R. Scott Jerger (*pro hac vice*) (Oregon State Bar #02337)
Field Jerger, LLP
610 SW Alder Street, Suite 910
Portland, OR 97205
Tel: (503) 228-9115
Fax: (503) 225-0276
Email: scott@fieldjerger.com

John C. Gorman (CA State Bar #91515)
Gorman & Miller, P.C.
210 N 4th Street, Suite 200
San Jose, CA 95112
Tel: (408) 297-2222
Fax: (408) 297-2224
Email: jgorman@gormanmiller.com

Attorneys for Defendants
Matthew Katzer and Kamind Associates, Inc.

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

ROBERT JACOBSEN, an individual,

Plaintiff,

vs.

MATTHEW KATZER, an individual, and KAMIND ASSOCIATES, INC., an Oregon corporation dba KAM Industries,

Defendants.

Case Number C06-1905-JSW

Hearing Date: December 15, 2006
Hearing Time: 9:00am
Place: Ct. 2, Floor 17

Hon. Jeffrey S. White

**DEFENDANTS MATTHEW KATZER AND KAMIND ASSOCIATES, INC.'S REPLY TO PLAINTIFF'S MEMORANDUM IN OPPOSITION TO DEFENDANTS' MOTIONS TO DISMISS FOR FAILURE TO STATE A CLAIM ON WHICH RELIEF CAN BE GRANTED, AND MOTION TO DISMISS FOR FAILURE TO JOIN A PARTY UNDER RULE 19 AND MOTION TO STRIKE AND MOTION FOR MORE DEFINITE STATEMENT; MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT THEREOF**

## STATEMENT OF ISSUES TO BE DECIDED

1. Whether Counts 5 and 10 of the amended complaint state a claim on which relief can be granted? Fed. R. Civ. P. 12(b)(6).
2. Whether Count 6 of the amended complaint should be dismissed for failure to join a party under Fed. R. Civ. P. 19? Fed. R. Civ. P. 12(b)(7).
3. Whether certain paragraphs, footnotes and prayers for relief in the amended complaint should be stricken? Fed. R. Civ. P. 12(f).

## STATEMENT OF RELEVANT FACTS

Count 5 of the amended complaint alleges unfair competition. This claim alleges that Katzer "took away" from plaintiff a property right-the exclusive right to reproduce, distribute, and make derivative copies of the JMRI decoder definition files. Amended Complaint, ¶ 83.

Count 6 of the amended complaint refers to Katzer's alleged cybersquatting on the decoderpro.com domain site. Plaintiff requests that this Court, in effect, declare a settlement agreement between Katzer and Jerry Britton as non-enforceable.

Count 10 of the amended complaint alleges that Katzer has been unjustly enriched by allegedly recognizing "expenses and costs for his [misappropriation of the JMRI decoder definition files] on his tax returns." Amended Complaint, § 120. Plaintiff has never alleged an expectation of compensation by Jacobsen from Katzer.

## ARGUMENT

As an initial matter, plaintiff's contention that the motion to dismiss the state unfair competition claim and the motion to dismiss the cybersquatting claim for failure to join an indispensable party under Rule 19 are "improper successive motions" under Fed. R. Civ. P. 12(g) is legally incorrect. *See* Memorandum in Opposition to Defendants Motions to Dismiss for Failure to State a Claim on which Relief Can Be Granted, etc. (hereinafter "Memorandum in Opposition") at ii, 10, 11, 14.

Plaintiff's theory of this case has undergone a wholesale revision in his amended complaint. The thrust of the amended complaint is now that defendants have infringed plaintiff's copyright rights. Plaintiff registered this copyright right subsequent to the filing of plaintiff's original complaint. Amended Complaint, Exhibit C. Since this cause of action was not contained in the original complaint, any objections to plaintiff's copyright infringement allegations (which form the basis of his state unfair competition claim, for example, *see* Amended Complaint, ¶ 83) were "unavailable" to defendants when they filed their original motions to dismiss and strike the Sherman Act and libel claims. Fed. R. Civ. P. 12(g).

More importantly, plaintiff fails to recognize that defendants' defenses of (1) failure to state a claim on which relief can be granted and (2) failure to join an indispensable party are nonwaivable defenses which can be raised at any time, regardless of whether defendants omitted these defenses in an earlier motion. Fed. R. Civ. P. 12 (g), (h)(2); *see also Schabel v. Lui,* 302 F.3d 1023, 1034 (9th Cir. 2002), *Freeman v. Northwest Acceptance Corp.*, 754 F.2d 553, 559 (5th Cir. 1985), *Rosenblatt v. United Air Lines*, 21 F.R.D. 110, 111 (S.D.N.Y 1957). As such, these motions to dismiss are properly before the Court at this time.

**B. Count 10 of Plaintiff's Amended Complaint for Unjust Enrichment is preempted and fails to state a claim**

Plaintiff's confused theory of unjust enrichment is both preempted by federal Copyright law and fails to state a claim under state law. Unjust enrichment is a general principle, underlying various legal doctrines and remedies, rather than a remedy in itself. *Dinosaur Development, Inc. v. White*, 216 Cal. App. 3d 1310, 1315 (1989). As such, there is no cause of action in California for unjust enrichment. *IB Melchior v. New Line Productions, Inc.*, 106 Cal. App. 4th, 779 794 (2003) ("The phrase 'Unjust Enrichment' does not describe a theory of recovery, but an effect: the result of a failure to make restitution under circumstances where it is equitable to do so" *citing Lauriedale Associates, Ltd. v. Wilson* 7 Cal. App. 4th 1439, 1448 (1992)).

Plaintiff can cite no viable underlying theory of restitution. Plaintiff concedes that he is not entitled to any profits from any alleged use of the decoder definition files (Memorandum in Opposition at 12), but appears to seek "restitution" of a theoretical "financial benefit" (Amended Complaint, ¶ 42) from an "unlawful tax break" (Memorandum in Opposition at 12) which allegedly "belongs to the JMRI project" (Amended Complaint, ¶ 42). There is no private cause of action available to Jacobsen to enforce the Internal Revenue Code against defendants which would support a restitution theory as defendants suggest in their Memorandum in Opposition. Plaintiff has cited no authority which would allow recovery under this theory.

Plaintiff's position is exactly the same as the plaintiff in *Del Madera Props. v. Rhodes & Gardner, Inc.*, 820 F.2d 973 (9th Cir. 1987), discussed in defendants' Memorandum of Points and Authorities in Support of Defendants' Motions to Dismiss for Failure to State a Claim on which Relief can be Granted, etc. (hereinafter "Memorandum in Support") at 6. Jacobsen is contending that defendants received the benefit of Jacobsen's and others' preparation of the decoder definition files. Memorandum in Opposition at 12. Plaintiff has not alleged that there existed a relationship between Jacobsen and defendants to justify an expectation of compensation on Jacobsen's part. Exactly the opposite is true, Jacobsen posted the decoder definition files on the internet for free use by the public. Amended Complaint, ¶¶ 41, 118. Since Jacobsen never had an expectation of compensation, he is not entitled to any monetary recovery from defendants for his work in preparing the decoder definition files under a theory of unjust enrichment. *See Del Madera* at 978, Memorandum in Support at 6. Jacobsen's amended complaint fails to state a claim for unjust enrichment.

Additionally, Jacobsen's unjust enrichment claim is also preempted by the Copyright Act. The unjust enrichment claim protects no right which is qualitatively different from his copyright rights, a requirement to survive preemption. *Del Madera* at 977 *citing Harper & Row Publishers, Inc. v. Nation Enterprises*, 501 F. Supp. 848, 852 (S.D.N.Y. 1980) *aff'd* 723 F.2d 195 (2nd Cir. 1983), *rev'd on other grounds*, 471 U.S. 539 (1985). Jacobsen can point to no right

independent of his exclusive copyright rights. As discussed above, Jacobsen has no private cause of action to enforce federal tax laws against defendants' alleged "unlawful tax break." *See* Memorandum in Opposition at 12.

**C. Count 5 of the Amended Complaint for Unfair Competition is preempted and fails to state a claim**

Clearly, the thrust of the unfair competition claim in the amended complaint is preempted by the Copyright Act as Jacobsen alleges that defendants' unfair conduct resulted in plaintiff's loss of the exclusive right to reproduce, distribute, and make derivative copies of the decoder definition files-*exactly* the same exclusive rights covered by Section 106 of the Copyright Act. Amended Complaint, ¶ 83. *Del Madera* at 977. Jacobsen does not dispute this in his response. Memorandum in Opposition at 11. Instead, Jacobsen states that there are additional elements to this claim, exclusive of the Copyright Act, such as fraud and cybersquatting, that are not preempted.

The basis of Jacobsen's unfair competition claim in the amended complaint is that Katzer allegedly misappropriated the decoder definition files by distributing data files generated with a tool without giving JMRI credit. This alleged misappropriation is part and parcel of Jacobsen's copyright claim and does not change the nature of the action from one of copyright infringement. *Del Madera* at 977.

To the extent that any of Jacobsen's claims survive preemption, Jacobsen should not be allowed to amend his pleading to allege these claims as Jacobsen has failed to show that he has suffered an injury in fact and has lost money or property as a result of the alleged unfair competition as required by state law. Cal. Business and Professions Code § 17204. Jacobsen's allegation that he "lost money when he bought Defendants' products" (Memorandum in Opposition at 11) is not causally related to defendants alleged misconduct and is therefore not sufficient to confer standing to Jacobsen to sue defendants under California's unfair competition statute. The statute requires that any loss of money or property occur "as a result of" the unfair

competition. Cal. Business and Professions Code § 17204. Jacobsen's choice to purchase defendants' products occurred as a result of his own volition, not as a result of any alleged unfair conduct. Additionally, Jacobsen has not suffered an injury to any property interest in the decoderpro.com domain name since DecoderPro is a JMRI Project trademark, not a mark of Jacobsen's. Amended Complaint, ¶ 43. To the extent Jacobsen's unfair competition claim survives preemption by the Copyright Act, Jacobsen has failed to state a claim on which relief can be granted. Fed. R. Civ. P. 12(b)(6).

**D. Count 6 of the Amended Complaint should be dismissed for failure to join Jerry Britton as an indispensable party**

To the extent that Count 6 requests declaratory relief requiring the transfer of the decoderpro.com domain name, Jerry Britton is an indispensable party. Plaintiff, in effect, requests that this Court declare the settlement agreement between Matt Katzer and Jerry Britton to be unenforceable. Memorandum in Opposition at 14. This type of relief is not available to Jacobsen under the Lanham Act, nor can Jacobsen request that this Court adjudicate an attack on the terms of a negotiated agreement (to which he is not a party) without joining all parties to that agreement to this action. *See* Memorandum in Support at 10.

**E. Defendants Motions to Strike irrelevant material in the Amended Complaint should be granted**

Contrary to plaintiff's assertion, *Tapley v. Lockwood Green Eng'rs, Inc.*, 502 F.2d 559 (8th Cir. 1974) most certainly does hold that a Fed. R. Civ. P. 12(f) motion may be used to strike a prayer for relief when the damages sought are not recoverable as a matter of law. This Court cited *Tapley* for exactly this proposition as recently as 2005. *See Wells v. Bd. Of Trs. Of the Cal. State Univ.*, 393 F.Supp.2d 990 (N.D. Cal. 2005). Numerous other courts have held similarly. *See, e.g. Miglianccio v. Midland Nat'l Life Ins. Co.*, 436 F. Supp. 1095, 1100 (C.D. Cal. 2006) (*citing* the holding in *Tapley* that a Court may strike a prayer for relief that is not available as a matter of law under Rule 12(f) and stating that "[t]he essential function of a Rule 12(f) motion is

to 'avoid the expenditure of time and money that must arise from litigating spurious issues by dispensing with those issues prior to trial.'" *citing Fantasy, Inc. v. Fogerty*, 984 F.2d 1524, 1527 (9th Cir. 1993)).

The case cited by plaintiff, *Custom Vehicles, Inc. v. Forest River, Inc.*, 464 F.3d 725 (7th Cir. 2006) has no bearing, whatsoever, on defendants' motion to strike. This case involved a motion to edit portions of the opposing parties' appellate brief, a practice not authorized by any federal appellate rule and a practice which Judge Easterbrook explicitly sought to stop in the appellate courts in *Custom Vehicles*. Despite noting that Rule 12(f) was the "closest match" to appellant's motion to edit portions of the opposing parties brief, the court specifically found that Rule 12(f) does not apply to appellate practice. *Custom Vehicles* at 727. Likewise, the sanction that Judge Easterbrook imposes in *Custom Vehicles* also has no bearing on this case. The opinion "sanctions" the offending party by limiting the length of its reply brief based on the word count in its motion to edit. *Id.* at 728. In contrast, to the unjustified motion to edit the opposition's appellate brief in *Custom Vehicles,* defendants have properly filed a motion to strike the "redundant, immaterial, impertinent, or scandalous matter" in the plaintiff's amended complaint, a practice specifically authorized by Fed. R. Civ. P. 12(f).

Defendants seek to strike, *inter alia*, all of Jacobsen's prayer for relief that is unavailable as a matter of law. Paragraph R of the prayer seeks statutory damages under the Copyright Act. Plaintiff states, without citation to authority, that he may seek statutory damages and attorney fees under the Copyright Act if "Defendants had a license that was revoked." Memorandum in Opposition at 13. This is incorrect. As discussed in defendants' Memorandum in Support, plaintiff is not entitled to an award of statutory damages or attorney fees under the Copyright Act since, as Jacobsen concedes, the alleged infringement occurred one or two years prior (Amended Complaint ¶ 41, Exhibit C) to Jacobsen's copyright registration. 17 U.S.C. § 412, *Mason v. Montgomery Data, Inc.*, 967 F.2d 135, 144 (5th Cir. 1992), *Fleming v. Miles*, 181 F. Supp. 1143, 1153 (D. Or. 2001).

Jacobsen does not dispute that the other relief sought in Prayer paragraphs H and T is not available under the applicable law, rather he states that this is "what he will seek in settlement." Memorandum in Opposition at 13. Jacobsen's settlement desires have no place in the pleadings in this case. Based on the above, defendants still seek to strike all of the irrelevant material in the complaint listed on pages 12-13 of their Memorandum in Support.

**F. Count 8- Copyright Infringement**

Plaintiff has chosen to distribute his decoder definition files by granting the public a nonexclusive license to use, distribute and copy the decoder definition files. A nonexclusive license exists under the Copyright Act since there is no written agreement between the parties signed by the owner of the copyright. 17 U.S.C. § 204(a); *Effects Associates, Inc. v. Cohen*, 908 F.2d 555, 558 (9th Cir. 1990) Implicit in this nonexclusive license is the promise not to sue for copyright infringement and this promise is the essence of the nonexclusive license. *In re CFLC, Inc*., 89 F.3d 673, 677 (9th Cir. 1996).

Plaintiff's Memorandum in Opposition introduces evidence outside of the amended complaint in the form of the "Artistic License" (Exhibit A to Memorandum in Opposition) and has raised factual questions regarding the scope and the terms of the nonexclusive license, if any, that issued to KAM for use of the manufacturer's specifications in the decoder definition files. Defendants, without waiving any rights they may have, and in an effort to promote judicial economy, withdraw their motion to dismiss Count 8, the Copyright Act claim, in the amended complaint. Defendants anticipate that this issue will be resolved on summary judgment at a later date after some amount of discovery has been conducted in this case.

**G. Count 9-Trademark Dilution**

Defendants withdraw their motion for a more definite statement of the trademark claim based on plaintiff's implied representation in the Memorandum in Opposition that the only trademarks at issue are DecoderPro and PanelPro based on a theory of trademark dilution.

**H. Conclusion**

Based on the above, this Court should grant KAM and Katzer's motion to dismiss Counts 5, 6, and 10 from the amended complaint, and should strike those certain portions of the amended complaint referenced above that are immaterial to this lawsuit. Additionally, this Court should not grant Jacobsen leave to amend his complaint again.

Dated November 17, 2006.

Respectfully submitted,

/s/

R. Scott Jerger (*pro hac vice*)
Field Jerger, LLP
610 SW Alder Street, Suite 910
Portland, OR 97205
Tel: (503) 228-9115
Fax: (503) 225-0276
Email: scott@fieldjerger.com

**CERTIFICATE OF SERVICE**

I certify that on November 17, 2006, I served Matthew Katzer's and KAM's Reply to Plaintiff's Memorandum in Opposition to Defendants' Motions to Dismiss, etc. on the following parties through their attorneys via the Court's ECF filing system:

Victoria K. Hall
Attorney for Robert Jacobsen
Law Office of Victoria K. Hall
401 N. Washington Street, Suite 550
Rockville, MD 20850

/s/

R. Scott Jerger (*pro hac vice*)
Field Jerger, LLP