.66-4.68.)
27 The Court finds that these allegations sufficiently state an imminent
28 injury. Furthermore, Defendants' contention that the threatened

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1 injury is not substantial enough is not relevant to a standing
2 inquiry. Instead, the magnitude of the threatened injury is relevant
3 to whether Plaintiffs have sufficiently pled each of the elements of a
4 tying claim.

5 To establish that a tying arrangement is illegal *per se*,
6 plaintiffs must prove: (1) a tie between two separate products or
7 services sold in relevant markets, (2) sufficient economic power in
8 the tying product market to affect the tied market, (3) an effect on a
9 not-insubstantial volume of commerce in the tied product market, and
10 (4) the defendant's economic interest in the tied product. County of
11 Tuolumne v. Sonora Cmty. Hosp., 236 F.3d 1148, 1157-58 (9th Cir. 2001)
12 (citation omitted).

13 Plaintiffs' allegations fail to satisfy the third and fourth
14 requirements.² As Defendants point out, Plaintiffs must do more than
15 state mere legal conclusions. While Plaintiffs do state that a "not
16 insubstantial volume of commerce in the tied product will be affected
17 by Verisign's tying agreement," Plaintiffs' FAC fails to include facts
18 to support this legal conclusion. In fact, the FAC includes facts
19 which suggest that WLS subscriptions will not have an effect on domain
20 name registrations because "of WLS subscriptions on the most desirable
21 domain names,³ ninety five percent (95%) of consumers will never
22 obtain the domain names to which they subscribe." (FAC ¶ 4.58)

23

24
25 ² Plaintiffs' allegations also fail to satisfy the second
26 requirement with respect to Defendants eNom and NSI. Plaintiffs have
not alleged that eNom and NSI have market power in WLS subscriptions,
the tying product.

27 ³ According to Plaintiffs, "WLS subscriptions are likely to be
28 purchased on the most desirable domain names, and are unlikely to be
purchased on the least desirable domain names." (FAC ¶ 4.56.)

1 (emphasis in original). As a result, Plaintiffs claim "VERISIGN WILL
2 PROVIDE NO VALUE TO CONSUMERS PURCHASING WLS." (FAC at 20:4.) If
3 Plaintiffs are correct, and the Court must assume they are, that
4 consumers' WLS subscriptions will be overwhelmingly unsuccessful, and
5 that only successful WLS subscriptions will result in domain name
6 registrations, then the facts in Plaintiffs' FAC do not support the
7 legal conclusion that the WLS will affect a not-insubstantial volume
8 of commerce in domain name registrations. Instead, Plaintiffs' FAC
9 suggests that the majority of WLS consumers will be free to register
10 their domain names with either their current registrar or other
11 registrars. In fact, Plaintiffs allege that "[c]onsumers are free to
12 transfer their registered domain names between registrars." (FAC ¶
13 13.3).

14 Plaintiffs have also failed to allege that Verisign has a
15 sufficient economic interest in domain name registration. "In the
16 typical tying scheme, the seller of the tying product also sells the
17 tied product. The tying product seller's interest need not be so
18 direct, however, as long as the seller has an economic interest in the
19 sale of the tied product." Robert's Waikiki U-Drive, Inc., v. Budget
20 Rent-A-Car Sys., Inc., 732 F.2d 1403, 1407-08 (9th Cir. 1984)
21 (citation omitted). In this case, Plaintiffs' FAC makes clear that in
22 the unlikely event that a WLS subscription is successful, domain name
23 registrations will be sold by registrars, not Verisign. (FAC ¶ 13.6.)
24 Plaintiffs further allege that "[d]omain registration fees are not
25 included in the \$24 fee Verisign will charge registrars for each WLS
26 subscription sold." (FAC ¶ 13.5.) Thus, according to Plaintiffs'
27 allegations, Verisign's economic interest is in the sale of WLS
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1 subscriptions, not domain name registrations.⁴

2 For the reasons articulated, Plaintiffs have failed to
3 sufficiently allege an illegal tying arrangement. Therefore, the
4 Court dismisses this claim without prejudice.⁵

5 **B. Plaintiffs' State Law Claims**

6 Plaintiffs' remaining eleven claims arise out of state law.
7 Defendants argue for dismissal of these claims on the merits for
8 various reasons. However, the Court declines to exercise supplemental
9 jurisdiction over the state law claims for two reasons. First, where
10 federal claims are disposed of well before trial, it is appropriate
11 for pendent state claims to be dismissed as well. 28 U.S.C. §
12 1367(c)(3). Because the Court has dismissed the sole federal claim,
13 judicial economy and comity weigh in favor of dismissing the state
14 claims.

15 Second, a district court may decline to exercise supplemental
16 jurisdiction if the state law claims substantially predominate over
17 the federal law claim. 28 U.S.C. § 1367(c)(2). Here, Plaintiffs
18 allege several claims arising under California's Unfair Competition
19 Act, intentional interference with prospective economic advantage, and
20 breach of contract. These claims would substantially expand the scope
21

22 ⁴ Plaintiffs do contend that "Verisign owns 15% of NSI and has an
23 economic interest in restricting registrars' ability to compete with
24 NSI for domain name registrations." (FAC ¶ 13.17.) However,
25 Plaintiffs have not contended that Verisign will limit WLS
26 subscriptions to NSI. Instead, Plaintiffs' allegations indicate that
27 Verisign intends to force other registrars to agree to offer WLS
28 subscriptions. (FAC ¶¶ 13.21, 13.22.)

⁵ Although the Court grants Plaintiffs leave to amend, the
27 amended complaint may only allege other facts consistent with the
28 original complaint. See Reddy v. Litton Indus., Inc., 912 F.2d 291,
297 (9th Cir. 1990).

1 of this case. To support these claims, Plaintiffs allege, inter alia,
2 that Defendants are engaging in an illegal lottery, making false,
3 misleading, and defamatory statements, and selling contingent future
4 interests in property they do not own. Plaintiffs' submissions
5 demonstrate that the state law claims predominate this action and the
6 dispute between the parties. While the allegations necessary for the
7 federal antitrust claim are contained on three brief pages, the
8 allegations for the state law claims span the remaining 47 pages of
9 Plaintiffs' 51-page FAC. In responding to Defendants' motion to
10 dismiss, Plaintiffs dedicated only one page of their 25-page
11 opposition to the federal antitrust claim. Not only are the various
12 state law claims numerous, but, as discussed above, the facts alleged
13 to support these state law claims are in some ways inconsistent with
14 Plaintiffs' deficient antitrust claim, which is the sole basis for
15 original jurisdiction.⁶ For these reasons, the Court exercises its
16 discretion to dismiss Plaintiffs' state law claims without prejudice.

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18 IV. CONCLUSION

19 For the foregoing reasons, Defendants Verisign, Inc.'s and
20 Network Solutions, Inc.'s motion to dismiss the First Amended Complaint
21 is hereby GRANTED IN PART and DENIED IN PART. Accordingly,
22 Plaintiffs' First Amended Complaint is DISMISSED WITHOUT PREJUDICE as
23 to the federal and state law claims. Plaintiffs may amend their
24

25
26 ⁶ In their FAC, Plaintiffs assert § 57b of the Federal Trade
27 Commission Act ("FTCA") as an additional basis for jurisdiction. (FAC
28 ¶ 3.1). However, § 57b of the FTCA authorizes suits by the Federal
Trade Commission, not private individuals. See 15 U.S.C. § 57b. As
such, Plaintiffs may not rely on § 57b as a basis for federal
jurisdiction.

1 federal antitrust claim by filing a second amended complaint within 14
2 days of entry of this Order. Failure to refile within 14 days will
3 result in a dismissal of the antitrust claim with prejudice.⁷

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4 The Court declines to exercise supplemental jurisdiction over
5 Plaintiffs' state law claims. Accordingly, the Court finds that:

6 Defendant Verisign Inc.'s motion to dismiss the eleventh claim
7 for relief for improper venue is MOOT;

8 Defendant Internet Corporation for Assigned Names and Numbers'
9 motion to dismiss certain causes of action is MOOT;

10 Defendant eNom, Inc's motion to dismiss the First Amended
11 Complaint is MOOT; and

12 Plaintiffs' motion to strike certain portions of Defendant
13 ICANN's motion is MOOT.

14
15 SO ORDERED.

16 DATED: July 12, 2004

17
18 Audrey B. Collins

19 AUDREY B. COLLINS
20 UNITED STATES DISTRICT JUDGE

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26 ⁷ The Court waives the requirement that the parties comply with
27 the requirements of Local Rule 7-3, as the parties have already
28 complied with its meet and confer requirements. However, Plaintiffs
should be cognizant of their obligations under Federal Rule of Civil
Procedure 11 in deciding whether to refile this claim.

EXHIBIT 4

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
ORLANDO DIVISION

FILED
CLERK OF DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
ORLANDO

POPULAR ENTERPRISES, LLC,

Plaintiff,

-vs-

Case No. 6:03-cv-1352-ORL-19JGG

VERISIGN, INC.,

Defendant.

ORDER

This case comes before the Court on Defendant's Motion to Dismiss Complaint (Doc. No. 32, filed Jan. 20, 2004) and Plaintiff's Memorandum in Opposition to Defendant's Motion to Dismiss (Doc. No. 33, filed Feb. 3, 2004).

Background

In its five-count amended complaint, Plaintiff alleges that Defendant, as the authoritative registry of Internet domain names ending in ".com," ".net," ".org" and ".edu" pursuant to a government contract, controls "the manner by which certain Internet domain...requests are directed" and "determines those domain names which are eligible to be registered" within the .com, .net, .org and .edu top level domains ("TLDs"). (Doc. No. 24, filed Dec. 19, 2003, ¶¶ 22-26).

Plaintiff alleges that it developed "SmartBrowse" software which, when downloaded by the consumer, replaces a common "404" error message and instead conducts a search and suggests possible alternative registered Internet sites when the user has mistyped a domain name or has requested a domain name which is not registered. (*Id.* at ¶¶ 28-32). Approximately 1.4 million Internet users have downloaded Plaintiff's product. (*Id.* at ¶ 33). Plaintiff claims that on

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September 15, 2003, Defendant launched its own product, "SiteFinder," which provided a search function similar to that performed by SmartBrowse for those users who type an incorrect or unregistered Internet domain name in the .com or .net TLDs. (*Id.* at ¶ 36). However, given Defendant's control over the manner in which a domain name request is processed, Plaintiff alleges that Defendant directed all such traffic, including customers using Plaintiff's or other competitors' software, to Defendant's own SiteFinder product, thereby precluding the operation of competing products and denying any resulting profits. (*Id.* at ¶¶ 37-44). Upon demand by the Internet Corporation for Assigned Names and Numbers (ICANN), with which Defendant has an agreement pertaining to the registration of domain names, Defendant suspended operation of SiteFinder on October 4, 2003, but allegedly intends to reinstate the service in the future. (*Id.* at ¶¶ 25, 53-54).

Plaintiff seeks relief based on the theories of unlawful monopoly (Count I), statutory and common law unfair competition (Counts II and III), and tortious interference with an advantageous business relationship (Count IV), and requests the Court to enter a preliminary injunction (Count V). (Doc. No. 24, filed Dec. 19, 2003).

Standard of Review

For the purposes of a motion to dismiss, the Court must view the allegations of the complaint in the light most favorable to the plaintiff, consider the allegations of the complaint as true, and accept all reasonable inferences therefrom. *Jackson v. Okaloosa County, Fla.*, 21 F.3d 1532, 1534 (11th Cir. 1994); *Scheuer v. Rhodes*, 416 U.S. 232, 236 (1974). Furthermore, the Court must limit its consideration to the pleadings and written instruments attached as exhibits thereto. *Fed. R. Civ. P.* 10(c); *GSW, Inc. v. Long County, Ga.*, 999 F.2d 1508, 1510 (11th Cir. 1993). A complaint should not be dismissed for failure to state a claim unless it appears beyond

doubt that the plaintiff can prove no set of facts that would entitle it to relief. *Conley v. Gibson*, 355 U.S. 41, 45-46 (1957).

Discussion

Count I — Unlawful Monopoly

Plaintiff claims that Defendant's launch of the SiteFinder software amounted to the acquisition, possession and exercise of monopoly power in violation of section 2 of the Sherman Act. 15 U.S.C. § 2. Defendant urges the Court to dismiss this claim on the ground that Plaintiff has failed to allege a plausible relevant market sufficient to state a claim of unlawful monopoly. (Doc. No. 32). "Defining the relevant market is an indispensable element of any monopolization or attempt case, for it is the market in which competition is affected by the asserted predatory or anticompetitive acts." *Intergraph Corp. v. Intel Corp.*, 195 F.3d 1346, 1355 (Fed. Cir. 1999) (citing *U.S. Anchor Mfg. Inc. v. Rule Indus., Inc.*, 7 F.3d 986, 994 (11th Cir. 1993)). The boundaries of a relevant market are defined by the "reasonable interchangeability of use or the cross-elasticity of demand between a product and its substitutes." *U.S. Anchor*, 7 F.3d at 995. Such definition is "essentially a factual question." *Id.* at 994.

Plaintiff defines the relevant market in its complaint as "the service of providing Internet search features, options and content to Internet users who type in or submit a query for an unregistered second level domain name in the .com and .net top-level domains." (Doc. No. 24, ¶ 57). Additionally, Plaintiff alleges that several other Internet companies, including America Online and Microsoft, offer to their customers search products similar to SmartBrowse and SiteFinder in the event that they inadvertently mistype or attempt to locate an unregistered domain name. (*Id.* at ¶ 35). Defendant argues that such definition involves a "gerrymandered group of consumers" and contends that Plaintiff has failed to include in the relevant market

substitutable “services provided to other Internet users or in other top level domains.” (Doc. No. 32, at 9).

Both parties cite to an opinion written by another district court in the Eleventh Circuit to bolster their positions. In *Smith v. Network Solutions, Inc.*, the plaintiff claimed that the defendants were unlawfully monopolizing the market for expired Internet domain names by failing to make such names available for re-registration immediately upon their expiration. *See* 135 F.Supp. 2d 1159 (N.D. Ala. 2001). The court held that, because the number of alternative domain names available for registration by the plaintiff was unlimited, the relevant market should include domain names generally rather than expired domain names, which accounted for only .05% of all registered domain names. *See id.* at 1169–70.

Defendant argues that the *Smith* decision supports a definition of the relevant market in the instant case which includes all domain names, not merely those which are mistyped or unregistered within the .com or .net top-level domains. (Doc. No. 32, at 9–10). On the other hand, Plaintiff suggests that the reasoning in *Smith* lends credence to its own definition of the relevant market because it does not seek to limit the market to a small, finite number of domain names, as did the plaintiff in that case, but instead is including in its market definition an infinite number of incorrectly typed or unregistered domain names in the .com and .net TLDs. (Doc. No. 33, at 8–10).

The Court is satisfied with Plaintiff’s argument that the relevant market should not include, as Defendant suggests, Internet users who successfully enter the registered domain name they wish to locate because such users do not contribute to the demand for the services provided by Plaintiff’s SmartBrowse, Defendant’s SiteFinder, or the products provided by other competing companies, and thus are not reasonably interchangeable. (Doc. No. 33, at 10). Furthermore,

although Defendant argues that limiting the market to users attempting to locate unregistered domain names only in the .com and .net top-level domains excludes other interchangeable market users seeking domain names in other TLDs, Plaintiff has alleged that traffic using the .com and .net TLDs, of which Defendant controls 100%, accounts for more than 90% of all Internet traffic. (Doc. No. 24, ¶ 37). “Defining a relevant product market is primarily ‘a process of describing those groups of producers which, because of the similarity of their products, have the ability—actual or potential—to take significant amounts of business away from each other.’” *U.S. Anchor*, 7 F.3d at 995 (quoting *Gen. Indus. Corp. v. Hartz Mountain Corp.*, 810 F.2d 795, 805 (8th Cir. 1987)). By alleging that Defendant, Plaintiff, and other competitors provide interchangeable products to assist users who mistype domain names or otherwise enter unregistered domain names, and that Defendant controls 90% of all Internet traffic, Plaintiff has alleged that Defendant has the ability to take significant amounts of business away from its competitors. Accordingly, the Court finds that Plaintiff’s complaint is sufficient to state a claim of unlawful monopoly under 15 U.S.C. § 2.

Counts II and III — Unfair Competition

In Count II of the complaint, Plaintiff seeks relief under a theory of unfair competition, pursuant to section 43(a) of the Lanham Act, 15 U.S.C. § 1125. (Doc. No. 24). To support such a claim, Plaintiff “must allege that (1) goods or services are involved, (2) interstate commerce is affected, and (3) there is a false designation of origin or a false description or representation with respect to those goods or services in commerce.” *Sun Trading Distrib. Co. v. Evidence Music, Inc.*, 980 F.Supp. 722, 727 (S.D.N.Y. 1997).

Neither party disputes that Plaintiff’s claim involves goods or services which affect interstate commerce. Defendant argues that Plaintiff has failed to allege that either its name or

the name of its product is “inherently distinctive or has developed secondary meaning requisite for a Lanham Act claim.” (Doc. No. 32, at 12). Plaintiff notes that the Eleventh Circuit has characterized infringement as a more narrow cause of action within the broader category of unfair competition proscribed by the Lanham Act. See *Freedom Sav. & Loan Ass’n v. Way*, 757 F.2d 1176, 1186 (11th Cir. 1985). Consequently, “[f]ailure on [an] infringement claim would not automatically bar an unfair competition claim.” *Id.* The Eleventh Circuit has stated that “the central concern in a § 43(a) case is whether the public is likely to be confused as to the manufacturer, attributes, or origin of the product.” *Hyman v. Nationwide Mut. Fire Ins.*, 304 F.3d 1179, 1186 n.6 (11th Cir. 2002).

Plaintiff has alleged in its complaint that Defendant’s act of redirecting to its own SiteFinder product those Internet users who would ordinarily be navigated to the SmartBrowse service is a false representation of origin likely to cause confusion among the public as to the origin of Defendant’s product. (Doc. No. 24, ¶¶ 67–69). Defendant’s arguments that the SiteFinder software “prominently uses its own name” and that confusion would be unlikely (Doc. No. 32, at 12–13) goes to the merits of Plaintiff’s factual allegations. The Court must accept Plaintiff’s well pleaded facts in the complaint and cannot resolve issues of fact on a motion to dismiss.

Count III of the complaint alleges unfair competition under Florida common law. (Doc. No. 24). “Florida law requires that [the plaintiff] establish deceptive or fraudulent conduct of a competitor and likelihood of customer confusion.” *Donald Frederick Evans & Assoc., Inc. v. Continental Homes, Inc.*, 785 F.2d 897, 914 (11th Cir. 1986) (citing *Stagg Shop of Miami, Inc. v. Moss*, 120 So.2d 39 (Fla. 2d DCA 1960)). Defendant contends that Plaintiff has failed to allege facts showing deception or fraud. (Doc. No. 32, at 13). Although Plaintiff does not use the word

"deception," as discussed *supra*, Plaintiff's complaint alleges several facts relating to the rerouting of traffic which would ordinarily come to Plaintiff's service on the Internet, and it is conceivable that those facts, if proven, could support a finding by a jury that Defendant engaged in a deception which could confuse Plaintiff's customers. Plaintiff has sufficiently pled facts to withstand a motion to dismiss and to support both of its claims of unfair competition under 15 U.S.C. § 1125 and Florida common law.

Count IV -- Tortious Interference

Plaintiff alleges in Count IV of its complaint that Defendant tortiously interfered with its advantageous business relationships with its 1.4 million Internet customers and with other Internet search companies with whom it was negotiating the sale of the SmartBrowse software. (Doc. No. 24). Plaintiff states that it wishes to voluntarily withdraw its allegations in this count (Doc. No. 24, ¶¶ 80, 83) with respect to such "other Internet search companies." (Doc. No. 33, at 15. Accordingly, the Court will address only that portion of Defendant's motion to dismiss which relates to Plaintiff's alleged business relationship with Internet users.

To plead a prima facie claim of tortious interference under Florida law, Plaintiff must allege: "(1) that a business relationship existed, not necessarily evidenced by an enforceable contract; (2) that [D]efendant knew of the relationship; (3) that [D]efendant intentionally and unjustifiably interfered with the relationship; and (4) that [P]laintiff suffered damages as a result of the breach of the relationship." *C.A. Register v. Pierce*, 530 So.2d 990, 993 (Fla. 1st DCA 1988). Plaintiff has alleged Defendant's knowledge and its intentional and unjustifiable interference, as well as Plaintiff's resulting damages. (Doc. No. 24, ¶¶ 81-82). However, Defendant argues that Plaintiff has failed to adequately allege that it enjoys an advantageous

business relationship with the 1.4 million Internet users who have downloaded the SmartBrowse product to their computers. (Doc. No. 32, at 14-15).

An alleged business relationship "must afford the plaintiff existing or prospective legal or contractual rights." *Register*, 530 So.2d at 993. "Competition for business by a competitor is not actionable, even if intentional, unless the competitor is attempting to induce a customer to breach a contract that is not terminable at will." *Advantage Digital Sys., Inc. v. Digital Imaging Serv., Inc.*, 870 So.2d 111, 116 (Fla. 2d DCA 2004). Plaintiff has asserted only that a number of Internet users have downloaded its software onto their computers (Doc. No. 24, ¶ 12); the complaint alleges no facts to support a claim that its relationship with its Internet customers is anything other than terminable at will, or that the relationship affords Plaintiff any existing or prospective legal or contractual rights. Plaintiff has failed to state a claim for tortious interference with an advantageous business relationship under Florida law, and Defendant's motion to dismiss Count IV of the complaint is well taken.

Count V— Injunctive Relief

Finally, Count V of Plaintiff's complaint requests the Court to temporarily and permanently enjoin Defendant from reinstating operation of SiteFinder or a similar program and from interfering with the search function of Plaintiff's or any other third party's product which assists Internet users who attempt to locate an unregistered domain name in the .com or .net top-level domains. (Doc. No. 24). Defendant urges the Court to dismiss this count of the complaint, having previously argued that the underlying causes of action were not supported by Plaintiff's factual allegations. (Doc. No. 32, at 17).

Having found that Plaintiff has adequately stated claims upon which relief may be granted under the theories of federal and common law unfair competition, the Court will not dismiss the

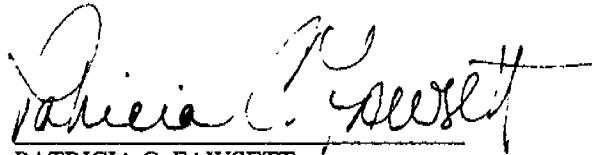
request for permanent injunctive relief as possible equitable relief under 15 U.S.C. § 1116 and Fla. Stat. § 501.211. Plaintiff has not yet filed a motion requesting entry of a preliminary injunction pursuant to Local Rule 4.06. Therefore the requested relief is not yet ripe for determination.

Conclusion

Based on the foregoing, the Court rules as follows:

1. Defendant's Motion to Dismiss (Doc. No. 32) is **GRANTED** in part and **DENIED** in part as follows: The Motion to Dismiss is denied except it is granted as to Count IV of Plaintiff's Amended Complaint.
2. Defendant's Motion for Leave to File a Brief Supplemental Memorandum of Law (Doc. No. 36, filed Feb. 11, 2004) is **DENIED**.
3. Plaintiff may file an amended complaint in accordance with this Order by June 23, 2004.

DONE and ORDERED in Chambers in Orlando, Florida this 14th day of June, 2004.


PATRICIA C. FAWSETT
CHIEF UNITED STATES DISTRICT JUDGE

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6-15-04

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