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Plaintiff's Opposition to Defendants' Motion to Dismiss; Memorandum of Points and Authorities in Support Thereof

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UNITED STATES DISTRICT COURT

WESTERN DISTRICT OF CALIFORNIA

CLOSED CORPORATION, a California Corporation, Plaintiff, v. OPEN SESAME USERS GROUP, DOES 1-1000, SCAPE GOAT, Defendants.	Case No.: CT-0001-DFO **PLAINTIFF'S OPPOSITION TO DEFENDANTS' MOTION TO DISMISS; MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT THEREOF** DATE: October 23, 1999 TIME: 9:00 a.m. PLACE: CT

TO DEFENDANTS AND THEIR ATTORNEYS OF RECORD:

Plaintiff CLOSED CORPORATION hereby opposes Defendants OPEN SESAME USERS GROUP, DOES 1-1000, and SCAPE GOAT's Motion to Dismiss based on the attached Memorandum of Points and Authorities, the Declaration of Edward W. Felten and on such oral argument and evidence that may be presented at the hearing of the Motion.

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I. INTRODUCTION

In 1984, largely basing its observations on the pronounced effect that had occurred in business and commerce as a result of late twentieth century innovations in the area of telecommunications, the Supreme Court indicated that a defendant could not avoid the jurisdiction of the federal courts "merely because the defendant did not physically enter the forum state." *Burger King v. Rudzewicz*, 471 U.S. 462, 476 (1985) (emphasis omitted). Instead, the Supreme Court acknowledged that "it is an inescapable fact of modern commercial life that a substantial amount of commercial business is transacted solely by mail and wire communications across state lines, thus obviating the need for physical presence within a State in which business is conducted." *Id.* Less than a decade after the Supreme Court observed that changes in telecommunications had challenged the traditional concepts of personal jurisdiction, the explosion in the popularity of the Internet, whose members are largely anonymous, has even more dramatically altered the framework for determining whether an individual has foreseeably directed his or her activities at a given forum.

A 1993 *New Yorker* cartoon, now famous in Internet circles, features two dogs, pictured sitting in front of a computer with the caption: "On the Internet, nobody knows you're a dog." *New Yorker*, July 5, 1993, at 61. But what happens when that dog bites someone on the Internet, and then hides behind the anonymity that the Internet provides? The Plaintiff, Closed Corporation (Closed), has assuredly been bitten here—its patent has been infringed by Defendant participants in the Usenet newsgroup *comp.os.opensesame* (Open Sesame), which now seeks to use its Internet anonymity to hide from the proper jurisdiction of this Court. Open Sesame does not just want one free bite, either—in effect, it seeks from this Court a privilege to engage in on-line patent infringement free from any judicial intervention.

Although the Internet may provide greater anonymity than generally provided in the real world, this does not mean that patent infringers should be allowed to operate with total freedom on the Internet, use the Internet to interact directly and foreseeably with a

forum, and then claim that because their actions were on the Internet, they are immune from justice in that forum. That would be akin to saying, "On the Internet, anybody can infringe a patent." Indeed, when a patent is infringed, the wronged owner of that patent faces serious and difficult burdens in proving the allegation of infringement. These burdens generally revolve around the technical questions concerning the patented device and the infringing device. Usually there is little question, however, of who the infringer is or where the infringement is occurring. All of this changes when the infringement occurs on the Internet. This anonymity is further compounded by the lack of any concept of physical location on the Internet. This lack of location led, in part, to the coining of the term "cyberspace."

However, there are no courts in cyberspace to enforce Closed's patent protections. It is therefore necessary for some court, located in the real, tangible world to hear these claims, or they will go unheard. This Court is, in fact, the appropriate forum for the adjudication of these claims. Jurisdiction and venue are proper here given the Defendants' actions, directly and foreseeably interacting with the forum. Traditional notions of fair play and justice will not be offended by the extension of jurisdiction to a California forum. Moreover, the methods of service, although novel because they involve the Internet, are appropriate extensions of service methods recognized and accepted in the more tangible world and are the most effective way to reach those who operate primarily on the Internet.

II. QUESTIONS PRESENTED

1. Is Open Sesame a legal entity subject to suit for patent infringement, given that it is an unincorporated association created for, and dedicated to, the goal of jointly creating an alternative to Closed's Views software?
2. May a California court exercise personal jurisdiction over an Internet Usenet group whose members collaborate to produce software that intentionally infringes, and is specifically designed to replace, the software of Closed, a California corporation?
3. Do Open Sesame and its members maintain a regular and established place of business within the Western District of

California by virtue of the presence of distribution servers for its Usenet newsgroup and the availability of access to the group's Web and FTP servers?

4. Does service of process meet the requirements of California Code of Civil Procedure section 415.30 and the United States Constitution, in any or all of the following scenarios: (*a*) where service is effected by posting a copy of the summons and complaint to the Open Sesame Usenet newsgroup's Web site; (*b*) where service is effected by mailing copies to the Open Sesame electronic mail (e-mail) addresses of individual newsgroup subscribers; or (*c*) where service is effected by publishing a copy of the summons and complaint to an on-line newsletter known to be regularly read by the members of Open Sesame?

III. STATEMENT OF FACTS

Closed is a California corporation that is headquartered in San Jose, California, which manufactures a popular operating system for personal computers, known as Views. Views is protected by a United States patent. Closed licenses Views to a number of computer manufacturers for sale with their computers and also sells Views directly to consumers. The Views software is a valuable piece of intellectual property, and Closed has protected it by the use of licensing agreements. These agreements allow third parties to develop applications for the Views operating system, while preventing damaging and unauthorized disclosure of the Views code.

There are software developers who are unhappy with the methods that Closed has used to protect its investment in Views. Some of these developers have banded together for the common purpose of producing a product to compete with Views. This group, Open Sesame, has developed an operating system product known as Open. Open is an open source development. This means that anyone may copy this freely available source code, modify it, and redistribute it, subject only to the requirement that they not charge for it and that they attribute the source of the code. In this manner, the software grows as individuals contribute and substantially develop it.

Such a distributed development is made practical by the use of the Internet, a network of interconnected, globally located computer networks, and the Usenet, a method for a large number of users to share messages and have ongoing discussions on the Internet.

The Usenet is essentially a large bulletin board system. Users read and post messages in a particular discussion area, called a newsgroup, to a local Usenet server. This is done using Usenet compatible software, e.g., any popular Web browser. These Usenet servers (computers running Usenet distribution software), located worldwide, spread the messages across the Internet from Usenet server to Usenet server so that each server has a copy of every message posted anywhere, for any group carried by that server. There are several hundred thousand servers located worldwide, and many are operated by Internet service providers and universities. There are servers located in California, operated by Stanford University, the California Institute of Technology, in addition to many others. The individual servers may be programmed to carry and forward only a subset of newsgroups, typically based on the hierarchy to which the newsgroup belongs, and need not carry every group.

There are more than a thousand Usenet newsgroups, arranged in eight primary hierarchies: *comp* (computer and software issues), *rec* (recreation and sports), *soc* (social issues), *sci* (science and engineering), *misc* (miscellaneous), *news* (Usenet/newsgroup issues), *talk* (debate of various issues), and *humanities* (arts and the humanities). There are also a number of additional hierarchies that focus on localities, states, and nations, as well as the *alt* hierarchy, which features alternative issues. Most servers carry all of the eight primary hierarchies, but may not carry the others. Examples of Usenet newsgroups are *rec.sport.baseball.college*, which focuses on college baseball; *comp.os.ms-windows.apps.word-proc*, which focuses on word processors for Microsoft Windows; and *misc.legal*, which focuses on legal and legal ethics issues.

Usenet newsgroups in primary hierarchies do not spring from the ether, but require considerable effort and planning to create. The method by which a new newsgroup is created for the eight primary hierarchies is as follows: (1) a proposal for discussion of the

creation of a new newsgroup is posted to *news.groups* and *news.announce.groups*, as well as to any other appropriate groups; (2) if after thirty days of discussion, a consensus is reached about the charter and administration of the newsgroup, there will be a call for a vote on the newsgroup; (3) votes are then submitted by e-mail to a designated volunteer from the Usenet Volunteer Votetaker (*uvv-contact@uvv.org*); (4) if after the voting period ends (twenty-one to thirty-one days, determined at the time of the call for votes), at least 100 votes have been received and two-thirds of them are in favor of the newsgroup, it will be created and an announcement will be posted to *news.announce.newgroups*. *See* David C. Lawrence, *How to Create a New Usenet Newsgroup* (last modified Jan. 31, 1997) <ftp://rtfm.mit.edu/pub/usenet/news.groups/How_to_Create_a_New_Usenet_Newsgroup>. Administrators of servers will configure their servers to carry this new newsgroup, and it will be propagated across the Internet.

One issue that must be resolved prior to the call for votes is whether the newsgroup will be moderated or not. *See id.* In a moderated newsgroup, a posted message is not automatically posted for all to see; instead, the local Usenet server to which the message is posted forwards the message via e-mail to the person who was designated as the newsgroup moderator when the newsgroup was set up. The moderator then decides whether the message should be posted to the newsgroup or not. *See* Denis McKeon, *Moderated Newsgroups FAQ* (last modified Mar. 11, 1997) <ftp://rtfm.mit.edu/pub/usenet/news.groups/Moderated_Newsgroups_FAQ>.

These rules for newsgroup creation do not apply, however, to newsgroups that are not in one of the eight primary hierarchies. In these hierarchies, especially the *alt* hierarchy, anyone with access to a server can create a new newsgroup. Because of this, many of the most extreme and fringe newsgroups are within the *alt* hierarchy. However, a significant number of servers do not carry or forward the *alt* hierarchy. Thus, there are substantial distribution benefits in being part of one of the eight primary hierarchies.

Open Sesame created a newsgroup for the development of the Open software within a primary hierarchy. This newsgroup is called

comp.os.opensesame. Members of Open Sesame can subscribe to this newsgroup, post their changes to the software, and receive changes posted by others. This newsgroup is part of the *comp* hierarchy, but is not moderated. Members may also use e-mail to send changes directly to other members. There is no requirement that anyone who subscribes provide his or her true identity or physical mailing address, although customarily posters to Usenet newsgroups may provide their e-mail address, as well as their true name, to allow other subscribers to contact them directly without having to post publicly to the newsgroup.

Nonetheless, members typically only submit suggested changes to Open's software that emulate particularly desirable features of the Views well-known graphical user interface. Then, after a change is submitted to the newsgroup, a subset of Open Sesame members decides if the change is useful. The change is then posted to a File Transfer Protocol (FTP) site and Web server located in Finland. From this file server, anyone can download the latest version of the software developed by the Open Sesame group.

Utilizing this method, Open Sesame has collaboratively and interactively created a new graphical user interface (GUI) for the Open operating system, which makes Open far easier to use. This GUI makes Open a viable competitor to the Views operating system for the vast majority of users who demand a graphical user interface. The creation and distribution of this Open GUI across the entire length and breadth of the Internet has resulted in this suit. Closed contends that this Open GUI infringes the patent protection granted to the Views software.

The identities of the individual members of Open Sesame are currently unknown. By using the Internet, this group has created a large and complex piece of software without having to reveal their identity or location. Although the creators of most Open developments include their names with their development, the members of Open Sesame have deliberately chosen not to reveal their identities. Through the use of discovery and other technical means it is possible to eventually determine the true identities of the individuals who comprise Open Sesame.

This anonymity has not prevented the software from gaining in popularity, however. Anyone having access to the Internet may get a free copy of the software, and some hardware manufacturers are now allowing purchasers the option of having the Open software pre-installed on their computers. It has been reported that some manufacturers are contemplating widespread commercial distribution of the Open software, including the Open GUI. Users of Open have recently protested at Closed's San Jose, California, headquarters. The protesters demanded refunds for the price of the Views software which had come pre-installed on their computers. This protest was widely publicized, and Closed had to offer refunds of the purchase price of Views to Open users to avoid any further public relations damage.

Because of the anonymous nature of the members of Open Sesame, Closed has filed suit against Open Sesame as a group; its individual members, as Doe Defendants 1-1000; and Ms. Scape Goat, a self-described user of the infringing Open software, who participated in the protest at Closed's headquarters. Ms. Goat, a resident of the Western District of California, was personally served. Open Sesame was served via a posting to the newsgroup that was set up for the development of the software, *comp.os.opensesame.* The unnamed Defendants were served via e-mail to the addresses given on their Usenet postings. Some of these were returned as undeliverable e-mail. Additionally, a notice was placed in the on-line newsletter *OpenSource* (*http://www.open-source.org*). This newsletter is popular with the open source software development community.

Defendants now argue that California courts lack jurisdiction over this suit, that the Western District of California is an improper venue, and that service upon Open Sesame and the Doe Defendants was inadequate.

IV. LEGAL STANDARD

Because this case involves allegations of patent infringement, it is the law of the Federal Circuit, rather than that of the Ninth Circuit, which controls the question of whether this Court may exercise personal jurisdiction over any or all of the Defendants. *See Beverly*

Hills Fan. Co. v. Royal Sovereign Corp., 21 F.3d 1558, 1564-65 (Fed. Cir.), *cert. dismissed*, 512 U.S. 1273 (1994); *see also* 28 U.S.C. § 1338(a). In that regard, the Federal Circuit has developed a three-part test for determining when specific personal jurisdiction exists: (1) whether the defendant purposefully directed its activities at the residents of the forum; (2) whether the claim arises out of or is related to those activities; and (3) whether assertion of personal jurisdiction is reasonable and fair. *See Akro Corp. v. Luker*, 45 F.3d 1541, 1545-46 (Fed. Cir. 1995). Moreover, venue in patent infringement cases is governed by 28 U.S.C. § 1400(b), and the Federal Circuit has recognized that ordinarily "[t]he venue issue is subsumed in the personal jurisdiction issue." *North Am. Philips Corp. v. American Vending Sales, Inc.*, 35 F.3d 1576, 1577 n.1 (Fed. Cir. 1994). Significantly, whether or not a Court has personal jurisdiction over an accused infringer is a question of law. *See 3d Sys. v. Aarotech Labs., Inc.*, 160 F.3d 1373, 1376 (Fed. Cir. 1998).

Where, as here, an evidentiary hearing is held to resolve the legal question of whether personal jurisdiction or venue is proper, a plaintiff need only make a prima facie showing of "specific facts," beyond the pleadings, to support the exercise of jurisdiction. *Boit v. Gar-Tec Prods., Inc.*, 967 F.2d 671, 675 (1st Cir. 1992); *Data Disc, Inc. v. Systems Tech. Assocs.*, 557 F.2d 1280, 1285 (9th Cir. 1977); *see also Whiteman v. Grand Wailea Resort*, No. C98-04442, 1999 WL 163044, at *1-2 (N.D. Cal. Mar. 17, 1999) (noting that "[f]acts supporting venue may be shown by declaration, affidavit, oral testimony, or 'other evidence,'" but concluding that plaintiff had failed to meet this burden).

In order to ameliorate the harsh consequences of granting motions to dismiss under Federal Rules of Civil Procedure 12(b)(2) or 12(b)(3), the trial court also retains the discretion to allow the plaintiff to proceed with discovery to ascertain whether the plaintiff can demonstrate the existence of personal jurisdiction or venue. *See Butchers Union Local No. 498 v. SDC Inv., Inc.*, 788 F.2d 535, 540 (9th Cir. 1986). To that end, the Ninth Circuit has noted that "[d]iscovery should ordinarily be granted where 'pertinent facts bearing on the question of jurisdiction are controverted or where a

more satisfactory showing of the facts is necessary.'" *Id.* (quoting *Data Disc*, 557 F.2d at 1285 n.1).[1] Similarly,

> the trial court may permit discovery on . . . a motion [to dismiss for lack of venue], and indeed should do so where discovery may be useful in resolving issues of fact presented by the motion, particularly since the necessity of resolving such issues is created by the movant himself and the relevant evidence is peculiarly within the movant's possession.

Hayashi v. Red Wing Peat Corp., 396 F.2d 13, 14 (9th Cir. 1968).

In contrast to the burdens imposed upon the plaintiff with respect to motions for lack of personal jurisdiction or venue, the defendant has the burden of proving that service was insufficient to support a motion to quash or dismiss under Federal Rule of Civil Procedure 12(b)(5). *See Bally Export Corp. v. Balicar, Ltd.*, 804 F.2d 398, 404 (9th Cir. 1986); *see also* 2 James W. Moore et al., *Moore's Federal Practice* § 12.33[1], at 12-52 (3d ed. 1999) ("In all challenges to the sufficiency of either the process or service of process, the burden of proof lies with the party raising the challenge."). Moreover, "[t]he standards set in Rule 4(d) for service on individuals and corporations are to be liberally construed, to further the purpose of finding personal jurisdiction in cases in which the party has received actual notice." *Grammenos v. C.M. Lemos & Nile Shipping Co.*, 457 F.2d 1067, 1070 (2d Cir. 1972). Accordingly, "the fact of invalidity of the one attempt at service does not automatically require dismissal of the complaint," and the trial court therefore ordinarily should allow a plaintiff the opportunity to remedy any defective service before dismissing the complaint. *Id.* at 1071.

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1. The Federal Circuit has not indicated whether, or to what extent, discovery should be allowed when there is a factual dispute as to whether personal jurisdiction exists in a patent infringement action. However, at least one other District Court has applied the law of its own Circuit when addressing this issue. *See Miller Pipeline Corp., v. British Gas plc*, 901 F. Supp. 1416, 1419 (D. Ind. 1995), *appeal dismissed*, 95 F.3d 1164 (Fed. Cir. 1996). Accordingly, Closed respectfully suggests that this Court apply the law of the Ninth Circuit in resolving the relationship between discovery and the parties' respective evidentiary burdens.

V. OPEN SESAME IS AN UNINCORPORATED ASSOCIATION

As a threshold matter, Open Sesame is a legal entity subject to suit for patent infringement because it clearly meets the definition of an "unincorporated association."

An unincorporated association is "a voluntary group of persons, without a charter, formed by mutual consent for the purpose of promoting a common enterprise or prosecuting a common objective." *Associated Students of the Univ. of Cal. at Riverside v. Kleindienst*, 60 F.R.D. 65, 67 (C.D. Cal. 1973) (quoting *Local 4076, United Steelworkers v. United Steel-Workers*, 327 F. Supp. 1400, 1403 (W.D. Pa. 1971)). As the First Circuit has recognized:

> Because there is no "typical" unincorporated association, there can, jurisdictionally speaking, be no mechanical taxonomy: the very breadth of the array of associational institutions, and their diverse nature, necessitates using a functional, flexible, case-specific methodology. Virtually by definition, an unincorporated association tends to be *sui generis*.

Donatelli v. National Hockey League, 893 F.2d 459, 468 (1st Cir. 1990).

California courts characterize a group as an unincorporated association "when its members share a common purpose and when it functions 'under a common name under circumstances where fairness requires the group to be recognized as a legal entity.'" *Coscarart v. Major League Baseball*, No. C96-1426, 1996 WL 400988, at *2 (N.D. Cal. July 11, 1996) (quoting *Barr v. United Methodist Church*, 90 Cal. App. 3d 259, 266, 153 Cal. Rptr. 322, 326-27 (Ct. App. 1979)). Such "[f]airness includes those situations where persons dealing with the association contend their legal rights have been violated," and to that end, "[f]ormalities of quasi-corporate organization are not required." *Barr*, 90 Cal. App. 3d at 266-67. That role is paramount here. Closed has identified a substantial violation of its intellectual property rights, and "fairness" dictates that Open Sesame be identified as an unincorporated association. Courts concede that where a group is "commonly understood . . . referred to, and contributed to" under a given name such as Open Sesame, fairness dictates that such a group be deemed

a legal entity. *See Ripon Soc'y v. National Republican Party*, 525 F.2d 567, 571-72 n.5 (D.C. Cir. 1975).

Notwithstanding this broad definition, an unincorporated association cannot simply be any "amorphous or attenuated" organization lacking in "any authoritative criteria to determine membership . . . ." *Motta v. Samuel Weiser, Inc.*, 598 F. Supp. 941, 950 (D. Me. 1984), *aff'd*, 768 F.2d 481 (1st Cir. 1985). Defendants argue that Open Sesame is such an attenuated and amorphous organization, contending that it lacks bylaws, charter, organizational hierarchy, membership attributes, or any other kind of structure. Defendants accordingly analogize to *California Clippers, Inc. v. United States Soccer Football Ass'n*, 314 F. Supp. 1057 (N.D. Cal. 1970). There, the court ruled that the International Games Committee of the USSFA was not an unincorporated association because it had "no charter, by-laws or articles, no office or place of business, no mailing address, no bank account, no assets or obligations, and has never transacted any business." *Id.* at 1068.

Defendants mischaracterize the nature of Open Sesame. At the evidentiary hearing, Closed will present evidence that any Usenet group like Open Sesame that belongs to one of the eight Usenet primary hierarchies necessarily possesses a charter and has significant structure. As a condition of becoming a Usenet group within the *comp* Usenet hierarchy, members of Open Sesame had to reach a consensus as to what its charter would be and whether the newsgroup would be administered as a moderated or unmoderated group. Pursuant to the charter for Open Sesame, all group members must agree not to charge third parties for the use of the Open source code, and must further attribute its source. This last condition is particularly important. The evidence will show that while Closed currently knows of no action having ever been taken by Open Sesame against any individual who was alleged either to have charged a third party for the use of Open or to have failed to attribute the code's source, it nonetheless is contemplated that Open Sesame can take such action should the situation ever arise. That is to say, Open Sesame was created with the understanding that it can sue and be sued.

Open Sesame also has a strong organizational hierarchy. Although any Open Sesame member can participate in the development of the Open software, the group created within its membership is a select subgroup of members who exclusively determine which proposed software developments are useful and should be made available for downloading at an FTP site and related Web site.

Further, although Open Sesame may not have an office in the physical world, it does, in fact, have a virtual office—the *comp.os.opensesame* newsgroup. This "office" allows the members to meet, communicate, collaborate, and develop new software in concert together. Merely because it does not have four walls and a ceiling does not mean that it is not effectively an office. Amazon.com does not have a single physical retail book outlet, but that does not mean that it is not a "bookstore."

Finally, Open Sesame has clearly transacted business. The existence of the Open GUI, which is the subject of this action, is the manifestation of these transactions. Each time someone downloads a copy of the Open software, Open Sesame transacts business, and each time a computer manufacturer installs the Open software onto a computer, Open Sesame transacts business. The members of Open Sesame have worked together in close concert to achieve their objective of developing an alternative product to Closed's Views software. Although the form of concerted action may be defined in terms of Internet technology, the basic principle of a voluntary group working toward a common objective has not changed.

Indeed, case law on unincorporated associations demonstrates that the critical requirement for unincorporated associations is that the group act pursuant to a common purpose. For example, in *United States v. Rainbow Family*, 695 F. Supp. 294 (E.D. Tex. 1988), the court focused on whether there was a "combination of persons with common interests, goals, and purposes" in deciding whether the group constituted an unincorporated association. *Id.* at 298. The Rainbow Family, which the court held was an unincorporated association, was an "informal and loosely knit" alternative lifestyle group that made decisions collectively but had a recognized decision-making structure and methods of disseminating decisions

and other information, and met annually in a voluntary "Summer Gathering" to "share many common interests and political values or ideals, and express those shared ideas." *Id.*

In *Project Basic Tenants Union v. Rhode Island Hous. & Mortgage Fin. Corp.*, 636 F. Supp. 1453 (D.R.I. 1986), the court held that a tenants union was an unincorporated association due to its distinct purpose and specific functions toward that end, even though it lacked structure and had no officers, budget, bylaws, or fixed set of members. *See id.* at 1454.

Open Sesame is analogous to the Rainbow Family. Admittedly, Open Sesame uses a more technically sophisticated method to meet and share common ideas and work toward its common goals than did the Rainbow Family. Nonetheless, Open Sesame and the Rainbow Family are similar with respect to their level of organization, the common purpose uniting their respective members, and the existence of a voluntary decision-making body. Further, compared to the tenants union in *Project Basic*, Open Sesame is far more structured, and the court in *Project Basic* held that the tenants union was an unincorporated association.

Open Sesame must, at the very least, be considered an unincorporated association due to its focus around a set of common objectives. As Defendants concede, Open Sesame was created with the specific and common objective of developing an alternative to Views. Even in the more concrete world, there are few clearer examples of an unincorporated association than Open Sesame. Accordingly, because Open Sesame is, in fact, an unincorporated association, there is no question it can be sued in this District, provided that personal jurisdiction also exists. *See Injection Research Specialists Inc., v. Polaris Indus., L.P.*, 18 U.S.P.Q.2d 1800, 1803-04 & n.6 (D. Colo. 1991) (noting that unincorporated associations are subject to patent infringement actions in any venue in which they also are subject to personal jurisdiction).

VI. PERSONAL JURISDICTION SHOULD BE FOUND AGAINST OPEN SESAME AND ITS MEMBERS

The Internet is "a decentralized, global medium of communications—or 'cyberspace'—that links people, institutions,

corporations, and governments around the world." *ACLU v. Reno*, 929 F. Supp. 824, 831 (E.D. Pa. 1996), *aff'd*, 521 U.S. 844 (1997). Some networks are "closed" to other networks, but most are connected to other computer networks so that each computer in such open networks may communicate with others located in the same system. *See id.* Accordingly, the Internet enters into every state within the United States. The non-physical nature of the Internet makes applying the traditional location-based rules of jurisdiction problematic.

A federal court in California will exercise personal jurisdiction to the maximum extent that is allowed under the Federal Constitution. *See* Fed. R. Civ. P. 4; Cal. Civ. Proc. Code § 410.10; *see also 3d Sys., Inc. v. Aarotech Labs., Inc.* 160 F.3d 1373, 1377 (Fed. Cir. 1998). The test for valid personal jurisdiction in both the Ninth Circuit and the Federal Circuit is a three-part test:

> (1) [t]he nonresident defendant must do some act or consummate some transaction with the forum or perform some act by which he purposefully avails himself of the privilege of conducting activity in the forum, thereby invoking the benefits, and protections of its laws; (2) the claim must be one which arises out of or results from the defendant's forum-related activities; and (3) exercise of jurisdiction must be reasonable.

Panavision Int'l, L.P. v. Toeppen, 141 F.3d 1316, 1320 (9th Cir. 1998) (quoting *Omeluk v. Langsten Slip & Batbyggeri A/S*, 52 F.3d 267, 270 (9th Cir. 1995)). *Accord Akro Corp. v. Luker*, 45 F.3d 1541, 1545-46 (Fed. Cir. 1995).

A. Open Sesame and Its Members Purposefully Availed Themselves of the Benefits and Protections of the Forum State

1. Open Sesame and Its Members Created an Internet-Based Distributed Development Environment with a Substantial Presence in California and Have Availed Themselves of the Software Developers and Users Located in California

Open software development efforts rely upon the availability and skill of highly motivated groups of developers. Since the

software to be developed will be distributed without cost, direct remuneration is not a primary motivating factor. Developers have to be motivated by a strong desire to develop an alternative to the commercial software that the open source development is intended to supplant. Consequently, a key element in the success of such developments is access to skilled and motivated software developers. Distributed development without geographic limitations is vital to the congregation of a critical mass of developers (virtually) in order to work on a single project. This is a major reason why those wishing to develop open source software frequently do so by creating an Internet presence that extends across the entire world and into many jurisdictions.

The Federal Circuit has not yet decided to what extent the creation or use of a Web site can subject a defendant to personal jurisdiction in patent infringement actions. However, the Ninth Circuit has developed a wealth of authority on this issue in similar contexts, such as trademark infringement. *See e.g., Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316 (9th Cir. 1998) (trademark infringement); *Cybersell, Inc. v. Cybersell, Inc.*, 130 F.3d 414 (9th Cir. 1997) (trademark infringement). Because the tests for personal jurisdiction in both the Federal Circuit and the Ninth Circuit are essentially the same, Closed respectfully suggests that this Court look to the law of the Ninth Circuit in evaluating whether personal jurisdiction exists over any of the Defendants. *See also 3d Sys., Inc. v. Aarotech Labs, Inc.*, 160 F.3d at 1380 (citing the Ninth Circuit's decision in *Cybersell, Inc. v. Cybersell, Inc.*, as support for the proposition that patent infringement defendant did not purposefully direct its activities at California residents simply by maintaining a World-Wide-Web site viewable in California). Nonetheless, Closed concedes that the law of jurisdictions other than it is consistent with the Federal Circuit's three-part test for establishing personal jurisdiction.

Simply creating an Internet presence, such as a Web site, is not sufficient for a finding of jurisdiction because, as the Ninth Circuit has recognized, without more, the mere creation of a Web site "is not an act purposefully directed toward the forum state." *Cybersell, Inc. v. Cybersell, Inc.*, 130 F.3d 414, 418 (9th Cir. 1997). However, in

circumstances where a defendant conducts business over the Internet by engaging in repeated and ongoing transactions with forum residents, the federal courts routinely conclude that they may exercise personal jurisdiction over the defendant. *See, e.g., CompuServe, Inc. v. Patterson*, 89 F.3d 1257, 1259 (6th Cir. 1996) (holding personal jurisdiction existed in Ohio where Texas subscriber of computer network service developed "shareware" software and entered into ongoing contract with service to have such shareware distributed on international computer network); *Superguide Corp. v. Kegan*, 987 F. Supp. 481, 486-87 (W.D.N.C. 1997) (finding jurisdiction appropriate where there was a "reasonable inference" that a large number of North Carolina customers had visited non-resident defendant's Web site); *Zippo Mfg. Co. v. Zippo Dot Com, Inc.*, 952 F. Supp. 1119, 1120 (W.D. Pa. 1997) (sustaining personal jurisdiction where defendant contracted with approximately 3000 individuals and several Internet access providers in the forum state).

For instance, as the court in *Maritz, Inc. v. Cybergold, Inc.*, 947 F. Supp. 1328 (E.D. Mo. 1996), noted, where a defendant maintains a Web site that invites users to join a mailing list in order to receive information about the defendant's service, personal jurisdiction over the defendant is appropriate. *See id.* at 1333. That is so because the defendant has "consciously decided to transmit advertising information to all [I]nternet users, knowing that such information will be transmitted globally," and under such circumstances the mailing list will "presumably includ[e] many residents" of the forum state. *Id.*

Here, like the situation in *Maritz*, in creating a newsgroup for the development of Open, Open Sesame went far beyond merely creating a Web presence similar to a passive Web site. Open Sesame created a forum encouraging developers to interact with one another and to develop a complex and highly connected software system. This sort of development requires iteration and complex communication between developers. The act of newsgroup creation, which eventually led to the development of software infringing Closed's patent, was an implicit call for those developers who were

interested, including those that might be located in California, to join in the development of the Open software.

It is also quite foreseeable that this development would attract programmers from California. California plays a major role in the world of software development. This is illustrated by the archetypal role of Silicon Valley in the computer industry, and the location of Closed, within California. *See Superguide*, 987 F. Supp. at 487 ("While the number of hits to defendant's Web site originating in North Carolina is not now before the court, a reasonable inference which arises is that such are numerous inasmuch as North Carolina is one of the populated states.").

California also has a unique position relative to the Internet, being the birthplace of that system and still maintaining a disproportionate share of Internet users, estimated to be 14.4% of all World Wide Web users. *See* College of Computing, Georgia Institute of Technology, *GVU's 10th WWW User Survey* (visited Jan. 26, 2000) <http://www.gvu.gatech.edu/user_surveys/survey-1998-10/>. Given this fact, it could readily be expected that a distributed software development group will make use of, and benefit from, developers within California.

Likewise, it was reasonably foreseeable that this software, if successfully developed and distributed on the Internet, would be used in California. *Cf. Maritz*, 947 F. Supp. at 1330 (concluding that 311 Web site "hits" by Missouri residents were enough for the court to uphold the exercise of personal jurisdiction). Such a reasonably foreseeable use effectively targets California. This satisfies a basic tenet of jurisdictional analysis which holds that the required contacts must be such that non-residents may anticipate being subjected to litigation in the forum as a result of their activities. *See Burger King*, 471 U.S. at 474. Given the unique role of California in the Internet and the computer industry, the Defendants should have anticipated that, if there was a problem with the software, such as a patent infringement, then they would be subject to litigation in California.

By contrast, in *Barrett v. Catacombs Press*, 44 F. Supp. 2d 717 (E.D. Pa. 1999), postings of allegedly defamatory material to a Usenet newsgroup were analogized to a passive Web site, which did not directly solicit interaction with forum residents, and were held

not to provide a sufficient basis for jurisdiction. *See id.* at 728. The facts here can be distinguished in that newsgroups in *Barrett* were not created specifically for the purpose of fostering active and ongoing interaction with other newsgroup subscribers through their postings. Also, this case is distinguished by the fact that a submission of code or comments on code submitted to the Open Sesame newsgroup is clearly an implicit solicitation to other subscribers to integrate this code into what they are producing, and to make further improvements. Unlike this case, in *Barrett*, there was no evidence that the defendant intended to solicit anyone to engage in any activity based on his postings to the newsgroups in question.

Similarly, the present case is readily distinguishable from *Hasbro, Inc. v. Clue Computing, Inc.*, 994 F. Supp. 34 (D. Mass. 1997), in which the court found that it was not technically feasible for the operator of a Web site to limit access from a given jurisdiction, and therefore, even though access was available from a given state, that would not be sufficient for jurisdiction. *See id.* at 41-42. Unlike *Hasbro*, the technical medium being used here is not a Web site, but a Usenet newsgroup. This distinction is critical, as Usenet newsgroups provide a mechanism for controlling who can post to the group. This mechanism is known as moderation. Had Open Sesame wished to prevent the participation of residents of California, or any forum or forums, from participating in the collaborative development, the use of a moderator could have prevented any posting or participation by developers whose residence was either undesirable or unknown. While this would not prevent interlopers from reading the posts, it would have prevented meaningful participation in the development of the Open software by residents of any forum that the Open Sesame newsgroup would have wished to exclude.

2. Jurisdiction Is Proper in California Under the "Effects Doctrine" As the Effects of the Infringement Were Felt By the Plaintiff in California

Jurisdiction may be based on the "effects" of the plaintiff's actions. *See Calder v. Jones*, 465 U.S. 783 (1984). The elements for this "effects test" are as follows: "(1) intentional actions (2)

expressly aimed at the forum state (3) causing harm, the brunt of which is suffered—and which the defendant knows is likely to be suffered—in the forum state." *Core-Vent Corp. v. Nobel Indus. AB*, 11 F.3d 1482, 1486 (9th Cir. 1993). This test applies in tort and cases akin to tort, but not in contract cases. *See Ziegler v. Indian River County*, 64 F.3d 470, 473 (9th Cir. 1995). This standard was recently applied in *Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316 (9th Cir. 1998), to find jurisdiction.

In *Panavision*, the defendant had registered a domain name which was the same as a prominent trademark of the plaintiff. *See id.* at 1319. The defendant had attempted to extort money from Panavision, a Delaware corporation having its primary place of business in California. *See id.* Although the act of registering the domain name had occurred outside of California, the court ruled that the primary effects were in California. *See id.* at 1321-22. Similarly, in *Indianapolis Colts, Inc. v. Metropolitan Baltimore Football Club Ltd. Partnership*, 34 F.3d 410 (7th Cir. 1994), the act of nationally broadcasting a football game by a Canadian Football League Team, the "Baltimore CFL Colts," was held to be sufficient action to establish personal jurisdiction for trademark infringement in Indiana because that was where the primary effect would be felt by the Indianapolis Colts, holders of the trademark. *See id.* at 411.

Here, Open Sesame intentionally set out to develop software to serve as a replacement for Closed's Views software. Closed, as noted, is a California corporation, has its headquarters in California, and will suffer the effects of any lost sales of the Views software in California. Additionally, due to California's large population and its prominent position in the computing and software industry, a substantial share of Closed's business is conducted in California. Finally, since customers in California, especially the Silicon Valley, in large part shape the definition of the market and set trends for others due to their perception and reputation, the effects of Open Sesame's development of infringing software is felt more acutely in California than even the disproportionate size of the California computer and software industry would suggest.

The relative sophistication of Open Sesame and its members in specifically setting out to develop an alternative to Closed's Views

evidences a level of knowledge about the computer software business, and Closed in particular, that would indicate that the Defendants knew of the likelihood of effects of their actions being felt in California. The protest by users of Open at Closed's headquarters in San Jose is further evidence of this knowledge. *See also Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1567-68 (Fed. Cir. 1994) (noting that a relevant factor in concluding there was purposeful availment by patent infringement defendants was "intentional" conduct).

Jurisdiction against Open Sesame and its members for patent infringement is therefore supported in California, based upon the effects of their actions. *Cf. Inset Sys., Inc. v. Instruction Set, Inc.*, 937 F. Supp. 161, 162-65 (D. Conn. 1996) (holding that personal jurisdiction over a non-resident defendant was appropriate where defendant's contacts with Connecticut were limited to posting of a Web site that was accessible to approximately 10,000 state residents and maintaining a toll-free number, since "advertisements over the Internet are available to Internet users continually, at the stroke of a few keys of a computer").

B. A Finding of Personal Jurisdiction Comports with "Traditional Notions of Fair Play and Substantial Justice"

"Once it has been decided that a defendant purposefully established minimum contacts within the forum State, these contacts may be considered in light of other factors to determine whether the assertion of personal jurisdiction would comport with 'fair play and substantial justice.'" *Burger King*, 471 U.S. at 476-77. In addressing this question, seven factors are considered: (1) the extent of a defendant's purposeful interjection, (2) the burden on the defendant in defending in the forum, (3) the extent of the conflict with the sovereignty of the defendant's state, (4) the forum state's interest in adjudicating the dispute, (5) the most efficient judicial resolution of the controversy, (6) the importance of the forum to the plaintiff's interest in convenient and effective relief, and (7) the existence of an alternative forum. *See id.* The factors are to be balanced, and no one factor is dispositive. *See Core-Vent*, 11 F.3d at 1488.

1. Purposeful Interjection

"Even if there is sufficient 'interjection' into the state to satisfy the [purposeful availment prong], the degree of interjection is a factor to be weighed in assessing the overall reasonableness of jurisdiction under the [reasonableness prong]." *Id.* (brackets supplied) (citing *Insurance Co. of N. Am. v. Marina Salina Cruz*, 649 F.2d 1266, 1271 (9th Cir. 1981)). Here, Open Sesame and its members have substantially interjected their activities into California. The Usenet newsgroup that was established to develop the Open software is available from servers located in the state. Moreover, the entire Open Sesame software effort is focused on developing a free alternative to a product produced and sold by a California corporation. This effort implicitly solicits software developers from the Internet, including those in California. Thus, the degree of interjection is substantial.

2. Defendants' Burden in Litigating

Although the defendant's burden in litigating is a factor considered in assessing reasonableness, unless the "inconvenience is so great as to constitute a deprivation of due process, it will not overcome clear justifications for the exercise of jurisdiction." *Panavision*, 141 F.3d at 1323 (citing *Caruth v. International Psychoanalytical Ass'n*, 59 F.3d 126, 128-29 (9th Cir. 1995)). The burden on Open Sesame to litigate may be significant. However, since the individual members are currently unknown, it is not possible to determine how great the burden would be.

More importantly, the very nature of the software development at issue here indicates that the Defendants are sophisticated users of the Internet and capable of maintaining complex interactions from a distance. This is strong evidence that they would be able to participate in their own defense from their own domicile with little difficulty. Furthermore, this Court itself can minimize Defendants' burden, for, as recognized by the court in *Superguide Corp. v. Kegan*, "should discovery reveal that the hits from [California] are insubstantial, the jurisdictional issue may be revisited." *Superguide*, 987 F. Supp. at 487.

3. Sovereignty

Given that this is a patent infringement action, the choice of jurisdiction in California would not conflict with the sovereignty of any other state. The analysis of a federal patent infringement claim would be the same, regardless of the jurisdiction chosen, because the Federal Circuit has jurisdiction over all such cases, wherever they arise. *See* 28 U.S.C. § 1338.

However, admittedly in this case, a number of the yet-to-be identified Defendants may not be U.S. citizens. "The foreign-acts-with-forum-effects jurisdiction principle must be applied with caution, particularly in an international context." *Core-Vent*, 11 F.3d at 1489 (citing *Pacific Atl. Trading Co. v. M/V Main Express*, 758 F.2d 1325, 1330 (9th Cir. 1985)). In *Core-Vent*, the court focused on the presence or absence of connections between the foreign defendants and the United States in general, not merely California. *See id.* at 1488. Nonetheless, here the Defendants set out to produce a software package specifically as an alternative to the product of a U.S. corporation and created an Internet-based software development open to U.S. citizens acting within the U.S.

More importantly, however, is the fact that this is a patent infringement action. As the Federal Circuit has noted, the "situs of injury" in such an action "is the location, or locations, at which the infringing activity directly impacts on the interests of the patentee." *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d at 1571. The territorial nature of patent protection thus argues very strongly for the exercise of jurisdiction within the United States. This protection does not extend to other sovereignties and is a violation of a right granted by the United States government. For these reasons, the exercise of jurisdiction in California should not interfere with the sovereignty of any other U.S. jurisdiction or foreign state.

4. Forum State's Interest

The fourth factor for personal jurisdiction overwhelmingly supports Closed's arguments. "California maintains a strong interest in providing an effective means of redress for its residents tortiously injured." *Panavision*, 141 F.3d at 1323 (citing *Gordy v. Daily News, L.P.*, 95 F.3d 829, 836 (9th Cir. 1996)). "That interest extends to

. . . patent infringement actions, such as the one here." *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d at 1568. Since Closed is a California corporation with its headquarters in Caclifornia, this factor weighs in favor of finding jurisdiction.

5. Efficient Resolution

The fifth *Core-Vent* factor focuses on the location of evidence and is no longer weighed heavily by courts due to advances in modern technology. *See Panavision*, 141 F.3d at 1323; *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d at 1569. Given the Internet savvy and ability of the Defendants, this factor should weigh in favor of the reasonableness of jurisdiction.

6. Convenient and Effective Relief for the Plaintiff

Given Usenet's anonymity, if California is not an appropriate forum for the adjudication of this matter, there may be no forum where it is proper for this matter to be heard against all of Open Sesame's members. The distributed nature of the Internet and the methods by which Open Sesame set out to develop their software make it a virtual certainty that the members as individuals would reside in multiple forums. This would result in substantial difficulty for the Plaintiff in pursuing the Defendants as individuals and brings the effectiveness of such an option into question. On the other hand, the Federal Circuit has acknowledged that this Court "is part of the exclusive mechanism established by Congress for the vindication of patent rights" that has "unique attributes" which are fair for Closed to use to its advantage. *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d at 1568-69.

7. Alternative Forum

It does not appear from the facts of this case that there is any other forum that would be better suited for this case. In fact, if jurisdiction is not proper in California, then there is no other jurisdiction in which a claim may be made against the aggregate Defendants. The contacts between Open Sesame and any other forum where this action might be brought are no better than the contacts in California. Further, given the Plaintiff's residence in

California, the effects are more acutely felt here than anywhere else. Since the Internet has no location it calls home, this factor also weighs in favor of the reasonableness of exercising jurisdiction in California.

VII. THE WESTERN DISTRICT OF CALIFORNIA IS A PROPER VENUE FOR THIS SUIT

A. Venue in the Western District of California Is Proper Because Open Sesame Meets the Residency Requirement Under 28 U.S.C. § 1400(b)

For venue purposes, the rule governing the residence of an unincorporated association is the same as that for a corporation in patent infringement suits. *See Sperry Prods., Inc. v. Association of Am. R.Rs.*, 132 F.2d 408 (2d Cir. 1942). Venue in patent infringement suits is governed by 28 U.S.C. § 1400(b), which provides as follows:

> Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.

28 U.S.C. § 1400(b).

In 1988, Congress adopted a new definition of "reside" for application to corporate defendants. That definition is codified at 28 U.S.C. § 1391(c), which states:

> For purposes of venue under this chapter, a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced. In a State which has more than one judicial district and in which a defendant that is a corporation is subject to personal jurisdiction at the time an action is commenced, such corporation shall be deemed to reside in any district in that State within which its contacts would be sufficient to subject it to personal jurisdiction if that district were a separate State, and, if there is no such

> district, the corporation shall be deemed to reside in the district within which it has the most significant contacts.

28 U.S.C. § 1391(c). This definition of residency is applicable to questions of residence in patent infringement actions. *See VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990). Consequently, and as noted earlier, because Open Sesame constitutes an unincorporated association, venue in the Western District of California is proper if Open Sesame has sufficient contacts with the Western District to make jurisdiction proper. *See Injection Research Specialists Inc. v. Polaris Indus., L.P.*, 18 U.S.P.Q.2d at 1803-04.

Under 28 U.S.C. § 1391(c), a corporation resides, for purposes of venue, in a judicial district when its contacts with the district would be sufficient for the establishment of personal jurisdiction. *See* 28 U.S.C. § 1391(c). The same rule applies for unincorporated associations. *See Denver & Rio Grande Western R.R. Co. v. Brotherhood of R.R. Trainmen*, 387 U.S. 556, 562 (1967). As discussed above, Defendants have substantial contacts with California, specifically, with the Western District of California, to support a finding of personal jurisdiction. Consequently, venue is also proper.

Open Sesame and its members, as discussed above, set out to develop a software system in a distributed manner utilizing the Internet. This act had the foreseeable consequence of having direct contacts with California, due to the disproportionate presence of Californians on the Internet and the significant role of California in the area of software development. The heart of California's computer presence is the Silicon Valley, located in the Western District of California. Stanford University, the University of California at Berkeley, and other educational institutions with substantial computer and software development efforts are also located in the Western District.

Finally, the effects of Open Sesame's actions are felt most acutely in the Western District. This is the site of Closed's headquarters. As a primary seat of the computer industry, it is where Closed will stand to lose substantial sales opportunities to Open. The effects are further magnified by the preeminent and perceived

leadership role that individuals and firms of the Silicon Valley have throughout the computer industry.

B. The Development of Open *Via Usenet Constitutes Infringement Within the Judicial District and the Internet Provides a Permanent Place of Business Within the District*

Under 35 U.S.C § 271(a), anyone who "makes, uses, or sells" a patented good within the United States without authority is a patent infringer. 35 U.S.C § 271(a). As discussed above, the use of the Internet and Usenet allowed Open Sesame to make the Open software available everywhere that Usenet and the Internet are available. Likewise, Open's placement on a server in Finland, given the foreseeability that it would be accessed in the United States, and specifically in California, constitutes an offer to sell the software in the Western District. The mere fact that the only price that Open Sesame developers exact is a promise for attribution per the standard open source licensing agreement does not negate the character of the offer. This is an offer to sell software, literally for a promise, targeted at California.

The Internet allows companies like Amazon.com, eBay, and others to have a permanent place of business, wherever the Internet can be found. This basic fact has led to the creation of an entire segment of our economy known as "e-commerce." Similarly, the Internet allows the Open Sesame users' group and its members to have a permanent place of business for the distribution and development of their software everywhere, including in the Western District of California. It is true that previous cases have generally focused on the existence of a physical situs as a regular and established place of business. *See In re Cordis Corp.*, 769 F.2d 733 (Fed. Cir. 1985); *IPCO Hosp. Supply Corp. v. Les Fils D'Auguste Maillefer S.A.*, 446 F. Supp. 206 (S.D.N.Y. 1978); *Stewart-Warner Corp. v. Hunter Eng'g Co.*, 163 U.S.P.Q. 326 (N.D. Ill. 1969). However, there is no adequate definition of physical location for an Internet business which would not put the business out of the reach of almost any forum in which it was actively operating.

The Supreme Court has recognized the difficulty in applying old standards in light of "changes taking place in the law, the

technology, and the industrial structure related to telecommunications," and has advocated a more general approach to analyzing such situations. *Denver Area Educ. Telecomms. Consortium, Inc. v. F.C.C.*, 518 U.S. 727, 742 (1996). This more general approach leads to the conclusion that the Open Sesame group has a permanent and established place of business within the Western District of California.

Open Sesame has developed and sold its software in the Western District of California. Through the Internet, Open Sesame maintains a permanent and established, albeit virtual, place of business in the Western District of California. Venue is therefore appropriate in the Western District of California.

C. Principles of Equity and Reasonableness and the Underlying Principles of Venue Favor a Finding of Proper Venue in the Western District of California

The rationale for the restrictive nature of venue in patent infringement suits arises from the peculiar nature of such suits:

> The patent venue statute reflects a legislative policy recognizing the technical and intricate nature of patent litigation. Because of the obvious difficulty involved in a court attempting to ascertain from the mass of technical data presented the pertinent and determinative facts, Congress saw fit to narrowly confine the venue provisions applicable to this type of action. It was their belief that practicality and convenience are best served when the case is prosecuted where the alleged acts of infringement occurred and where the defendant has a regular and established business.

Bradford Novelty Co. v. Manheim, 156 F. Supp. 489, 491 (S.D.N.Y. 1957) (citing *Ruth v. Eagle-Picher Co.*, 225 F.2d 572, 577 (10th Cir. 1955)). When the alleged infringement occurs on the Internet and the technical data and relevant facts are readily available on the Internet, the rationale of convenience and fairness to the Defendants is substantially mitigated. While this principle does not obviate the need to adhere to the language of the statute, when the question of what a "regular and established place of business" or infringement

within the district means in an Internet context, it provides a measure for applying these rules to that context.

If venue is strictly tied to physical location, then the enforcement of U.S. patent protection is seriously undermined. Defendants, such as Open Sesame and its members, can readily ensure that their only physical presence is outside the U.S. The international aspect of the Internet allows them to fully and freely maintain development and distribution of software within the U.S. that infringes U.S. patents, but not necessarily those of the sovereignty in which their server is located. This leaves the patent holder with two options: (1) attempt to identify each individual user in the U.S. and pursue patent infringement actions against them individually, or (2) simply allow their intellectual property rights to be ignored by any who would choose to abuse them.[2] The former option is not palatable from either a practical point of view or a judicial efficiency view, and the latter option is simply an abandonment of constitutionally created rights to Internet highwaymen.

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2. In all probability, Closed eventually will seek certification pursuant to Federal Rules of Civil Procedure Rule 23(b)(1)(A), of a class of patent infringers comprised of individual members of the Open Sesame Usenet group, as well as others who may have gained access to the Open source code. *See Standal's Patents Ltd. v. Weyerhauser Co.*, 2 U.S.P.Q.2d 1185 (D. Or. 1986); *Dale Elecs., Inc. v. R.C.L. Elecs., Inc.*, 53 F.R.D. 531, 537 (D.N.H. 1971); *Research Corp. v. Pfister Associated Growers, Inc.*, 301 F. Supp. 497, 499-500 (N.D. Ill. 1969). However, while such a remedy will mollify the harshness of the possibility of inconsistent rulings on the issues of infringement, enforceability, and invalidity if Closed is required to file suits against each Defendant individually, certification of the class does not change the fact that venue should not be tied to the location of an Internet server. If anything, the existence of this remedy simply provides the Court with a novel solution to ensure that service is effected in the event the Court otherwise is inclined to grant the Defendants' motions to dismiss for insufficiency of service.

VIII. SERVICE OF PROCESS IS VALID AGAINST THE OPEN SESAME USERS' GROUP AND DOE DEFENDANTS 1-1000

A. Service By Posting a Copy of the Summons and Complaint to Comp.os.opensesame *Constituted Valid Service to the Open Sesame Users' Group*

Service of process must conform to both constitutional as well as statutory requirements. Constitutionally, the requirement is that service must be "notice reasonably calculated, under all the circumstances, to apprise interested parties of the pendency of the action and afford them an opportunity to present their objections." *Mullane v. Central Hanover Bank & Trust Co.*, 339 U.S. 306, 314 (1950). Statutorily, service of process must conform with federal and state requirements. *See Akro Corp. v. Luker*, 45 F.3d 1541, 1544 (Fed. Cir. 1995).

Service on an unincorporated association, such as Open Sesame, is governed under Federal Rule of Civil Procedure 4(h), which provides that service on an unincorporated association may be effected:

> (1) in a judicial district of the United States in the manner prescribed for individuals by subdivision (e)(1), or by delivering a copy of the summons and of the complaint to an officer, a managing or general agent, or to any other agent authorized by appointment or by law to receive service of process and, if the agent is one authorized by statute to receive service and the statute so requires, by also mailing a copy to the defendant, or
>
> (2) in a place not within any judicial district of the United States in any manner prescribed for individuals by subdivision (f) except personal delivery as provided in paragraph (2)(C)(i) thereof.

Fed. R. Civ. P. 4(h). California Code of Civil Procedure section 416.40, likewise defines the standards for service of process on an unincorporated association:

> A summons may be served on an unincorporated association (including a partnership) by delivering a copy of the summons and of the complaint:

> (a) If the association is a general or limited partnership, to the person designated as agent for service of process as provided in Section 24003 of the Corporations Code or to a general partner or the general manager of the partnership;
>
> (b) If the association is not a general or limited partnership, to the person designated as agent for service of process as provided in Section 24003 of the Corporations Code or to the president or other head of the association, a vice president, a secretary or assistant secretary, a treasurer or assistant treasurer, a general manager, or a person authorized by the association to receive service of process;
>
> (c) When authorized by Section 15700 or 24007 of the Corporations Code, as provided by the applicable section.

Cal. Civ. Proc. Code § 416.40. Open Sesame does not fall within subsection (a), so the question is whether the posting of the notice to *comp.os.opensesame* would constitute delivery of the notice to one of the people designated in subsection (b) or could be authorized under subsection (c).

The California Code anticipates a more traditional organizational structure for an unincorporated association than Open Sesame appears to possess. However, it is clear that there is some organizational structure to the users' group. Only useful modifications to the Open software were merged by a small group of developers and posted to the FTP and Web server maintained by the group in Finland. Since Open Sesame was chartered for the purpose of producing and enhancing the Open software, the control of what software is posted manifests leadership of the organization. This small group of developers constitutes the head of the association as prescribed in California Code of Civil Procedure section 416.40 and the managing agent under Federal Rule of Civil Procedure 4(h).

Likewise, the self-imposed requirement that software posted to the newsgroup would be evaluated for usefulness implies diligence in monitoring the *comp.os.opensesame* newsgroup. For these reasons, the posting to the newsgroup should and does constitute delivery to Open Sesame and its members. Closed has made use of the same method that the group itself relies upon to conduct its own day-to-day business with its leadership in order to inform that

leadership of this suit. No other form of delivery would be as effective, given the circumstances, to inform the parties of the pendency of this action.

Under California Code of Civil Procedure section 416.40(c), service may be as permitted under California Corporations Code section 24007, which provides:

> If designation of an agent for the purpose of service of process has not been made as provided in Section 24003, or if the agent designated cannot with reasonable diligence be found at the address specified in the index referred to in Section 24004 for delivery by hand of the process, and it is shown by affidavit to the satisfaction of a court or judge that process against an unincorporated association cannot be served with reasonable diligence upon the designated agent by hand or the unincorporated association in the manner provided for in Section 415.10 or 415.30 of the Code of Civil Procedure or subdivision (a) of Section 415.20 of the Code of Civil Procedure, the court or judge may make an order that service be made upon the unincorporated association by delivery of a copy of the process to any one or more of the association's members designated in the order and by mailing a copy of the process to the association at its last known address. Service in this manner constitutes personal service upon the unincorporated association.

Cal. Corp. Code § 24007. Even if the Court finds that service by posting to the Usenet newsgroup was inadequate, service on Ms. Scape Goat, a self-described user of the Open operating system, may constitute proper service on Open Sesame itself if Ms. Scape Goat turns out to be a member of the group.

B. Service By Electronic Mail to the E-mail Addresses of Posters to Comp.os.opensesame, *Posting on the* Comp.os.opensesame *Newsgroup, and Publishing in the OpenSource Newsletter Constituted Adequate Service of Process to Doe Defendants 1-1000*

The problems presented by this case have recently been recognized: "With the rise of the Internet has come the ability to

commit certain tortious acts, such as defamation, copyright infringement, and trademark infringement, entirely on-line. The tortfeasor can act pseudonymously or anonymously and may give fictitious or incomplete identifying information." *Columbia Ins. Co. v. Seescandy.com*, 185 F.R.D. 573, 578 (N.D. Cal. 1999). It has been noted that "[i]n such cases the traditional reluctance for permitting filings against John Doe defendants or fictitious names and the traditional enforcement of strict compliance with service requirements should be tempered by the need to provide injured parties with a forum in which they may seek redress for grievances." *Id.*

Unlike most distributed open source software development, the developers of Open have chosen to remain anonymous. Their meeting location exists only in cyberspace, and their use of the Internet allows them to maintain the organization necessary to achieve the development of a complex operating system software without requiring the traditional trappings of conventional organizations. However, this does not mean that the Open Sesame users' group should be able to willfully infringe patents in California and avoid service.

California Code of Civil Procedure section 413.30 authorizes the Court to order alternative methods of service. This section provides:

> Where no provision is made in this chapter or other law for the service of summons, the court in which the action is pending may direct that summons be served in a manner which is reasonably calculated to give actual notice to the party to be served and that proof of such service be made as prescribed by the court.

Cal. Civ. Proc. Code § 413.30. The developers of the Open operating system use the Internet, including Web sites, Usenet newsgroups, and e-mail to instigate, develop, and distribute the Open software. They have eschewed more traditional organizations and collaborative techniques. As a consequence of their choices, no traditional method of service proscribed in statute, including first class mail, or publication in a traditional print newspaper is as likely to provide these Defendants with actual notice, beyond the efforts already undertaken by Closed.

Closed is using the very methods that the Defendants relied on in developing the infringing software to notify them of this suit. Closed is not e-mailing arbitrary individuals, but rather those specific individuals who posted to the *comp.os.opensesame* newsgroup. Closed is not posting the notice to arbitrary Web sites or on-line newsletters, but to the *OpenSource* newsletter, a newsletter specifically targeted to, and popular with, the Open development community. These methods of service are in fact *more* calculated to give actual notice to the Defendants in this action than any traditional form of service and should be upheld as constituting proper service.

C. Even If Service of Process Against Doe Defendants 1-1000 Was Not Sufficient, This Suit Should Be Allowed to Continue Until the Doe Defendants Can Be Identified

Even if service against Open Sesame and the unidentified individual members is not adequate, this action should be allowed to go forward until discovery allows for the identification of the Doe Defendants so that they can be served in a more traditional manner.

Generally, courts are reluctant to allow discovery to go forward in order to identify defendants. *See Columbia Ins. Co.*, 185 F.R.D. at 578. "[L]imiting principles should apply to the determination of whether discovery to uncover the identity of a defendant is warranted." *Id.* These principles manifest themselves as a three-part test: (1) the defendant must be identified "with sufficient specificity such that the Court can determine that defendant is a real person or entity who could be sued in federal court . . . to ensure that federal requirements of jurisdiction and justiciability can be satisfied," (2) "all previous steps taken to locate the elusive defendant" must be identified to ensure "that plaintiffs make a good faith effort to comply with the requirements of service of process," and (3) the "plaintiff should establish to the Court's satisfaction that plaintiff's suit against defendant could withstand a motion to dismiss." *Id.* at 578-79.

The requirement that the unidentified entity must be sufficiently identified as one who can be sued in federal court is satisfied by the facts and arguments given on the jurisdictional issues above. These Defendants are real entities who have actively engaged in distributed

software development using the Internet and have thereby had significant foreseeable contacts with California.

Moreover, Closed's good faith effort to identify and notify the Defendants is evidenced by the gathering of e-mail addresses from the Usenet newsgroup, the e-mailing to those addresses, and posting of notice to Internet locations most likely to alert the individual Defendants to the suit. The act of using e-mail to notify Defendants has been seen as evidence of a plaintiff's good faith effort to serve a defendant. *See id.* at 579. Most significantly, Closed has identified at least one actual person, Ms. Scape Goat.

Finally, Closed has presented a strong case for infringement of its U.S. patents in its patent infringement cause of action against Defendants. Defendants have not disputed the essential allegations of the Complaint. For these reasons it is proper to allow discovery to go forward against those individuals involved with Open Sesame and its members, including the hardware manufacturers who are now bundling the Open software on computers being sold to the public, in order to ascertain their true identities so that they may be served.[3]

IX. CONCLUSION

The Internet is not the wild west; it is not without law or order. If conduct that harms people in the tangible world is actionable, so should conduct on the Internet that harms people be subject to the laws and jurisdiction of courts in the tangible world, in the interests of furthering justice. In this case, the Open Sesame users' group and its members have conducted activities on the Internet that have harmed others. Those very same activities, therefore, warrant that they be subject to suit in the very place where their conduct is most felt, the Western District of California.

Accordingly, Defendants' Motion to Dismiss should be denied in its entirety. If the Court is inclined to grant Defendants' Motion,

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3. Indeed, assuming that the Court agrees that this case cannot be dismissed for lack of service given Ms. Scape Goat's identification, it may be more appropriate to certify a class of defendant patent infringers, and allow discovery to proceed in order to ascertain the identities of all infringers. At least one other Court in the Ninth Circuit has, in fact, employed exactly that solution in a similar situation. *See Standal's Patents Ltd v. Weyerhauser Co.*, 2 U.S.P.Q.2d at 1190-91.

there is sufficient evidence to permit Closed to continue with discovery in order to identify the Defendants and to amend the Complaint to make more specific allegations concerning the unknown defendants. Therefore, Closed respectfully requests that the Court grant Closed leave to amend in lieu of granting the instant Motion.

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