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10 INTERNET CORPORATION FOR ASSIGNED
11 NAMES AND NUMBERS

12 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
13 **COUNTY OF LOS ANGELES**

14 VERISIGN, INC., a Delaware corporation,
15
16 Plaintiff,

17 v.

18 INTERNET CORPORATION FOR
19 ASSIGNED NAMES AND NUMBERS, a
20 California corporation; DOES 1-50,
21 Defendant.

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

25 Cross-Complainant
26 and Defendant,

27 v.

28 VERISIGN, INC., a Delaware corporation,
Cross-Defendant.

CASE NO. BC 320763

Assigned for all purposes to
Judge Rolf M. Treu

Complaint Filed: August 27, 2004

**NOTICE OF MOTION AND MOTION TO
STAY LITIGATION PENDING
ARBITRATION; MEMORANDUM OF
POINTS AND AUTHORITIES;
DECLARATION OF JEFFREY A. LEVEE**

Date: December 7, 2004
Time: 8:30 am
Place: Department 58

1 **TO ALL PARTIES AND THEIR COUNSEL OF RECORD:**

2 **PLEASE TAKE NOTICE** that on December 7, 2004, at 8:30 a.m., or as soon thereafter
3 as the matter may be heard in Department 58 of the Court, located at 111 North Hill Street, Los
4 Angeles, California 90012, Cross-Complainant and Defendant Internet Corporation for Assigned
5 Names and Numbers ("ICANN") will, and hereby does, move this Court for an order staying the
6 current action in its entirety pending the completion of arbitration proceedings between ICANN
7 and Plaintiff VeriSign, Inc. ("VeriSign") instituted before the International Chamber of
8 Commerce's International Court of Arbitration ("the arbitration").

9 This Motion is made pursuant to Article VI section 1 of the California Constitution and
10 California Code of Civil Procedure sections 187 and 418.10 on the grounds that the arbitration
11 and this action involve virtually identical disputes and, thus, staying the current litigation in favor
12 of the arbitration will promote judicial economy and avoid potentially conflicting decisions.

13 This Motion is based on this Notice, the accompanying Memorandum of Points and
14 Authorities and Declaration of Jeffrey A. LeVee, the pleadings and all other papers on file in this
15 action, such other matters of which the Court may take judicial notice, and such other oral
16 argument or evidence as may be presented at or prior to the hearing on this Motion.

17 Dated: November 12, 2004

JONES DAY

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By: Jeffrey A. LeVee
Jeffrey A. LeVee *swj*

Attorneys for Cross-Complainant and
Defendant
INTERNET CORPORATION FOR
ASSIGNED NAMES AND NUMBERS

1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 **INTRODUCTION**

3 Defendant ICANN requests that this litigation be stayed pending the outcome of a related
4 arbitration between ICANN and VeriSign submitted on November 10, 2004, in the International
5 Chamber of Commerce, International Court of Arbitration ("the arbitration"). This litigation and
6 the arbitration involve the same parties and issues. They both arise out of a dispute over the
7 parties' respective rights and obligations under two virtually identical (and lengthy) "registry
8 agreements," under which ICANN has appointed VeriSign to operate two of the largest Top
9 Level Domains ("TLDs") on the Internet -- ".com" and ".net." The disputed issues will be
10 resolved promptly in the arbitration, which the parties have agreed will be decided within ninety
11 days. Even if there is some slippage in the arbitration schedule (always a possibility in litigation
12 and arbitration), the parties' efforts in the immediate future should be focused on presenting their
13 best cases in the arbitration, where the issues will likely be resolved first, without having their
14 efforts diluted by concurrent proceedings in this litigation. The arbitration decision will resolve
15 most if not all of the disputed issues, thereby promoting efficient use of this Court's resources.

16 The current litigation, which VeriSign initiated on August 27, 2004, concerns the
17 May 2001 .com Registry Agreement (the ".com agreement") between ICANN and VeriSign. The
18 arbitration concerns the May 2001 .net Registry Agreement (the ".net agreement") between
19 ICANN and VeriSign. The only difference between the two agreements relevant to the currently
20 disputed issues is the dispute resolution provision: the .com agreement requires that both parties
21 agree to arbitration in lieu of litigation, while the .net agreement mandates arbitration at either
22 party's election. ICANN has initiated arbitration under the .net agreement and would welcome
23 the opportunity to arbitrate the issues under the .com agreement as well.

24 The arbitration and the litigation concern the exact same services and programs that
25 VeriSign has implemented or seeks to implement in the .com and .net registries. In both
26 proceedings, declaratory relief is sought as to whether VeriSign is entitled to proceed with these
27 services and programs. Thus, the arbitration will address the same issues that are raised in
28 VeriSign's complaint in this Court.

1 Specifically, the arbitration and this litigation both address:

- 2 (1) a "wildcard" (part of a service referred to by VeriSign as "Site Finder") that
3 VeriSign wishes to insert into in the .com and .net registries;
- 4 (2) a Wait Listing Service ("WLS") that VeriSign wishes to offer in the .com and .net
5 TLDs;
- 6 (3) "ConsoliDate", a service that VeriSign is offering in the .com and .net TLDs;
- 7 (4) Internationalized Domain Names ("IDNs") to be offered in the .com and .net
8 TLDs; and
- 9 (5) a volume discount program (referred to by VeriSign as its "Incentive Marketing
10 Program") that VeriSign is offering in the .net and .com TLDs.

11 At issue in both the litigation and the arbitration are the parties' rights and responsibilities
12 under the agreements with respect to these matters. ICANN contends that the services are
13 "Registry Services" as that term is defined in the .com and .net agreements, that the volume
14 discount program is further governed by the agreements, and that VeriSign has not satisfied its
15 contractual obligations with respect to the these services and program. ICANN further contends
16 that VeriSign has violated the agreements by implementing certain of these services without
17 contractual approval. VeriSign contends otherwise.

18 Because the litigation and the arbitration will resolve the same issues and involve nearly
19 identical agreements, it would be grossly inefficient for the two proceedings to proceed
20 simultaneously. Indeed, the decision of the arbitration panel will resolve (and thus render moot)
21 most if not all of the disputes present in this litigation. Accordingly, to promote judicial economy
22 and to avoid inconsistent rulings, this Court should stay the current litigation pending the outcome
23 of the arbitration.

24 **RELEVANT PROCEDURAL HISTORY**

25 On August 27, 2004, VeriSign filed the current complaint in this Court seeking relief for
26 breach of contract and declaratory and injunctive relief with respect to the parties' rights and
27 obligations under the .com agreement. Declaration of Jeffrey A. LeVee ("LeVee Decl.") at ¶ 2.
28

1 By agreement of the parties, ICANN filed its answer and counterclaims on November 12, 2004;
2 there has been no other activity in the case. *Id.* at ¶ 3.

3 On November 10, 2004, ICANN submitted a Request for Arbitration with the
4 International Chamber of Commerce, International Court of Arbitration (“ICC”), as provided for
5 under the .net agreement. *Id.* at ¶ 4, Ex. A (Request for Arbitration). The terms of the .net
6 agreement provide that any ICC arbitration is supposed to be completed within 90 days of the
7 initiation of arbitration (although under its rules the ICC may lengthen that period somewhat). *Id.*
8 at ¶ 5, Ex. B (.net agreement) at § 5.9. Through the expedited process of arbitration, ICANN is
9 seeking a declaration of the parties' rights and obligations under the .net agreement. *Id.* at ¶ 4,
10 Ex. A (Request for Arbitration) at p. 2.

11 **FACTUAL BACKGROUND**

12 ICANN is the internationally organized nonprofit corporation responsible for coordinating
13 the global Internet's domain name system. (Compl., ¶ 13.) The Internet domain name system
14 consists of approximately 250 TLDs (*e.g.*, .com, .net, .org, .edu) and about 64.5 million registered
15 domain names (*e.g.*, www.register.com) for which TLD operators charge for registration.
16 (Compl., ¶¶ 7, 8.)

17 ICANN's mission is to protect the stability, integrity, and utility of this system on behalf
18 of the global Internet community. *See, e.g.*, LeVee Decl., ¶ 5, Ex. B (.net agreement) at § 5.4.6.
19 Among its many responsibilities, ICANN is charged with overseeing the delegation of TLDs to
20 qualified applicants. (Compl., ¶¶ 14, 15.) ICANN has awarded contracts to a number of entities
21 to operate one or more TLDs and to maintain the definitive registry of domain names for that
22 TLD. VeriSign is one of those entities. (Compl., ¶ 15.)

23 In May 2001, pursuant to two separate registry agreements, ICANN appointed VeriSign to
24 be the sole registry operator of the .com and .net TLDs. (Compl., ¶¶ 15, 17, 18.) While the .com
25 and .net registry agreements are virtually mirror-images, one notable difference in the agreements
26 lies in the dispute resolution provisions. The .net agreement mandates that all disputes be
27 submitted to arbitration in the ICC. LeVee Decl., ¶ 5, Ex. B (.net agreement) § 5.9. The .com
28 agreement, on the other hand, provides that the parties will resolve most disputes through the

1 courts, subject to election by both parties to arbitrate. LeVee Decl., ¶ 6, Ex. C (.com agreement)
2 at § II.15. The current action and the arbitration concern the same services and programs that
3 VeriSign has implemented or seeks to implement: a "wildcard" (part of a service referred to by
4 VeriSign as "Site Finder"), a Wait Listing Service, "ConsoliDate," Internationalized Domain
5 Names, and a volume discount program (referred to by VeriSign as its "Incentive Marketing
6 Program"). *Compare* Compl., ¶¶ 28-65 with LeVee Decl., ¶ 4, Ex. A (Request for Arbitration) at
7 ¶¶ 32-99.

8 ARGUMENT

9 I. THIS COURT SHOULD EXERCISE ITS INHERENT AUTHORITY TO STAY 10 THIS LITIGATION.

11 This Court has the inherent power to stay this litigation pending the outcome of the related
12 arbitration. *Freiberg v. City of Mission Viejo*, 33 Cal. App. 4th 1484, 1489 (1995) ("Trial courts
13 generally have the power to stay proceedings in the interests of justice and to promote judicial
14 efficiency."); *Walker v. Superior Court*, 53 Cal. 3d 257, 267 (1991) ("It is established that the
15 inherent powers of the courts are derived from [Article VI § 1 of] the Constitution.").

16 California Code of Civil Procedure section 187 gives this Court discretion to adopt "any
17 suitable process or mode of proceeding . . . which may appear most comfortable to the spirit of
18 this code." Cal. Civ. Proc. Code § 187. The Court's authority to stay proceedings is part of its
19 "inherent power" to "insure the orderly administration of justice." *Bailey v. Fosca Oil Co., Ltd.*,
20 216 Cal. App. 2d 813, 817-18 (1963) (approving of a trial court's stay pursuant to Cal. Civ. Proc.
21 Code § 187) (citations omitted); *see also* Cal. Civ. Proc. Code § 418.10.

22 VeriSign initiated the litigation on August 27, 2004, and ICANN filed its answer and
23 counterclaims on November 12, 2004. Because the litigation is in its infancy, staying the
24 litigation will promote judicial efficiency by conserving judicial resources and preventing
25 duplicative litigation. This is particularly true given that the litigation and the arbitration are
26 essentially identical proceedings; they involve the same contract language, the same services and
27 programs, and the same disputes.

1 At the core of the parties' disputes is a disagreement over the meaning of "Registry
2 Services" as that term is used in both of the agreements. The definition of "Registry Services,"
3 for all relevant purposes, is identical in both agreements. The .net agreement defines "Registry
4 Services" as:

5 services provided as an integral part of the operation of the Registry
6 TLD, including all subdomains in which Registered Names are
7 registered. These services include: receipt of data concerning
8 registration of domain names and nameservers from registrars,
9 provision to registrars of status information relating to the Registry
10 TLD, dissemination of TLD zone files, operation of the Registry
11 TLD zone servers, dissemination of contact and other information
concerning domain name and nameserver registrations in the
Registry TLD, and such other services required by ICANN in the
manner provided in Subsections 4.3 through 4.6 [i.e., Consensus
policies]. Registry Services shall not include the provision of
nameservice for a domain used by a single entity under a Registered
Name registered through an ICANN-Accredited Registrar.

12 LeVee Decl., ¶ 5, Ex. B (.net agreement) at § 1.16.

13 The .com agreement defines "Registry Services" as:

14 services provided as an integral part of the Registry TLD, including
15 all subdomains. These services include: receipt of data concerning
16 registrations of domain names and nameservers from registrars;
17 provision to registrars of status information relating to the Registry
18 TLD zone servers, dissemination of TLD zone files, operation of
19 the Registry zone servers, dissemination of contact and other
20 information concerning domain name and nameserver registrations
in the Registry TLD, and such other services required by ICANN
through the establishment of Consensus Policies as set forth in
Definition 1 of this Agreement. Registry Services shall not include
the provision of name service for a domain used by a single entity
under a Registered Name registered through an ICANN-accredited
registrar.

21 LeVee Decl., ¶ 6, Ex. C (.com agreement) at § I.9.¹

22 ¹ Although the definition of "Registry Services" is critical to the litigation and the
23 arbitration, it is but one example of the similarities between the .com and .net agreements.
24 Indeed, all relevant sections and appendices of each agreement (other than the dispute resolution
25 provision) are materially the same. For example, VeriSign's complaint alleges a dispute
26 involving ICANN's "General Obligations" under the .com agreement. (Compl., ¶¶ 23, 24, 37, 45,
27 51, 62, 64, 65.) ICANN's "General Obligations" under the .com agreement are identical -- but for
28 one inconsequential word choice -- to ICANN's "General Obligations" under the .net agreement.
Compare LeVee Decl., ¶ 5, Ex. B (.net agreement) at § 2.1 *with id.* at ¶ 6, Ex. C (.com agreement)
at § II.4. VeriSign's complaint also implicates provisions discussing ICANN Consensus Policies
and a provision entitled "Protection from Burdens of Compliance With ICANN Policies."
(Compl., ¶¶ 20-22.) Each of these provisions is equally similar in the agreements. Compare
LeVee Decl., ¶ 5, Ex. B (.net agreement) at §§ 4.3, 4.6 *with id.* at ¶ 6, Ex. C (.com agreement) at

1 VeriSign contends that its "wildcard" service (or "Site Finder"), Wait Listing Service,
2 ConsoliDate, Internationalized Domain Names, and volume discount program (or "Incentive
3 Marketing Program") are not Registry Services and, thus, the services and program are not
4 subject to the terms of the .com agreement. (Compl., ¶¶ 31, 37, 41, 45, 49, 56, 62, 67-70, 81, 86,
5 87, and 90.) ICANN disagrees and contends that the services are Registry Services, are subject to
6 the terms of the agreements, and that VeriSign's volume discount program is subject to the terms
7 of the agreements for additional reasons. LeVee Decl., ¶ 4, Ex. A (Request for Arbitration) at
8 ¶¶ 32, 33, 57, 60, 65, 78, 89, 90, 110; Cross-Compl., ¶¶ 42, 43, 57, 65, 78, 89, 99.

9 The current litigation and the arbitration each seek a declaration of the parties' rights and
10 obligations under the agreements with respect to these same services, and ICANN seeks a
11 declaration that VeriSign has violated the agreements in various respects. *See generally*, Compl.,
12 Request for Relief; LeVee Decl., ¶ 4, Ex. A (Request for Arbitration) at ¶ 111.

13 It would be extremely inefficient for this litigation and the arbitration to proceed
14 simultaneously because a decision in one likely will decide most if not all of the issues for both.
15 For example, the arbitration proceeding will result in an arbitration declaration setting forth the
16 meaning of the term "Registry Services." In addition, the panel will decide and declare that each
17 of the services at issue either is or is not a Registry Service. Each finding and each declaration
18 made by the arbitrators with respect to the .net agreement will apply equally to the .com
19 agreement because the definition of "Registry Services" is the same in both agreements.
20 *Compare* LeVee Decl., ¶ 5, Ex. B (.net agreement) at ¶ 1.16 *with id.* at ¶ 6, Ex. C (.com
21 agreement) at § I(9).

22 The .net agreement provides that "the arbitrators shall render their decision within ninety
23 days of the initiation of arbitration." *Id.* at ¶ 5, Ex. B (.net agreement) at ¶ 5.9. Even allowing for
24 some possible slippage in that deadline, the arbitration will be resolved well before this litigation

25 _____
(continued...)

26 §§ I.1, II.6. Additionally, each appendix (each agreement has 21 of them) discussed in either the
27 litigation or the arbitration is also similar in all relevant terms. *Compare id.* at ¶ 5, Ex. B (.net
28 agreement) at App. C, F, G, I, K, and W *with id.* at ¶ 6, Ex. C (.com agreement) at App. C, F, G,
I, K, and W.

1 ends. Thus, the decision of the arbitration panel will render most if not all of this litigation moot.
2 Cal. Code Civ. Proc. § 1287.4 (judgment on arbitration award has same force and effect of a
3 judgment in civil action); *Vendenberg v. Superior Court*, 21 Cal. 4th 815, 831-32 (1999)
4 (arbitration award is entitled to res judicata or collateral estoppel effect in subsequent proceedings
5 before the same parties).

6 **CONCLUSION**

7 For the foregoing reasons, ICANN respectfully requests this Court to stay this action in its
8 entirety pending resolution of the arbitration regarding the .net agreement.

9
10 Dated: November 12, 2004

JONES DAY

11
12 By: Jeffrey A. LeVee
13 Jeffrey A. LeVee swp

14 Attorneys for Cross-Complainant and
15 Defendant
16 INTERNET CORPORATION FOR
17 ASSIGNED NAMES AND NUMBERS
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1 DECLARATION OF JEFFREY A. LEVEE

2 I, Jeffrey A. LeVee, declare:

3 1. I am an attorney licensed to practice law in the State of California and am a partner of
4 the law firm of Jones Day, counsel of record for defendant Internet Corporation for Assigned
5 Names and Numbers ("ICANN"). I make this declaration in support of Cross-Complainant and
6 Defendant ICANN's Motion to Stay Litigation Pending Arbitration. I have personal knowledge
7 of the matters set forth herein and am competent to testify thereto.

8 2. On August 27, 2004, VeriSign, Inc. ("VeriSign") filed the current complaint in this
9 Court seeking relief for breach of contract and declaratory and injunctive relief with respect to the
10 parties' rights and obligations under the May 2001 .com Registry Agreement between ICANN
11 and VeriSign.

12 3. The parties stipulated to extend the time for ICANN to answer the complaint. On
13 November 12, 2004, ICANN filed its answer and counterclaims. There has been no other
14 substantive activity in the litigation. The first scheduling conference is to occur on January 18,
15 2005.

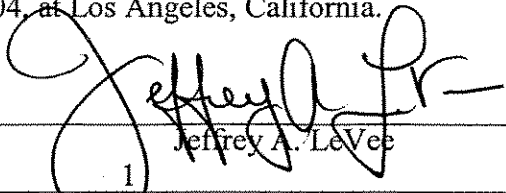
16 4. On November 10, 2004, ICANN submitted a Request for Arbitration with the
17 International Chamber of Commerce, International Court of Arbitration ("Request for
18 Arbitration"). Attached hereto as Exhibit A is a true and correct copy of ICANN's Request for
19 Arbitration, dated November 10, 2004.

20 5. Attached hereto as Exhibit B is a true and correct copy of the May 2001 .net Registry
21 Agreement between ICANN and VeriSign, dated May 25, 2001.

22 6. Attached hereto as Exhibit C is a true and correct copy of the May 2001 .com Registry
23 Agreement between ICANN and VeriSign, dated May 25, 2001.

24 I declare under penalty of perjury under the laws of the State of California that the
25 foregoing is true and correct.

26 Executed on November 11, 2004, at Los Angeles, California.

27 
28 _____
Jeffrey A. LeVee