

ENTERED APR 12 2002

FILED

APR 12 2002

CLERK, US BANKRUPTCY COURT
SOUTHERN DISTRICT OF CALIFORNIA
BY DEPUTY

FOR PUBLICATION

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF CALIFORNIA

In re

IXPRES.COM, INC.

Debtor.

IXPRES.COM, INC.,

Plaintiff,

v.

REGISTER.COM, INC.,

Defendant.

Case No. 01-09283-A11

Adv. No. 02-90004-A11

MEMORANDUM DECISION

I.

INTRODUCTION

Defendant Register.com, Inc. ("Defendant") moves to dismiss the Debtor's amended complaint pursuant to Federal Rule of Civil Procedure 12(b)(6), which is made applicable by Federal Rule of Bankruptcy Procedure 7012(b)(6). The amended complaint seeks declaratory and injunctive relief regarding the Debtor's right to the internet domain name, "internetexpress.com." Additionally, it seeks damages of \$150,000 for violation of the automatic stay.

1 The Defendant argues the declaratory and injunctive relief claims are moot
2 because the domain name has already been registered to a third party. Additionally,
3 the Defendant argues the automatic stay does not prevent termination of the Debtor's
4 use of the domain name where the contract expired by its own terms.

5 The Court's tentative ruling granted the motion to dismiss the claims for
6 declaratory and injunctive relief as moot pursuant to the reasoning of *Seven Words*
7 *LLC v. Network Solutions*, 260 F.3d 108 (9th Cir. 2001), and denied the motion to
8 dismiss the remaining claims. Upon a further review of the amended complaint and
9 the arguments of counsel, the Court denies the motion in its entirety without
10 prejudice. However, the Court also directs that the complaint be further amended.

11 II.

12 FACTUAL BACKGROUND

13 The Debtor filed a chapter 11 petition on September 6, 2001. Prior to the
14 petition date, the Debtor purchased the right to use the domain name
15 "internetexpress.com" from a third party who had originally registered the name
16 through the Defendant. The terms and conditions of the use of the domain name are
17 governed by the Registration Services Agreement ("RSA").¹

18 The RSA provides that it is a contract for "Domain Name Registration,
19 Administration, and Renewal." At least thirty days prior to the expiration, the
20 Defendant must notify the Debtor that a renewal fee is due. If the Debtor fails to pay
21 the renewal fee, the Defendant must automatically renew the registration for one year
22 using the Debtor's most recent credit card information. If the credit card has expired
23 or is invalid, the Defendant must provide additional notice of this fact. Thereafter,
24 if the Defendant does not receive a valid credit card, the registration will not be
25 renewed.

26
27
28 ¹ The RSA is attached to the amended complaint.

1 IV.

2 LEGAL ANALYSIS

3 1. What is the Scope of the Motion to Dismiss?

4 On a motion to dismiss for failure to state a claim upon which relief may be
5 granted, the court's review is limited to the contents of the complaint, the exhibits
6 appended to the complaint where their authenticity is not disputed, and matters that
7 are properly the subject of judicial notice. *In re Hemmeter*, 242 F.3d 1186, 1189 (9th
8 Cir. 2001); *In re Warfel*, 268 B.R. 205, 208 n.2 (9th Cir. BAP 2001); *In re Ritter*
9 *Ranch Dev. LLC*, 255 B.R. 760, 762 n.4 (9th Cir. BAP 2000). In deciding the motion,
10 the court must take as true all material factual allegations and construe them in the
11 light most favorable to the plaintiff. *Hemmeter*, 242 F.3d at 1189. Dismissal is
12 improper unless it appears beyond a doubt that the plaintiff can prove no set of facts
13 which would entitle the plaintiff to relief. *Id.* at 1189.

14 If the court considers materials outside the complaint, the motion must be
15 converted to a motion for summary judgment and the parties must be afforded a
16 reasonable opportunity to present material that would be pertinent to a summary
17 judgment motion. *In re Rothery*, 143 F.3d 546, 549 (9th Cir. 1998).

18 In the present case, the Defendant submitted the declarations of Alice Greene
19 and Catherine Larocca filed February 11, 2002 which speak to matters outside the
20 complaint. The Court strikes the declarations in their entirety. Additionally,
21 Ms. Larocca's declaration requests the Court to take judicial notice of the public
22 records attached as Exhibits "A"- "E."

23 Ms. Larocca personally downloaded Exhibits "A"- "E" from
24 <http://www.icann.org>, which is the official web site of the Internet Corporation for
25 Assigned Names and Numbers ("ICANN"), a non-profit, private corporation
26 designated by the Department of Commerce to manage the domain name system. The
27 Defendant argues the public documents downloaded from ICANN's official web site
28 are properly the subject of judicial notice.

1 The Debtor has not objected to introduction of these documents, and its
2 amended complaint alleges the parties are bound by these documents. [See Amended
3 Complaint at ¶¶ 6 and 23] Accordingly, the Court has considered these documents
4 and the RSA in ruling on the motion to dismiss.

5 **2. Are the Claims for Declaratory and Injunctive Relief Moot?**

6 The Defendant seeks dismissal of the declaratory and injunctive relief claims
7 because they are moot. It argues the Ninth Circuit's case in *Seven Words LLC v.*
8 *Network Solutions*, 260 F.3d 1089, 1095 (9th Cir. 2001) is on point.

9 In *Seven Words*, the plaintiff sought declaratory and injunctive relief requiring
10 the domain registrar (NSI) to abandon its policy of prohibiting registration of domain
11 names containing certain words, and directing NSI to register the sixteen domain
12 names that the plaintiff sought to register. *Id.* at 1095. The Ninth Circuit held these
13 claims were moot because NSI had abandoned its policy of prohibiting registration
14 of certain domain names, and most importantly, because a third party had already
15 registered the domain names. *Id.* Here, a third party has already registered the
16 domain name "internetexpress.com." Therefore, the Defendant argues the declaratory
17 and injunctive relief claims fall squarely within the holding of *Seven Seas*, and they
18 must be dismissed as moot.

19 The Debtor argues *Seven Words* is distinguishable because it did not involve
20 a domain name that was terminated due to a mistake. Because of the different facts,
21 the Ninth Circuit did not analyze the various contracts or the ICANN adopted
22 policies; nor did it address a court's power to direct a domain registrar to transfer or
23 change a domain name registration where it was improperly terminated.

24 The Court agrees that *Seven Words* is distinguishable. *Seven Words* involved
25 a situation where the plaintiff *never had the right to use* the sixteen domain names
26 that it sought to register. In contrast, the amended complaint alleges the Debtor had
27 the right to use the domain name, the right to receive renewal notices, and the right
28 to have the registration automatically renewed. [Amended Complaint at ¶¶ 16-21]

1 Further, the amended complaint alleges the Court has the power to direct the
2 Defendant and ICANN to transfer or cancel the domain name registration where
3 termination of the Debtor's domain name was by mistake. Specifically, ¶ 23 alleges
4 that ICANN has the authority over the Defendant and the third party domain
5 registrant, and the power pursuant to Section 3 of the ICANN Uniform Domain Name
6 Dispute Resolution Policy ("UDRP"), to cancel, transfer or otherwise change the
7 domain name registration *if a court orders it to do so*. Paragraph ¶ 24 alleges the
8 Defendant and the Court can direct ICANN to reinstate the Debtor's domain name
9 registration where the domain name was terminated by mistake.

10 The contractual agreements can be reasonably construed to support the above
11 allegations. The RSA indicates it is a contract for registration and renewal services.
12 Further, the ICANN/Registrar Accreditation Agreement between ICANN and the
13 Defendant ("Accreditation Agreement") provides that the Registered Name Holder
14 shall agree that its *registration of the domain name is subject to suspension,*
15 *cancellation, or transfer* pursuant to any ICANN adopted policy, to correct mistakes
16 by the Registrar (Defendant) or the Registry Operator in registering the name, or for
17 the resolution of disputes concerning the registered name. [Exhibit "D," Accreditation
18 Agreement at ¶ 3.7.7.11]. The UDRP provides ICANN will cancel, transfer or
19 otherwise make changes to domain name registrations upon receipt of appropriate
20 instructions from the registrar to make the change, or *upon receipt of a court order*
21 *directing the name change*. [Exhibit "E," UDRP at ¶ 3]²

22 As more fully set forth above, on a motion to dismiss the Court must construe
23 all factual allegations and all reasonable inferences in favor of the nonmoving party.
24 Based upon this liberal standard, the Court concludes the Debtor has sufficiently

25
26
27 ² See also *Networks Solutions, Inc. v. Umbro International, Inc.*, 259 Va. 759, 766
28 (2000) (recognizing the UDRP authorizes the domain registrar to revoke, suspend, transfer or
otherwise modify a domain name registration upon receipt of a court order requiring the revocation,
suspension, transfer or modification of the domain name registration).

1 stated claims for declaratory and injunctive relief even though a third party has
2 registered the domain name.

3 **3. Can the Debtor State a Claim for Violation of the Automatic Stay?**

4 Additionally, the Defendant seeks dismissal of the claim for damages for
5 violation of the automatic stay. The Defendant relies upon *Moody v. Amoco Oil Co.*,
6 734 F.2d 1200 (7th Cir. 1984), which held that § 108(b) does not extend the time
7 period to cure a default in a contract that irreversibly terminated before the petition
8 date. *Moody*, 734 F.2d at 1212-13. Because the contract had irreversibly terminated,
9 the automatic stay did not prevent termination of the contract upon expiration of the
10 remaining ninety day term. *Id.* at 1213. Similarly, in this case, the Defendant argues
11 the automatic stay did not prevent termination of the contract because the Debtor's
12 right to use the domain name had irreversibly expired.

13 *Moody* is factually distinguishable because it involved a contract that was in
14 default and irreversibly terminated before the petition date.³ Rather, this case is more
15 closely analogous to the Ninth Circuit's case *In re Carroll*, 903 F.2d 1266 (9th Cir.
16 1990). In *Carroll*, the debtor and Tri-Growth were parties to an executory
17 management contract that was property of the estate. *Carroll*, 903 F.2d at 1270-71.
18 Without seeking relief from stay, Tri-Growth gave notice that it intended to terminate
19 the management agreement upon 90 days notice. *Id.* at 1269.

20 The Debtor argued that Tri-Growth's unilateral termination of the contract
21 violated the automatic stay. Tri-Growth argued no stay violation occurred because
22

23 ³ In contrast, it does not appear that this contract had irreversibly terminated on the petition
24 date. Accordingly, unlike *Moody*, § 108(b) arguably extended the deadline to renew the domain
25 name registration until the *later* of sixty days from the petition date, or the date that the renewal
26 option irreversibly expired. *In re Santa Fe Dev. & Mtg. Corp.*, 16 B.R. 165, 168 (9th Cir. BAP
27 1981)(holding § 108(b) applies to an option to renew a lease); *see also* 2 L. King, *Collier on*
28 *Bankruptcy*, ¶ 108.03[1] at 108-8 (15th ed. Rev. 2001)(providing that § 108(b) extends a contractual
deadline to exercise an option to renew a lease). The amended complaint reveals the Defendant
terminated the RSA *after* the sixty day extension had already passed. Accordingly, § 108(b) did not
keep the contract alive.

1 the debtor's rights were only as great as the rights conferred by the agreement, and
2 under the agreement both sides had the unqualified right to terminate upon 90 days
3 notice. *Id.* at 1271. The Ninth Circuit held that Tri-Growth's termination of the
4 agreement violated the automatic stay. *Id.* at 1271-72. It reasoned the language in
5 the agreement created only a *conditional right* to terminate as opposed to an
6 *unconditional right*. *Id.* at 1272. Therefore, even in breach, the agreement was
7 protected by the automatic stay and Tri-Growth was required to seek relief from stay
8 before terminating the agreement. *Id.* It left open the question of whether relief from
9 stay was necessary where the right to terminate was unconditional.

10 Similarly, in this case, the Debtor alleges the domain name registration was
11 property of the estate and protected by the automatic stay. The Defendant should
12 have sought relief from stay before terminating the registration. The only exceptions
13 would be if the registration had irreversibly expired or the Defendant's right to
14 terminate was unconditional. In those limited instances, arguably the Defendant
15 could terminate the registration without seeking relief from stay.

16 The Court cannot determine the parties' rights from the amended complaint.
17 The amended complaint does not allege the date that the Debtor's initial registration
18 expired; nor does it allege the final deadline that the Debtor had to renew the
19 registration. Rather, the amended complaint alleges the Debtor used the domain name
20 up until December 14, 2001 at which time the Defendant took away the Debtor's use
21 of the domain name. [Amended Complaint at ¶¶ 7 and 12]. When asked why, the
22 Defendant told the Debtor the original registration expired on November 8, 2001 and
23 the name was terminated after the 35-day grace period. [Amended Complaint at
24 ¶ 12]. The amended complaint does not admit the Defendant is correct. Further, the
25 RSA does not assist the Court, as it contains no final expiration date.

26 The Defendant is relying upon Ms. Greene's declaration to establish its rights.
27 She states the Defendant's *system records* indicate the original registration expired
28 on November 8, 2001, and after a 35-day grace period the Defendant's computer

1 automatically deleted the domain name from its system. As more fully explained
2 above, the Court cannot consider Ms. Greene's declaration on a motion to dismiss.

3 Because the Court is unable to ascertain the parties' rights, the Court will
4 require amendment of the complaint to provide this information. Specifically, the
5 Debtor must allege the date the original domain name registration expired, and
6 whether there was a final expiration date.

7 Finally, the Defendant argues the amended complaint does not allege a claim
8 for breach of the RSA. Although not separately pled, the amended complaint alleges
9 "[t]he actions of the Defendant in terminating the Plaintiff's use of the domain name
10 ... is a breach of the Services Agreement," and it prays for \$150,000 in damages for
11 breach of the RSA. [Amended Complaint at ¶ 21; Prayer at ¶ 6] The Court agrees this
12 claim, and the others, are inartfully pled and directs the Debtor to amend its complaint
13 to separately plead each claim for relief.⁴

14 **V.**

15 **CONCLUSION**

16 The amended complaint states a claim for declaratory and injunctive relief, and
17 the Court is sufficiently satisfied these claims remain ripe even though a third party
18 registered the domain name. The Court is unable to determine whether the Debtor
19 can state a claim for violation of the automatic stay, and requires amendment of the
20 complaint to specify the date the original domain name registration expired, and
21 whether there was a final expiration date. Accordingly, the Court denies the motion
22 to dismiss without prejudice on condition of timely amendment.

23 The Court is cognizant that the Defendant believes it has other grounds to
24 dismiss the complaint. These grounds were not properly included in the motion to
25

26 ⁴ The Defendant also urges the action should be dismissed because it is an improper end-run
27 around the mandatory procedures in the UDRP, and because the third party registrant is a necessary
28 and indispensable party to the action. These arguments were not part of the motion to dismiss. Given
the uniqueness and complexity of these issues, they must be properly raised.

1 dismiss. The Court will consider these grounds when they are properly raised. The
2 Debtor is directed to file an order consistent with the terms of this Memorandum
3 Decision within ten days of its date, and to file an amended complaint within five
4 days after entry of the order denying this motion.

5

6

7 Dated: 12 Apr 02


LOUISE DeCARL ADLER, Judge

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

1 CAD 168
[Revised July 1985]

2
3 UNITED STATES BANKRUPTCY COURT
4 SOUTHERN DISTRICT OF CALIFORNIA

5 Case No. 01-09283-A11;
6 Adv. No. 02-90004-A11
7 Case Name: In Re: IXPRES.COM, INC., et al.

8
9 CERTIFICATE OF MAILING

10 The undersigned, a regularly appointed and qualified clerk in the Office of the United States
11 Bankruptcy Court for the Southern District of California, at San Diego, hereby certifies that a true
12 copy of the attached document, to-wit:

13 MEMORANDUM DECISION

14
15 was enclosed in a stamped and sealed envelope and mailed to the following parties at their respective
16 addresses listed below:

17 Attorney for Debtor/Plaintiff

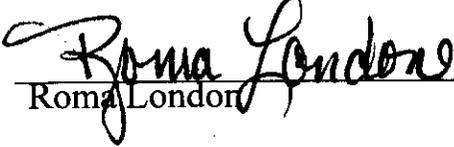
18 Jeffrey D. Schreiber, Esq.
19 6336 Greenwich Drive
20 Suite B
21 San Diego, California 92122

Attorney for Defendant

Catherine Larocca, Esq.
5580 La Jolla Blvd., #500
La Jolla, California 92037

22 The envelope(s) containing the above document was deposited in a regular United States mail
23 box in the City of San Diego in said district on April 12, 2002.

24
25 CAD 168

 , Deputy Clerk
Roma London