

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

Benjamin Edelman,)	
)	
Plaintiff,)	C.A. No. 02-11503-RGS
)	
v.)	
)	
N2H2, INC., a Washington corporation,)	
)	
Defendant.)	

**DEFENDANT N2H2, INC.’S REPLY IN SUPPORT OF
ITS MOTION TO DISMISS THE COMPLAINT**

I. INTRODUCTION.

Plaintiff Benjamin Edelman (“Edelman”) has failed to establish that he has standing to pursue this declaratory judgment action. Indeed, Edelman has not shown that he faces any imminent threat of legal action from Defendant N2H2, Inc. (“N2H2”), which is a mandatory prerequisite to his action based upon the Declaratory Judgment Act. Instead, Edelman erroneously focuses his opposition to N2H2’s motion to dismiss on (1) the purported **merits** of the various claims that N2H2 could potentially assert against him if he chose to enter into, and subsequently breach, a license agreement with N2H2, and (2) N2H2’s public statements in response to his complaint, neither of which are relevant to the issue of standing.¹ There simply is no actual case or controversy between N2H2 and Edelman, and the instant case must thus be dismissed.

¹ In an apparent attempt to misdirect the Court regarding his lack of standing, Edelman’s Introduction and Statement of Facts are littered with details that are irrelevant to that issue, such as the effectiveness of N2H2’s software, Edelman’s qualifications as a researcher, the manner in which N2H2’s software operates, previous litigation between entirely different parties, Internet filtering policies of other nations and the commercial success of N2H2’s products. None of those factors have any bearing on the current motion and should be stricken from Edelman’s opposition, or at least disregarded by the Court.

II. ARGUMENT.

A. Edelman Bears The Burden Of Proving That He Has Standing.

Edelman bears the burden of establishing that he has standing to bring the instant action under the Declaratory Judgment Act. Indeed, in a case cited by Edelman, the Court of Appeals for the First Circuit held that:

Because federal courts are courts of limited jurisdiction, federal [subject matter] jurisdiction is never presumed. Instead, the proponent -- here, the plaintiffs -- must carry the burden of demonstrating the existence of federal [subject matter] jurisdiction.”

Viqueira v. First Bank, 140 F.3d 12, 16 (1st Cir. 1998) (dismissing case because plaintiff failed to prove subject matter jurisdiction). Like all plaintiffs, Edelman must prove that subject matter jurisdiction exists, which includes proving that he has standing. See *Dubois v. United States Dep't of Agric.*, 102 F.3d 1273, 1281 (1st Cir. 1996) (“If a party lacks Article III standing to bring a matter before the court, the court lacks subject matter jurisdiction to decide the merits of the underlying case.” (citing *FW/PBS, Inc. v. City of Dallas*, 493 U.S. 215, 231 (1990))). Edelman has failed to do so.²

Edelman’s burden of proof in the instant motion is greater than that of a motion to dismiss the complaint on other grounds because the elements of standing “are not mere pleading requirements but rather an indispensable part of the plaintiff’s case, each element must be supported in the same way as any other matter on which the plaintiff bears the burden of proof, i.e., with the manner and degree of evidence required at the successive stages of the litigation.” *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 561 (1992).

B. Edelman Does Not Have Standing Because He Has Failed To Show That He Faces An Imminent Threat Of Suit.

Edelman has failed to set forth any facts that would support a finding that he faced an imminent threat of harm. To begin, Edelman simply cannot refute the fact that N2H2 has

² Edelman’s insinuation that N2H2 must establish the absence of a threat of litigation is incorrect. Edelman bears the burden of establishing the existence of standing – N2H2 does not need to prove its absence. See *Viqueira*, 140 F.3d at 16.

never threatened him with legal action. Thus, he instead relies on his alleged intent to undertake activities which could subject him to liability, and his speculation as to what N2H2 might do in response to such activities. The Supreme Court, however, has unequivocally held that “the profession of an intent [to commit an act that might incur liability] is simply not enough” to demonstrate standing. *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 564 (1992);³ *see also Ernst & Young v. Depositors Econ. Prot. Corp.*, 45 F.3d 530, 537 (1st Cir. 1995) (affirming dismissal of a declaratory judgment act action because “[f]ederal courts cannot -- and should not -- spend their scarce resources [deciding cases in which] a plaintiff's claim, though predominantly legal in character, depends upon future events that may never come to pass, or that may not occur in the form forecasted.”)⁴ Absent a specific threat from N2H2, Edelman’s repeated insistence that the acts he proposes to undertake may be unlawful does not create an actual controversy between the parties because the potential outcome is simply too speculative. Edelman could fail to proceed with his proposed research, N2H2 could decline to sue him even if he does proceed, or N2H2 could choose to sue on fewer, or different, legal theories than those asserted by Edelman.

³ Edelman essentially ignores *Lujan*, the controlling Supreme Court precedent on this issue and instead relies on irrelevant Supreme Court cases. For example, Edelman cites to *California v. Grace Brethren Church*, 457 U.S. 393, 410 n.21 (1982), which addressed whether the Tax Injunction Act deprives federal courts of jurisdiction over cases involving state taxes. The *Grace Brethren* Court’s reference to the declaratory judgment act is buried in an obscure footnote which supports the proposition that the Tax Injunction Act prohibits federal courts from issuing declaratory judgments in state tax cases and has no bearing on standing. *Id. Skelly Oil Co. v. Phillip’s Petroleum Co.*, 339 U.S. 667, 671-72 (1950), another case cited by Edelman, similarly addresses whether a party can bring a state law claim under the federal declaratory judgment act. Standing was not challenged in that case, as the plaintiff merely sought a declaration that a contract to which it was a party was in effect and binding *after* receiving a notice from the defendant seeking to terminate the contract. *Skelly* is thus clearly distinguishable from the instant case, where no contract exists and no dispute has arisen between the parties. Edelman’s citation of *Perez v. Ledesma*, 401 U.S. 82, 112 (1987) is also irrelevant to the instant case. *Perez* addressed the government’s potential enforcement of criminal laws, which is a drastically different scenario, with far more serious penalties than the civil remedies N2H2 could potentially assert against Edelman. Additionally, Edelman cites a concurring opinion in *Perez* which has no legal precedent.

⁴ Edelman erroneously cites *Ernst & Young* in support of standing based on future actions. The other First Circuit case cited by Edelman for this same proposition, *Neeley v. Benefits Review Bd.*, 139 F.3d 276, 279 (1998) does not even arise under the declaratory judgment act, but rather is a review of an administrative workers’ compensation board decision. This citation of an irrelevant case, while ignoring the Supreme Court’s decision in *Lujan*, demonstrates the overwhelming deficiency of case law in support of Edelman’s Opposition.

1. **N2H2's Subsequent Response To Edelman's Lawsuit Cannot Serve As The Basis For Standing.**

In order to bring the instant action for declaratory relief, Edelman must have faced an imminent threat of suit **at the time he filed the action**. See *Preiser v. Newkirk*, 422 U.S. 395, 401 (1975) (“The rule in federal cases is that an actual controversy must be extant at all stages of review, [including] at the time the complaint is filed.” (quoting *Steffel v. Thompson*, 415 U.S. 452, 459 n.10 (1974))). The fact that in response to Edelman’s action N2H2 stated that it will defend and enforce its standard license agreement does not, as Edelman suggests, retroactively grant him standing to challenge that agreement. Indeed, such a ruling would turn the requirement of standing on its head and place defendants in declaratory judgment actions in the untenable position of having to roll over and deny any rights in the subject matter of the action, or else admit standing where none exists.

Accordingly, N2H2’s Form 10-Q, which disclosed and responded to Edelman’s pending action against the company is irrelevant and all references thereto should be stricken or disregarded by the Court.⁵ Likewise, any statements to the press by N2H2 regarding Edelman’s lawsuit are irrelevant and should be disregarded. For the same reason, statements made by N2H2 in its motion to dismiss Edelman’s claims cannot, as Edelman suggests, create standing. What Edelman must prove to show standing is that N2H2 threatened to sue him – not that N2H2 intends to vigorously defend itself in the instant action. Nor is it relevant whether N2H2 **believes** that Edelman’s proposed actions, if carried out, would breach N2H2’s license (which Edelman has not signed) or violate any laws. It is not N2H2’s state of mind that is at issue, but rather whether N2H2 has acted on such beliefs and threatened Edelman. Accordingly, statements in N2H2’s opening brief regarding whether Edelman’s research would violate the license agreement and other laws or the potential harm N2H2 believes it would suffer as a result of such research, cannot serve as a basis for this reason as well. [See Opposition at 12]

⁵ Edelman misconstrues the nature of N2H2’s Form 10-Q disclosure. N2H2 was required by law to disclose any pending legal proceedings in its 10-Q, including Edelman’s action for declaratory relief. Accordingly, Edelman’s claim that this disclosure somehow demonstrates that N2H2 is “fearful that Edelman’s research will expose fundamental flaws in its program” is absurd. [See Opposition at 1]

2. **N2H2's General Assertions Of Its Intent To Enforce Its License Agreement And Protect Its Proprietary Interests Cannot Serve As The Basis For Standing.**

N2H2's general assertions in its Form 10-Q and to the press regarding its intention to defend the validity of its license agreement and enforce the provisions of that agreement are also not sufficiently specific to create standing under the Declaratory Judgment Act. *See Western Mining Council v. Watt*, 643 F.2d 618, 626 (9th Cir. 1981) (Secretary of Interior's statement that "plaintiffs cannot dig in the ground [which was prohibited by the statute in question]" not sufficiently specific threat to satisfy standing requirement even in criminal prosecution); *Rincon Band of Mission Indians v. County of San Diego*, 495 F.2d 1, 4 (9th Cir. 1974) (sheriff's statement to tribal members that county ordinance prohibiting gambling would be enforced within his jurisdiction was too general to satisfy standing requirement). Edelman does not, and cannot, allege that N2H2 ever threatened him directly (either in writing or orally) with legal action. Indeed, prior to this lawsuit, N2H2 simply refused Edelman's request for copies of its proprietary information. In so doing, N2H2 refrained from threatening Edelman with legal action, or even warning Edelman that such action might be a possibility.

Lacking any actual threat of imminent harm, Edelman unsuccessfully attempts to create one after the fact through N2H2's Form 10-Q. That Form was not generated as a threat to Edelman, however, but rather was filed with the SEC as part of N2H2's legal obligations as a public company. Indeed, N2H2 did not send a copy of the Form 10-Q to Edelman or in any manner use the contents of the Form as a threat. Rather Edelman's lawyers obtained a copy of the Form 10-Q for the sole purpose of attempting to create a threat where none exists. Moreover, the other public comment cited by Edelman was remarkably vague and did not specifically refer to Edelman.

This lack of a specific threat by N2H2 readily distinguishes the instant case from *Western Electric Co. v. Hammond*, 135 F.2d 283 (1st Cir. 1942), cited by Edelman. The *Western Electric* court found there was a case or controversy where (1) the plaintiff was a sub-licensee of the defendant's patents; (2) the defendant had continuously asserted that the plaintiff's sublicense

did not permit it to manufacture and sell its patented inventions to the U.S. government (which plaintiff was doing); and (3) the defendant had already sued plaintiff's customer (i.e., the U.S. government), for infringing its patents by using equipment sold to it by the plaintiff. *Id.* at 285. Those facts demonstrated an imminent threat of harm to the plaintiff and a real controversy between the plaintiff and the defendant. *Id.* at 286; *see also TRW, Inc. v. Ellipse Corp.*, 1973 U.S. Dist. LEXIS 14565, *5-6 (N.D. Ill. Mar. 12, 1973) (limiting the holding in *Western Electric* to cases in which “a patentee harasses [an alleged infringer] or his customers with charges of patent infringement, threats of suit, or filing of a suit against a customer”).⁶ In contrast, in the instant case (1) there is no contract between N2H2 and Edelman; (2) N2H2 has not asserted that any actions by Edelman violated its agreement or other rights; and (3) N2H2 has not sued anyone, let alone an entity related to Edelman. Thus, Edelman has not demonstrated an actual controversy.

Moreover, Edelman cites absolutely no support for his claim that such generalized assertions regarding N2H2's license could support a finding of an imminent threat of harm where he has not even signed the agreement.⁷ In fact, the few cases that have ruled on whether a party can seek an adjudication of its rights pursuant to a contract it has not signed have held that no case or controversy exists because the defendant would not have the right to sue the declaratory plaintiff. Thus, there could be no imminent threat of legal action. *See Mountbatten Surety Co., Inc. v. Brunswick Ins. Agency*, 2000 U.S. Dist. LEXIS 10611, *10 (E.D. Pa. July 27, 2000) (“the threat of real and immediate harm [was] lacking” in a declaratory judgment action in which the plaintiff's liability to the defendant had not yet arisen because the defendant could “not sue [the plaintiff] at [that] time [and had] not even attempted to initiate suit”); *id.* at *11 n.3 (“as of [the filing of plaintiff's declaratory relief claims], no action ha[d] been taken by [defendant], nor could

⁶ Edelman's assertion that *Western Electric* is somehow controlling because it is “a patent case”, [Def. Opp. Mot. Dismiss at 14] and the instant case is a copyright case is inaccurate – *Western Electric* is a contract case that involved a patent, not a patent case.

⁷ Edelman's allegation that N2H2's license threatens his First Amendment rights is illogical because the First Amendment restricts government-imposed restrictions on speech, not agreements between private parties such as N2H2 and Edelman. [Def. Opp. Mot. Dismiss at 15-16] Edelman's purported authority for this assertion, *DVD Copy Control Ass'n v. Brunner*, 113 Cal. Rptr. 2d 338, 349 (Cal. Ct. App. 2001) is not citable because it was depublished and superseded by a grant of review in *DVD Copy Control Ass'n v. Brunner*, 117 Cal. Rptr. 2d 167 (Cal. Ct. App. 2002).

be taken...as required for the imposition of liability upon [plaintiff]”]; *see also Clinton v. Acequia, Inc.*, 94 F.3d 568, 572 (9th Cir. 1996) (holding that standing does not exist when a party’s rights pursuant to a contract would not have effect for another year after the court’s decision); *United Steelworkers of Am., Local 2116 v. Cyclops Corp.*, 860 F.2d 189, 194 (6th Cir. 1988) (vacating and dismissing plaintiff’s claims for lack of standing because plaintiff who “ha[s] no contractual rights [cannot] vindicate [them]” in an action under contract law).

3. N2H2’s Efforts Pursuant To The Federal Rules To Protect Its Proprietary Information From Disclosure Cannot Serve As The Basis For Standing.

N2H2’s efforts to protect the confidentiality of its proprietary information during litigation between third parties (in which Edelman was an expert) did not constitute a threat of legal action to Edelman or anyone else. [Def. Opp. Mot. Dismiss at 9.] N2H2’s acts – requesting a protective order during a third party deposition of an N2H2 employee, declining to give Edelman its proprietary and confidential information, and requesting as a third party to seal a courtroom during which testimony could have exposed its proprietary and confidential information⁸ – are routine measures under the Federal Rules of Civil Procedure. No reasonable trier of fact could construe such federally sanctioned measures for protecting proprietary information as somehow giving rise to a threat of imminent legal action against Edelman. Accordingly, the Court should disregard N2H2’s allegations regarding the *American Library* litigation.

C. Cases Involving Standing To Assert A Facial Challenge To A Criminal Statute Are Irrelevant.

Edelman does not assert a facial challenge to any statute, but rather asserts that the

⁸ Edelman’s assertion that the court subsequently unsealed the transcript that N2H2 requested to have sealed is irrelevant to the issue of standing as it simply does not demonstrate an imminent threat directed at Edelman or anyone else.

DMCA, as it may potentially be applied to him, is unconstitutional.⁹ Moreover, the violations Edelman alleges are civil, not criminal.¹⁰ Accordingly, the cases cited by Edelman that address pre-enforcement challenges to criminal statutes that facially restrict expressive activity are inapposite.¹¹ In that particular situation, the Court reasoned that a person should not be required to expose herself to such extreme harm as arrest or criminal prosecution in order to challenge such a statute, nor should her speech be chilled by the threat of such extreme consequences. *Babbitt v. United Farm Workers Nat'l*, 442 U.S. 289, 298 (1979). Accordingly, the Supreme Court has ruled that for pre-enforcement challenges to criminal statutes alleging a facial restriction on expression, standing will be satisfied by a “credible threat” of enforcement. *Id.*

This standard has no application to the instant action. To begin, the threat of harm Edelman faces in the event he is someday sued for his proposed activities is not near so great as the penalties faced in the criminal context. Moreover, in contrast to the public officials sued in the facial challenge cases, a corporation such as N2H2 is not charged with promulgating nor enforcing the challenged statute. Thus N2H2 does not share the same level of responsibility for the purportedly unconstitutional statute. Absent a specific threat of legal action, it simply is not fair to allow declaratory plaintiffs such as Edelman to mount constitutional challenges to statutes on the backs of defendants who are neither culpable or willing. Accordingly, as described in

⁹ Edelman made no effort to refute N2H2’s assertion that he has no standing to bring an as-applied claim prior to undertaking actions to which the statute could be applied. Indeed, it is well settled law that Edelman has no standing to make a declaratory relief claim through an as-applied challenge. [See Motion to Dismiss at 12]

¹⁰ Although the DMCA has criminal provisions, these could only be brought against Edelman by the United States, which is not a party to the instant case, and are therefore of no relevance to Edelman’s claims.

¹¹ See, e.g., *Virginia v. American Booksellers Ass’n, Inc.*, 484 U.S. 383, 392-393 (1988) (finding of standing based upon “risk [of] criminal prosecution” in “pre-enforcement facial challenge”) (emphases added); *New Hampshire Right to Life Pol. Action Comm. v. Gardner*, 99 F.3d 8, 13 (1st Cir. 1996) (limiting holding to instances in which “a party launches a pre-enforcement challenge to a statute that provides for criminal penalties and claims that the statute, on its face, abridges First Amendment rights”) (emphasis added); *Citizens for Responsible Gov’t State Pol. Action Comm. v. Davidson*, 236 F.3d 1174, 1192 (10th Cir. 2000) (finding standing because “A plaintiff need not ‘await and undergo a criminal prosecution’ in order to challenge a statute on constitutional grounds”) (emphasis added) (citations omitted); *Briggs v. Ohio Elections Comm’n*, 61 F.3d 487, 491-92 (6th Cir. 1995) (plaintiff faced potential criminal prosecution); *ACLU v. Johnson*, 194 F.3d 1149 (10th Cir. 1999) (“No one should have to go through being arrested for a felony...only to have a court find that the newly enacted statute is unconstitutional.”) (emphasis added); *American Library Ass’n v. Pataki*, 969 F. Supp. 160, 174 (S.D.N.Y. 1997) (entering injunction prohibiting enforcement of criminal statute based on commerce clause).

detail above and in N2H2's opening brief, Edelman must demonstrate an imminent threat of legal action in order to haul N2H2 into this Court.

Moreover, Edelman has not established even a "credible threat" that the DMCA or any other law will be enforced against him. Indeed, most of the criminal cases cited by Edelman require some sort of specific threat in order for the threat to be deemed credible.¹² See *American Charities for Reasonable Fundraising Regulation, Inc. v. Pinellas County*, 221 F.3d 1211, 1214-15 (11th Cir. 2000) (specific threat of criminal enforcement required for standing); *Baker v. Glover*, 776 F. Supp. 1511, 1513-14 (M.D. Ala. 1991) (same); cf. *Conant v. McCaffrey*, 2000 WL 1281174, *2 (N.D. Cal. 2000) (defendant stated "unequivocally that [it] would seek to [use quasi-criminal regulatory authority to] revoke the registrations of physicians who [violated the statute in question, which prohibited recommendation of marijuana use]"). N2H2 did not specifically threaten Edelman, or anyone else, with litigation.

D. Edelman's Assertion Of First Amendment Rights Does Not Diminish The Requirement Of Standing.

Edelman's assertion of a constitutional right has no effect on this Court's analysis of whether he has standing to appear before it. None of the cases Edelman cites support his claim that standing rules are relaxed in all First Amendment cases, or this case in particular. Rather, the cases Edelman cites uniformly involve **pre-enforcement challenges to criminal statutes that on**

¹² Moreover, most of the cases Edelman cites involved plaintiffs who had already undertaken or were currently undertaking activities that violated the statutes in question, unlike Edelman, who claims that he has not engaged in any activities that will render him liable to N2H2. See *Citizens for Responsible Gov't*, 236 F.3d at 1189-92 (holding that plaintiff had standing because plaintiff already undertook acts that brought it within statute's purview); *Briggs*, 61 F.3d at 490 (plaintiff already found to have violated statute restricting campaign advertising at hearing before government commission); *Presbytery of New Jersey of Orthodox Presbyterian Church v. Florio*, 40 F.3d 1454, 1469 (3d Cir. 1994) (affirmed dismissal of claims by all plaintiffs except plaintiff who "currently engage[d] in speech and acts allegedly circumscribed by the [statute in question]") (emphasis added); *Johnson*, 4 F. Supp. 2d at 1031; *Pataki*, 969 F. Supp. at 161-62.

Finally, certain cases Edelman cites are entirely unrelated to standing or any other issue presented in N2H2's Motion To Dismiss. See *Pataki*, 969 F. Supp. 160, 174 (S.D.N.Y. 1997) (enjoining defendant from enforcement of criminal statute and based decision on commerce clause without addressing standing or importance of First Amendment to lessening threatened injury); *Playboy Enter. Group, Inc. v. United States*, 945 F. Supp. 772, 775 (D. Del. 1996) (granting temporary restraining order but not based on nature of harm to plaintiff, and not pursuant to declaratory judgment act).

their face abridge First Amendment rights. See e.g., *Virginia v. American Booksellers Ass'n, Inc.*, 484 U.S. 383, 392-393 (1988); *New Hampshire Right to Life Pol. Action Comm. v. Gardner*, 99 F.3d 8, 13 (1st Cir. 1996). As discussed above, those cases are not relevant to the instant case, which involves an as-applied challenge to civil statutory provisions through an action against a non-governmental entity. Any alleged diminished standard would thus not apply.

III. CONCLUSION

For the reasons stated herein, and in its opening brief, Defendant N2H2 respectfully submits that its motion to dismiss the Complaint should be granted.

N2H2, Inc., Defendant

By its attorneys

William Sloan Coats (*Pro Hac Vice*, California Bar No. 94864)
Vickie L. Feeman (*Pro Hac Vice*, California Bar No. 177487)
Gabriel M. Ramsey (*Pro Hac Vice*, California Bar No. 202918)
Tarek J. Helou (*Pro Hac Vice*, California Bar No. 218225)
ORRICK, HERRINGTON & SUTCLIFFE LLP
1000 Marsh Road
Menlo Park, California 94025
Telephone: (650) 614-7400
Facsimile: (650) 614-7401

J. Peter Coll, Jr. (*Pro Hac Vice*, New York Bar)
Lisa Toth Simpson (*Pro Hac Vice*, New York Bar)
ORRICK, HERRINGTON & SUTCLIFFE LLP
666 Fifth Avenue
New York, New York, 10103
Telephone: (212) 506-5000
Facsimile: (212) 506-5151

Christopher P. Litterio (BBO No. 551098)
Brenda A. Buan (BBO No. 634900)
RUBERTO, ISRAEL & WEINER, P.C.
100 North Washington Street, 6th Floor
Boston, MA 02114-2128
Telephone: (617) 742-4200

Facsimile: (617) 742-2355

Dated November _____, 2002