

The Program for  
**law & technology** presents  
at California Institute of Technology & Loyola Law School



**at the  
crossroads**

**Ramo Auditorium  
California Institute of  
Technology  
Dec. 9 2000**

**Special Guests:  
Hon. Richard A. Posner  
Dr. David Baltimore**

# At the Crossroads of Law & Technology

A Retrospective Conference  
December 9, 2000

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# Program Schedule

9:00 Registration & Coffee

## **Morning Program - Moderated by Karl Manheim**

10:00 Welcome by Father Robert Lawton, President, Loyola Marymount University

Welcome by Henry Yuen, President/CEO Gemstar-TV Guide Int'l, Inc.

Case Background presented by Lena Smith

Video Highlights of Trial Court Proceedings

Oral Argument on Appeal, Hon. Richard. A. Posner, Judge, presiding

11:45 Lunch

Toast by Tom Tombrello, Chair, Division of Physics, Math & Astronomy, Caltech

## **Afternoon Program - Moderated by Edward McCaffery**

1:00 Keynote Address by David Baltimore, President Caltech

### ***Law, Technology & the Human Genome***

Decision by Judge Posner

Panel Discussion & Questions from Audience, Moderated by David Steele

Remarks by David Burcham, Dean, Loyola Law School

Remarks by John Ledyard, Chair, Division of Humanities and Social Sciences, Caltech

3:00 Adjourn

# *Closed Corp. v. Open Sesame* a simulated case in cyberspace

This case was first heard last Fall in a mock trial. Video highlights of that proceeding will be shown at the beginning of today's event. A brief description of the case and the appeal are provided here. The trial court's decision is reproduced in the Appendix.

## Synopsis of the Case

Closed Corporation is a California software company that develops and markets the popular operating system (OS) *Views*.™ The Internet Users Group “Open Sesame” has developed a competing and free operating system called *Open*, which has the look and feel of *Views*. Open Sesame members collaborate anonymously over the internet. Their exact location is unknown.

Closed Corp. filed a patent infringement suit against Open Sesame, Does 1-1000, and Scape Goat (an individual) in U.S. District Court for the Western District of California. The summons and complaint were served on defendants by posting a copy of each on Open's internet news group, by publishing same to *OpenSource*, an on-line newsletter for Open Sesame members, and by emailing copies to individual members.

## The Appeal

Defendants Open Sesame and Does 1-1000 moved to dismiss the case for lack of jurisdiction and venue and for improper service of process. At a pre-trial hearing on October 23, 1999, the Hon. Diarmuid O'Scannlain, Judge, presiding:

GRANTED the motion to dismiss as to Does 1-1000  
DENIED the motion to dismiss as to Open Sesame

Open Sesame timely filed an interlocutory appeal pursuant to 28 U.S.C. § 1292(b). The U.S. Court of Appeals for the Fourteenth Circuit granted discretionary review pursuant to Federal Rules of Appellate Procedure 5. Oral argument is set for today, December 9, 2000.

Honorable Richard A. Posner, Judge presiding,  
sitting by designation

For Appellant, Open Sesame: Don Baker  
Baker & Miller, LLP, Washington, DC

For Respondent, Closed Corp.: Terry McMahon  
Orrick, Herrington & Sutcliffe, LLP, San Jose

# The Program for Law & Technology

## At California Institute of Technology & Loyola Law School

We are in the midst of scientific and technological revolution. The Internet has transformed communication and fueled the explosive growth of e-commerce. Mapping the human genome will forever alter medicine, heredity, and the understanding of life. Nanotechnology will blur lines between organic, mechanical and electrical systems. As we enter a new millennium marveling at the emergence of brave new worlds, we can easily fail to appreciate their profound impacts on the practice and teaching of law.

The Program for Law & Technology at California Institute of Technology and Loyola Law School, conceived by a joint alumnus, Henry C. Yuen, President & Chief Executive Officer, Gemstar-TV Guide International, Inc, aims to cure this oversight. The Program will bring scientists, engineers and lawyers together to explore new developments at the intersection of law and technology.

The Program will feature:

- New courses on law and technology at Caltech and Loyola;
- A Yuen Fellows speaker series bringing world-renowned lawyers and scientists to the two campuses;
- Periodic workshops and presentations on topics of interest to lawyers and scientists; and
- An annual conference – At the Crossroads of Law & Technology – featuring a mock trial, public lectures, and academic presentations.

Like the legal-scientific crossroads we are exploring, the Program for Law & Technology is in its infancy. We invite you to participate in upcoming Program events and even to help shape the Program with your ideas and input. To see what's happening, visit our web site:

**<http://techlaw.lls.edu>**

# Curricular Developments

Central to the Program's mission is the education of young lawyers and scientists in issues at the intersection of the two disciplines. The Program is sponsoring new curricular developments at both campuses to bridge the divide with joint learning programs.

## New Courses for Spring, 2001

### At Caltech

#### **Law 134: Law & Technology**

This course will provide a sophisticated introduction to and exploration of the intersection of science and the law, focusing on the intellectual property system and the various means through which the conduct and products of scientific research are regulated. The course will analyze and compare American, international, and theoretical alternative systems, in part by means of economics modeling. The latter portion of the course will explore a particular scientific area in depth, typically using guest lectures or co-teachers to convey the science element (examples include the human genome project; the internet and cyberspace; the law of the sea; and outer space exploration). Some background in law (as by having taken Law 33 - Introduction to Law & Economics) and economics will be helpful.

### At Loyola

#### **Biotechnology Law Seminar**

This seminar will explore recent scientific advances in human genetics and their impact on law, primarily in the areas of intellectual property, regulation of science and technology, legal ethics, and access to genetic information. Several seminar sessions will be devoted to biological science to provide a knowledge base for the study of human genome research regulation, patent protection for genetic discoveries, and economic transactions in genetic property, information and technology.

Although all advanced students are eligible to enroll, preference will be given to students who intend to participate in the Program for Law & Technology mock trial in Fall, 2001.

### At the Crossroads

#### **Distance Learning**

Caltech and Loyola are exploring distance learning options so that students at the two institutions may take these courses "jointly" through real-time cross-campus interaction. Such collaboration will facilitate preparation for and participation in the student exercise at the Fall "At the Crossroad" conferences.

# At the Crossroads II

## Law, Technology & the Human Genome

### Fall , 2001

Revolutionary advances in decoding the human genome hold great promise for the future of the human race by helping us better understand, improve, and prolong life. Along the way, profound questions of law and morality will be raised; vast fortunes will be won and lost; and fundamental ideas about life and society will be challenged.

Part of the Program for Law & Technology's mission is to equip present and future policy makers with the tools and awareness to grapple with these emerging issues. These issues nowhere come together better than in the area of Human Genome research and development.

Virtually every subfield of law will be affected. Can the genetic blueprint of DNA molecules be reduced to ownership? Can life be patented? What rights will cloned beings have? Who will have access to the vast stores of genetic information in countless databases around the globe? Can individual gene sequences legally be used to predict propensity toward crime or disease and thereby justify discriminatory treatment? And so on ...

The "Law of the Genome" is unfolding before our eyes. As academics, we'd like to help assure that whatever emerges is the product of reasoned and informed discourse between scientists and lawmakers. The next **At the Crossroads** conference will focus on this exciting and revolutionary area. Stay tuned for further developments by visiting the Program web site.

# Yuen Fellows

## Distinguished Speakers Series

Another part of the Program for Law & Technology's mission is to bring scientists and lawyers together to begin new dialogues on issues of mutual importance, especially as they relate to emerging technologies. To promote that effort, the Program will bring renown academics and leaders from industry and government to the Caltech and Loyola campuses several times a year for workshops and lectures.

### Fall, 2000

Our first Yuen Fellow for 2000-2001 is Judge Richard Posner, who is presiding at today's appeal of *Closed Corp. v. Open Sesame*. At a workshop at Loyola on December 8, a distinguished panel of commentators joined Judge Posner is discussing the applicability of 19<sup>th</sup> century anti-trust law to 21<sup>st</sup> century industries.

Judge Richard A. Posner was appointed to the United States Court of Appeals for the 7<sup>th</sup> Circuit in 1981. In 1993, he became Chief Judge. From 1969 to 1981, he was a Professor of Law at the University of Chicago Law School, where he continues to teach as a Senior Lecturer. Judge Posner graduated from Harvard Law School in 1962, where he was President of the Harvard Law Review. He clerked for Justice William J. Brennan, Jr. on the Supreme Court, served as an assistant to Thurgood Marshall, then Solicitor General of the U.S., and served in other high federal positions.

Judge Posner is author of dozens of books and scholarly articles, including *Antitrust Law: An Economic Perspective*, *Economic Analysis of Law*; *Natural Monopoly and its Regulation*; and *Overcoming Law*. He has received honorary degrees of doctor of laws from Syracuse University, Duquesne University, Georgetown University, Yale University, the University of Pennsylvania, and the University of Ghent. Judge Posner was the 1994 recipient of the Thomas Jefferson Memorial Foundation Award in Law from the University of Virginia.

### Spring, 2001

The Program is pleased to announce that Lawrence Lessig of Stanford Law School has agreed to be our next Yuen Fellow, scheduled for visits to both campuses in the Spring.

Lawrence Lessig is a Professor of Law at the Stanford Law School. He was the Berkman Professor of Law at Harvard Law School. From 1991 to 1997, he was a professor at the University of Chicago Law School. Professor Lessig graduated from Yale Law School in 1989, and then clerked for Judge Richard Posner of the 7<sup>th</sup> Circuit Court of Appeals, and Justice Antonin Scalia on the Supreme Court. Professor Lessig teaches and writes in the areas of constitutional law, contracts, comparative constitutional law, and the law of cyberspace. His book, *Code and Other Laws of Cyberspace*, was published by Basic Books. In 1999-2000, Professor Lessig was a fellow at the Wissenschaftskolleg zu Berlin.

**IN THE UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF CALIFORNIA**

CLOSED CORPORATION, a California	)
Corp.,	)
	)
Plaintiff,	)
	)
v.	)
	)
OPEN SESAME USERS' GROUP;	)
DOES 1-1000; SCAPE GOAT,	)
	)
Defendants.	)

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REPORTER'S TRANSCRIPT  
HON. DIARMUID F. O'SCANNLAIN, JUDGE  
RULING FROM THE BENCH

OCTOBER 23, 1999

For the Plaintiff:  
TERRENCE P. MCMAHON  
MONTE M.F. COOPER  
VINCENT M. POLLMEIER  
ROMAN GINIS

For the Defendants:  
DON BAKER  
JOE KINIRY  
LENA SMITH

THE COURT: First of all, I want to commend counsel for their thorough and able arguments both in their briefs and in open court. In ruling on the defendants' motion to dismiss in this case, I will address in turn each of the separate issues raised. Of course, for posterity, I must remind all present that this is a teaching vehicle and my ruling has no binding or precedential effect in any District of California or the United States Court of Appeals for the Ninth Circuit.

As an initial matter, I have chosen to adjudicate these jurisdictional issues by examining whether Closed Corporation has shown a likelihood of the existence of each fact necessary to support jurisdiction, as I may do under Foster-Miller, Inc. v. Babcock & Wilcox Canada, 46 F.3d 138, 146 (1st Cir. 1995). We have had the benefit of a fully developed evidentiary hearing, which makes this approach appropriate. This standard navigates a path between unfairness to the plaintiff by requiring that it establish jurisdiction by a preponderance of the evidence before discovery, and unfairness to the defendants by forcing them through litigation on only a prima facie showing of jurisdiction. See id. at 150-51.

This is a patent infringement case, and we are at a very early stage. We have before us a motion to dismiss based on jurisdictional grounds only; there is no pending motion for a preliminary injunction.

## I

The threshold question in this lawsuit is whether Open Sesame Users' Group is an entity that is capable of being sued. Of course, if it is not, this lawsuit cannot proceed and must be dismissed. On these facts, this question is one of first impression.

Because I am persuaded by Plaintiff's argument that Open Sesame Users' Group has a "distinct purpose" and "performs specific functions toward that end," I find that it is an unincorporated association and, as such, is subject to suit. Open Sesame Users' Group is an organization much like the group at issue in Project Basic Tenants Union v. Rhode Island Housing & Mortgage Finance Corp., 636 F. Supp. 1453 (D.R.I. 1986), in that it has a definite purpose and has engaged in concerted activities. In that case, the court found that, even though the group lacked elected officers, a budget, and by-laws, it was far from an amorphous or transitory group. Indeed, though it had "apparently no set group of members," the group was still held to be an unincorporated association. See id. at 1457-58.

The group in Tenants Union did have an office, see id. at 1457, and I find that so too does Open Sesame: its Usenet site is the functional equivalent of an office. Furthermore, the process of creating the newsgroup in the first place evinced the organized effort behind Open Sesame Users' Group. I was persuaded by Dr. Felten's testimony about the "charter" of this newsgroup to that extent. More importantly, the very nature of the collaborative project to develop the Open Operating System — regardless of whether the collaborators voted on the charter itself — required that there be an organizational structure to the group with a core set of individuals controlling the evolution of the code. Although it is a close question, I am satisfied, given our decisions, that meaningful relief could be enforced against the group if Plaintiff prevails on the merits.

For these reasons, I conclude that Open Sesame Users' Group is subject to suit.

## II

Turning next to the issue of personal jurisdiction, I must acknowledge that traditional notions of this venerable legal concept must be set aside when venturing into the ether of cyberspace. The central notion of the law of jurisdiction is that there is one geographical location in which it is appropriate for a court to hear the case before it. The Internet, however, defies such territorial boundaries and cannot be easily captured by our tangible legal system. Nevertheless, the federal courts have begun to grapple with this issue and provide guidance for us now. The parties here are bound by the law of the Federal Circuit rather than that of the Ninth Circuit in this patent infringement case. See Beverly Hills Fan Co. v. Royal Sovereign Corp., 21 F.3d 1558, 1564-65 (Fed. Cir. 1994). The Federal Circuit, however, has not yet considered to what extent a court may exercise personal jurisdiction over a defendant based solely on the defendant's Internet contacts with the forum. Several other courts, however, have ruled on this issue. I turn to them for guidance.

Courts apply a "sliding scale" to determine whether the defendant's Internet contacts with the forum satisfy the "purposeful availment" prong of the minimum contacts test laid out in Panavision International, L.P. v. Toepfen, 141 F.3d 1316, 1320 (9th Cir. 1998). As a general rule, "the likelihood that personal jurisdiction can be constitutionally exercised is directly proportionate to the nature and quality of commercial activity that an entity conducts over the Internet." Cybersell, Inc. v. Cybersell, Inc., 130 F.3d 414, 419 (9th Cir. 1997) (quoting Zippo Mfg. Co. v. Zippo Dot Com, Inc., 952 F. Supp. 1119, 1124 (W.D. Pa. 1997)).

Cases discussing personal jurisdiction based on Web activity generally fall into three categories. At one end of the scale are cases where the defendant has merely posted information or advertisements that are accessible to users in foreign jurisdictions. In these cases, involving so-called "passive" web sites, courts typically hold that the defendant has not purposefully availed himself of a forum state in which the plaintiff had merely downloaded or viewed the material. The Ninth Circuit decision in Cybersell is illustrative. See Cybersell, 130 F.3d 414 (9th Cir. 1997); Bensusan Restaurant Corp. v. King, 937 F. Supp. 295, 300 (S.D.N.Y. 1996), aff'd, 126 F.3d 25 (2d Cir. 1997). At the opposite end of the scale are situations in which the defendant "enters into contracts with residents of a foreign jurisdiction that involve the knowing and repeated transmission of computer files over the Internet." Zippo Mfg. Co., 952 F. Supp. at 1125-26. In such situations, the defendant clearly does business in the forum and is subject to jurisdiction there. See, e.g., Compuserve, Inc. v. Patterson, 89 F.3d 1257, 1264 (6th Cir. 1996).

Between these extremes are cases in which the defendant created interactive web sites, allowing the user to exchange information with the host computer. These cases are examined for the level of interactivity and commercial nature of the exchange of information that occurs over the web site. See generally Zippo

Mfg. Co., 952 F. Supp. at 1124 (citing Maritz, Inc. v. Cybergod, Inc., 947 F.Supp. 1328 (E.D. Mo. 1996)). I conclude that the case before me falls into this middle realm of cases that require individual examination.

Plaintiff Closed Corporation convincingly argues that the present case is governed by Panavision, see 141 F.3d at 1327, and I find that, like the defendants in that case, Defendant Open Sesame Users' Group and its members are subject to personal jurisdiction. Like trademark infringement, patent infringement is akin to a tort. See Hoover Group, Inc. v. Custom Metalcraft, Inc., 84 F.3d 1408, 1411 (Fed. Cir. 1996) (describing patent infringement as a "commercial tort"). Further, the brunt of the harm to Plaintiff will be felt in California. Like Panavision, Plaintiff is headquartered in California, and California is the center of the computer industry; many of the software developers and computer hardware manufacturers with whom Plaintiff enters into licensing agreements are located in California. The availability of Defendant's allegedly infringing operating system is likely to harm Plaintiff's relationship with these California-based computer companies. Given the prominence of Plaintiff within the computer industry, defendants must have known that Closed Corporation would suffer the brunt of its injury in California.

A closer question is whether Defendant's conduct was "expressly aimed at the forum state," the second requirement under the "effects test." See Panavision, 141 F.3d at 1316. This prong was satisfied in Panavision by the defendant's purposeful scheme to extort money from Panavision. See id. at 1322. Here, Plaintiff alleges that Defendant engaged in willful infringement of Closed's patent for Views Operating System. Further, according to the stipulated facts, a number of Open Operating System users organized a protest at Closed's California headquarters, where they returned their unopened Views Operating System software. It is not clear whether members of Open Sesame Users' Group participated in this protest. If established at trial, these facts would support finding jurisdiction under the effects test. Furthermore, both Dr. Torvalds and Dr. Felten testified that the Open Operating System was developed as an alternative system to Views.

Under International Shoe, however, jurisdiction must still comport with "traditional notions of fair play and substantial justice." International Shoe Co. v. State of Wash., Office of Unemployment Compensation and Placement, 326 U.S. 310, 316 (1945) (quoting Milliken v. Meyer, 311 U.S. 457, 463 (1941)). Although some defendants may be citizens and residents of foreign countries, their discomfort in defending themselves in California is outweighed by their actual contacts and combined interests of the Plaintiff, California, and the broader judicial system.

### III

Venue in this patent infringement case is governed by 28 U.S.C. § 1400 (1993).

I consider first whether this is the proper venue as to Open Sesame Users' Group. The presence of a corporate defendant triggers 28 U.S.C. § 1391(c). Un-

der § 1391(c), an action against a corporate defendant may be brought in any judicial district in which the corporation would be subject to personal jurisdiction. The same rule applies for unincorporated associations. See Denver & Rio Grande Western Railroad v. Brotherhood of Railroad Trainmen, 387 U.S. 556, 562 (1967).

In light of the preceding analysis, venue in the Western District is proper given that Open Sesame is subject to jurisdiction in California under the “effects test” of Panavision. 141 F.3d at 1321.

I next consider whether this is the proper venue as to Defendants Does 1–1000. For the individual defendants, venue is governed by 28 U.S.C. § 1400(b), which provides that “[a]ny 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) (1993) (emphasis added). The Supreme Court has held that § 1400(b) “is specific and unambiguous; it is not one of those vague principles which, in the interest of some overriding policy, is to be given a ‘liberal’ construction.” Schnell v. Peter Eckrich & Sons, Inc., 365 U.S. 260, 264 (1961) (quoting Olberding v. Illinois Central R. Co., 346 U.S. 338, 340 (1953)).

Plaintiff does not contend that all the Doe defendants reside in the Western District of California. In light of the foregoing discussion of jurisdiction, the non-resident defendants do not have a “regular and established place of business” in this district as a result of their Internet contacts with California. Only the most liberal construction of the statutory language could produce a contrary result. Closed’s appeal to “overriding policy” is unavailing in the face of the clear statutory language. Should Closed Corporation choose to pursue its infringement suit against the individual members of Open Sesame Users’ Group, it will in all probability have to proceed with separate suits in the districts in which each member resides.

#### IV

The final issue before me today is whether Plaintiff effected adequate service of process on the defendants. My evaluation of the adequacy of service involves the two steps required by Mullane v. Central Hanover Bank & Trust Co., 339 U.S. 306 (1950): first, the method of service must be authorized by a particular court rule or statute, see id. at 309, and, second, the method must meet the constitutional test of “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 objection.” Id. at 314. I note that courts are recognizing newer communications technologies as valid media for providing legal notice in certain contexts.

First of all, as to service on Defendant Goat, counsel for both sides concede that there is no issue pending before me since she was personally served in this District, and therefore the Motion to Dismiss must be denied as to her.

As to Defendants Does 1–1000, whom I have already found cannot be served in the Western District of California, under Federal Rule of Civil Procedure

4(e)(1), service upon an individual may be effected pursuant to the law of the state in which the district court is located.

Although California Code of Civil Procedure Section 413.30 gives me discretion to authorize an alternative method where service cannot be effected in any other way, see Cal. Civ. Proc. Code § 413.30 (West 1973), the weight of authority compels me to agree with Defendant Open Sesame Users' Group's argument that electronic mail is too unreliable to fall within this provision. See, e.g., Columbia Ins. Co. v. Seescandy.com, 185 F.R.D. 573, 579 (N.D. Cal. 1999). The fact is, a number of the addresses that Plaintiff procured from the Open Sesame Usenet archive are simply no longer active. I therefore find that, even if venue were proper, service on the Doe defendants was inadequate.

I am persuaded by Defendants' argument that staying a ruling pending further discovery is inappropriate where, as here, further steps to obtain identities and to perform actual service should have been accomplished prior to filing.

#### V

Finally, as to service on Open Sesame Users' Group, Closed Corporation contends that service by posting a message to the Usenet newsgroup and Open Source web site is proper given the nature of the entity.

I agree. The leaders of the Open Sesame Users' Group could well be expected to receive actual notice of this suit as a result of these postings by Closed Corporation. Furthermore, the applicable statutes governing service allow for a measure of flexibility in complying with the state rules for service. See Cal. Civ. Proc. Code § 413.30. I am not persuaded that the frequency of hoaxes and so-called "noise" is a bar.

#### VI

In conclusion, I will GRANT the defendants' Motion to Dismiss with respect to the Doe defendants, subject to a request for leave to amend. I will DENY the Motion to Dismiss with respect to Open Sesame Users' Group and Scape Goat. If either counsel wishes to pursue an interlocutory appeal to the Ninth Circuit (who knows how they would rule?), I will be happy to certify under 28 U.S.C. § 1292(b) on request.

This session is ADJOURNED.