

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

GROUPE CANAL+ S A, CANAL+
TECHNOLOGIES, S A, CANAL
TECHNOLOGIES, INC,

No C 02-1178 VRW

ORDER

Plaintiffs,

v

NDS GROUP PLC, NDS AMERICAS,
INC,

Defendants.

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Defendants move to dismiss or transfer for improper venue. Doc #42. Defendants also move to dismiss for failure to state a claim, pursuant to FRCP 12(b)(6). Doc #41.

I

Plaintiff Canal+ Technologies (Canal+) is a French corporation that produces "conditional access technology on cards that contain highly specialized microchips with advanced software and encryption algorithms" to limit access to digital pay television programs. Compl (Doc #1) at ¶ 7. These cards are commonly referred to as "smart cards." Canal+ asserts that it is the owner of a copyright of software code for certain of

1 its smart cards, which it refers to as "MediaGuard UserROM
2 software code." Id at ¶ 44.

3 Plaintiff Groupe Canal+ is a French corporation that
4 produces pay television in Europe. Id at ¶ 6. Plaintiff Canal+
5 USA is a California corporation, with its principal place of
6 business in Cupertino, California, which markets Canal+'s
7 technology in the United States. Id at ¶¶ 6-8.

8 Defendant NDS Group is a British company that, among
9 other things, also provides conditional access technology for
10 digital programming. Id at ¶ 9. NDS Americas, a Delaware
11 corporation based in Newport Beach, California, is NDS Group's
12 American subsidiary. Id at ¶ 10.

13 In March 1999, Canal+ learned that its smart card
14 software code had been published on the website "DR7.com." See
15 id at ¶ 3. After the publication of its smart card code, Canal+
16 alleges that counterfeit Canal+ smart cards began to appear in
17 large numbers on the market, causing harm to Canal+ and its
18 customers. See id.

19 As a result of the proliferation of counterfeit cards,
20 Canal+ began to attempt to determine the person or persons
21 responsible for revealing its code. See id at ¶ 4. Canal+
22 contends that this investigation led to defendants NDS Group and
23 NDS Americas (collectively, NDS), which are competitors of
24 Canal+. Canal+ alleges that NDS obtained Canal+ smart cards and
25 sent them to a NDS laboratory in Israel for analysis. See id at
26 ¶ 23. At this facility, an NDS team of engineers allegedly
27 extracted the software stored on the smart cards and used this
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1 information to download the UserROM software from the smart
2 card. See *id.* According to Canal+, the UserROM is the portion
3 of the memory of a smart card that is necessary to control
4 access to the digital stream. See *id.* NDS then allegedly
5 created a file containing the UserROM portion of the smart card
6 and transported it to NDS Americas in California, with
7 instructions that it be published on the internet. See *id.* at ¶
8 25. According to Canal+, NDS America transmitted the code from
9 California to Al Menart, the operator of the DR7.com website,
10 based in Canada, who published the code on his website.

11 As a result of these allegations, Canal+, in its
12 complaint, brings eight causes of action, including unfair
13 competition and copyright infringement. Defendants move to
14 dismiss for failure to state a claim. Doc #41. Defendants also
15 move to dismiss for improper venue or, in the alternative, to
16 transfer venue to the Southern Division of the Central District
17 of California. Doc #42. The court will consider defendants'
18 venue motion first as the FRCP 12(b)(6) motion should be
19 considered by a court in which venue is proper.

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21 II

22 A

23 Venue is based on the facts alleged in a well-pleaded
24 complaint. See Hoover Group v Custom Metalcraft, 84 F3d 1408,
25 1410 (Fed Cir 1996). Plaintiffs have the burden of establishing
26 that venue is proper in the Northern District. See Piedmont
27 Label Co v Sun Garden Packing Co, 598 F2d 491, 496 (9th Cir
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1 1979).

2 Venue must generally be established for each defendant against
3 which a cause of action is brought. See Hoover Group, 84 F3d at
4 1410. Moreover, the court must consider whether venue is proper
5 for each claim alleged in the complaint. See Verbis v Iowa Dept
6 of Human Serv, 18 F Supp 2d 770, 774 (WD Mich 1998), citing
7 Salpoglou v Schlomo Widder, M D, 899 F Supp 835, 839 (D Mass
8 1995); Jarrett v State of North Carolina, 868 F Supp 155, 158 (D
9 SC 1994). See also Sheppard v Jacksonville Marine Supply, Inc,
10 877 F Supp 260, 269 (D SC 1995).

11 Defendants acknowledge that venue is appropriate in
12 this court for the claims against NDS Group. The Alien Venue
13 Act, 28 USC § 1391(d), provides that "[a]n alien may be sued in
14 any district." As NDS Group is indisputably a foreign
15 corporation, it may be sued in the Northern District; the
16 question remains, however, whether NDS Americas is similarly
17 subject to suit. Resolving this question will involve
18 considering the particular venue provisions applicable to
19 plaintiffs' claims, as each claim is brought against both
20 defendants.

21 In counts three and four plaintiffs allege direct and
22 contributory copyright infringement, in violation of 17 USC §
23 101, et seq. These counts assert infringement of Canal+'s
24 copyright in its UserROM software code. Plaintiffs' other
25 counts, for tortious interference, unfair competition and
26 conspiracy, are based on defendants' alleged use of the pirated
27 code to "the detriment of Canal+'s business and its reputation
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1 among customers and in the industry." Id at § 35. Count eight
2 alleges a violation of the Racketeering Influenced and Corrupt
3 Organizations Act (RICO). Neither party addresses venue over
4 count seven, which alleges violation of the Digital Millennium
5 Copyright Act, 17 USC § 1201(a)(2).

6 Plaintiffs' state law claims are governed by the
7 general venue statute, 28 USC § 1391(b), which provides that
8 venue is only appropriate in:

9 (1) a judicial district where any defendant resides, if
10 all defendants reside in the same State, (2) a judicial
11 district in which a substantial part of the events or
12 omissions giving rise to the claim occurred, or a
13 substantial part of property that is the subject of the
14 action is situated, or (3) a judicial district in which
15 any defendant may be found, if there is no district in
16 which the action may otherwise be brought.

17 Pursuant to § 1391(c), a corporate defendant "resides"
18 in any district in which it is subject to personal jurisdiction
19 at the time the action is commenced.

20 In copyright infringement actions, venue is governed by
21 28 USC § 1400(a), which provides:

22 Civil actions, suits, or proceedings arising under any
23 Act of Congress relating to copyrights or exclusive
24 rights in mask works or designs may be instituted in
25 the district in which the defendant or his agent
26 resides or may be found.

27 Under this section, venue is proper in any judicial
28 district in which the defendant would be amenable to personal
jurisdiction, if the district were a separate state. Columbia
Pictures TV v Krypton Broadcasting, 106 F3d 284 (9th Cir 1997),
rev'd on other grounds in Feltner v Columbia Pictures
Television, Inc, 523 US 340 (1998). The analysis whether venue

1 is appropriate under the federal copyright statute is,
2 therefore, the same as that performed under the general venue
3 statute, pursuant to § 1391(c).

4 RICO contains its own venue provision, 18 USC §
5 1965(a), which provides that an action may be brought in a
6 district in which the defendant "resides, is found, has an
7 agent, or transacts affairs." RICO's venue provision, however,
8 is not exclusive, but supplements the general venue provision.
9 See Delta Educ, Inc v Langlois, 719 F Supp 42, 49 (D NH 1989).

10 Notwithstanding these different venue provisions, the
11 parties correctly agree that venue is appropriate for each claim
12 only if defendants would be amenable to personal jurisdiction in
13 the Northern District, for that claim, if the Northern District
14 were a separate state. See, e g, Pl Opp Br at 4.

15 Plaintiffs do not dispute defendants' argument that NDS
16 Americas is not subject to general jurisdiction in the Northern
17 District. Id at 6 n5. This implicit concession appears to be
18 appropriate. NDS Americas is headquartered in Newport Beach,
19 California. Lynskey Decl (Doc #44) at ¶ 4. NDS America does
20 not have an office in the Northern District, nor any employees,
21 officers or directors who work in the Northern District. Id at
22 ¶ 5. NDS Americas owns no real property in the Northern
23 District and, of its five United States clients, none is based
24 in the Northern District. Id at 5, 7.

25 Plaintiffs contend, however, that specific jurisdiction
26 over NDS Americas exists in the Northern District for each claim
27 in its complaint. The Ninth Circuit employs
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1 a three part test for analyzing whether the exercise of
2 specific jurisdiction satisfies the requirements of due
process:

3 (1) the defendant must purposefully avail himself of
the privilege of conducting activities in the forum,
thereby invoking the benefits and protections of its
laws;

5 (2) the claim must arise out of or result from the
defendant's forum-related activities; and

6 (3) the exercise of jurisdiction must be reasonable.

7 Columbia Pictures, 106 F3d at 289, citing Sher v Johnson, 911
F2d 1357, 1361 (9th Cir 1990). See also Data Disc, Inc v
8 Systems Technology Assoc, Inc, 557 F2d 1280, 1287 (9th Cir
1977).

9 The court first notes that plaintiffs do not allege
10 that their copyright infringement claims "arise under" any
11 activities by which NDS Americas has purposefully availed itself
12 of the privilege of conducting activities in the Northern
13 District. Rather, plaintiffs only address defendants' venue
14 contentions concerning plaintiffs' state law and RICO claims.
15 Nor does it appear that plaintiffs could make a showing that NDS
16 Americas is amenable to venue in the Northern District for
17 plaintiffs' copyright infringement claims. Defendants are
18 correct that plaintiffs do "not identify a single act relevant
19 to the copyright claims that allegedly occurred in the Northern
20 District." Def Rep Br (Doc #64) at 5. In fact, the only
21 plaintiff which is a domestic entity, Canal+ USA, is not even
22 alleged to be an owner of the allegedly infringed copyright.

23 Venue is, therefore, not appropriate in this district
24 for plaintiffs' copyright infringement claims against NDS
25 Americas. The court notes that plaintiffs have not argued that
26 the court should apply a theory of "pendant venue" to these
27 claims. In any event, the court is not inclined to apply this
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1 theory. The theory of "pendant venue" has "received limited
2 application and acceptance." Goggi Corp v Outboard Marine Corp,
3 422 F Supp 361, 366 (SD NY 1976). When applied, it is generally
4 only applied to reach common law claims pendant to federal
5 claims. See *id.* Quite the opposite would be required here.
6 Congress has provided a specific venue statute for copyright
7 infringement actions. When the requirements of that statute are
8 not satisfied, this court is not inclined to entertain a
9 copyright infringement claim, based solely on venue over related
10 state law claims. See Hoffacker v Bike House, 540 F Supp 148,
11 150 (ND Cal 1981) ("a court may not entertain a patent claim when
12 the specific requirements of the patent venue statute are not
13 satisfied notwithstanding proper venue over other related claims
14 for relief.").

15 Venue does appear to be appropriate, however, for
16 plaintiffs' remaining claims against NDS Americas. Despite
17 defendants paucity of direct contacts with the forum state,
18 plaintiffs contend that NDS Americas has purposefully availed
19 itself of the privilege of conducting activities in this
20 district in two ways. First, plaintiffs contend that twelve
21 companies identified by NDS Americas as worldwide business
22 partners are headquartered in the Northern District. See Pl Opp
23 Br at 8. The court notes that it is unlikely that the existence
24 of a partnership with companies in the Northern District,
25 without more, is sufficient to establish venue in the Northern
26 District. See Nissan Motor Co v Nissan Computer Corp, 89 F Supp
27 2d 1154, 1159 (CD Cal 2000). The court need not decide this
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1 issue, however, as plaintiffs have not alleged a nexus between
2 these partnerships and plaintiffs' claims against NDS Americas.
3 Plaintiffs, in other words, have not shown that their claims
4 arise under these partnership activities.

5 Second, plaintiffs contend that the older purposeful
6 availment test, which required some showing of activities within
7 the forum, has been supplemented by a "newer 'effects' test."
8 Pl Opp Br at 9, citing Bancroft & Masters, Inc v Augusta Nat'l,
9 Inc, 223 F3d 1082, 1087 (9th Cir 2000); Ziegler v Indian River
10 County, 64 F3d 470, 474 (9th Cir 1995); Haisten v Grass Valley
11 Medical Reimbursement Fund, Ltd, 784 F2d 1392, 1397 (9th Cir
12 1986).

13 Plaintiffs are correct that, under the Supreme Court's
14 decision in Calder v Jones, 465 US 783 (1984), "a foreign act
15 that is both aimed at and has effect in the forum state
16 satisfies the purposeful availment prong of the specific
17 jurisdiction analysis." Bancroft & Masters, 223 F3d at 1087.
18 Since Calder, courts "have struggled somewhat with Calder's
19 import, recognizing that the case cannot stand for the broad
20 proposition that a foreign act with foreseeable effects in the
21 forum state always gives rise to specific jurisdiction." Id.
22 In Bancroft & Masters, the Ninth Circuit determined that in
23 order to establish venue there must be "something more" than
24 merely foreseeable effects in the forum. Specifically the court
25 held that the purposeful availment requirement is satisfied
26 "when the defendant is alleged to have engaged in wrongful
27 conduct targeted at a plaintiff whom the defendant knows to be a
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1 resident of the forum state." Id. Plaintiffs' complaint does
2 allege, in fact, that NDS Americas purposefully engaged in
3 conduct targeted at Canal+ USA, which has its principal place of
4 business in the Northern District. See, e g, Compl (Doc #1) at
5 ¶¶ 29-30, 35.

6 Plaintiffs must also show that its claims arise out of
7 NDS Americas' forum related activities. In the Ninth Circuit,
8 courts "measure this requirement in terms of 'but for'
9 causation." Bancroft & Masters, 223 F3d at 1088, citing Ziegler
10 v Indian River County, 64 F3d 470, 474 (9th Cir 1995). This
11 test is clearly satisfied with respect to plaintiffs' state law
12 and RICO claims. But for defendants' (alleged) actions in
13 highlighting the piracy of plaintiffs' technology, defendants'
14 state law and RICO claims would not have arisen.

15 Finally, for the purposes of the final prong of the
16 specific jurisdiction test, defendants do not contest that the
17 exercise of jurisdiction over NDS Americas would be reasonable.
18 Plaintiffs, therefore, have made a prima facie showing that
19 venue in the Northern District is appropriate over defendants
20 for plaintiffs' state law and RICO claims.

21 In addition to arguing that venue is improper in the
22 Northern District, defendants argue that venue is inconvenient
23 in this district and should be transferred pursuant to 28 USC §
24 1404(a). In considering whether a case should be transferred in
25 the interests of justice, courts generally consider the
26 following factors: (1) the plaintiff's choice of forum; (2)
27 convenience of the parties; (3) convenience of the witnesses;
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1 (4) ease of access to the evidence; (5) familiarity of each
2 forum with the applicable law; (6) feasibility of consolidation
3 of other claims; (7) local interest in the dispute; and (8)
4 relative court congestion and time of trial in each forum.
5 Williams v Bowman, 157 F Supp 2d 1103, 1106 (ND Cal 2001).

6 Weighing these factors, the court finds that this
7 matter should not be transferred pursuant to § 1404(a). A
8 movant must demonstrate significant hardship to justify a
9 transfer of venue, not mere inconvenience. See, e g, Miracle v
10 N Y P Holdings, Inc, 87 F Supp 2d 1060, 1073 (D Haw 2000). Both
11 districts are equally convenient for the foreign parties. The
12 mere fact that some evidence and some witnesses are found in the
13 Central District does not present the degree of inconvenience
14 favoring a change of venue. Moreover, plaintiffs' choice of
15 forum is deserving of deference.

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17 B

18 Plaintiffs request that the court file their opposition
19 to the venue motion and certain exhibits to the declaration of
20 Stewart Richardson under seal, pursuant to Civ LR 79-5. The
21 lodged exhibits are documents classified as confidential by
22 defendants. Accordingly, for good cause shown, the clerk is
23 directed to file Exh #2 to plaintiffs' miscellaneous
24 administrative request under seal. Plaintiffs' opposition
25 brief, however, merely references these exhibits. There is not
26 good cause, therefore, for keeping this entire document from the
27 public record. Plaintiffs are directed to re-file a copy of
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1 their opposition brief with the references to the confidential
2 exhibits redacted. Upon the filing of this redacted document,
3 the lodged opposition brief shall be filed under seal.

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7 III

8 In sum, NDS Americas is not amenable to venue in this
9 forum for plaintiffs' copyright infringement claims.

10 Accordingly, this court does not have venue over plaintiffs'
11 complaint, as presently pled, and this action must either be
12 dismissed or transferred to any district or division in which it
13 could have been brought. 28 USC § 1406(a).

14 The choice between these options should rest with
15 plaintiffs, for the court cannot substitute its judgment of the
16 value of plaintiffs' copyright infringement claims against NDS
17 Americas for plaintiffs' own judgment. Accordingly, the court
18 determines that plaintiffs' complaint shall be DISMISSED without
19 prejudice. Plaintiffs may either file an amended complaint in
20 this district, dismissing NDS Americas from its copyright
21 infringement claims, or re-file this action in a district that
22 has venue over all claims and all defendants. If plaintiffs
23 choose the former option, defendants may re-notice their FRCP
24 12(b)(6) motion and the court will either set a hearing date on
25 that motion or decide it on the papers. For now, defendants'
26 motion to dismiss for failure to state a claim (Doc #41) is
27 TERMINATED. Defendants' motion to
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1 dismiss for improper venue (Doc #42) is GRANTED. Plaintiffs'
2 complaint is DISMISSED without prejudice.

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IT IS SO ORDERED.

VAUGHN R WALKER
United States District
Judge