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10 UNITED STATES DISTRICT COURT
11 FOR THE NORTHERN DISTRICT OF CALIFORNIA
12 SAN FRANCISCO DIVISION

13 ROBERT JACOBSEN, an individual,)
14)
Plaintiff,)
15 v.)
16)
MATTHEW KATZER, an individual, and)
17 KAMIND ASSOCIATES, INC, an Oregon)
corporation dba KAM Industries,)
18)
Defendants.)

No. C-06-1905-JSW
**OPPOSITION TO DEFENDANTS’
MATTHEW KATZER AND KAMIND
ASSOCIATES, INC.’S MOTION TO
DISMISS FOR MOOTNESS**
Date: December 19, 2008
Time: 9:00 a.m.
Courtroom: 2, 17th Floor
Judge: Hon. Jeffrey S. White
Filed concurrently:
Declaration of Robert Jacobsen
Declaration of Victoria Hall
Request for Judicial Notice
Proposed Order

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20)
21)
22 _____)

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1 SUMMARY OF ARGUMENT

2 Because Jacobsen suffered injury in fact, caused by Defendants, and which can be
3 redressed by a favorable result, this Court retains jurisdiction over the declaratory judgment
4 relating to U.S. Patent No. 6,530,329, per Caraco Pharm. Labs., Ltd. v. Forest Labs, Inc., 527 F.3d
5 1278 (Fed. Cir. 2008). Defendants brought an anti-SLAPP motion in which they made false
6 statements. Relying on these statements, this Court held Defendants' activities were protected by
7 the First Amendment, and thus protected by anti-SLAPP laws. This ruling left Jacobsen to wait
8 until his declaratory judgment could be heard so that he could show Defendants' statements were
9 false. Only then could he move to vacate the anti-SLAPP ruling.

10 In preparation for settlement talks, Jacobsen forced Defendants' hand. He sought their
11 positions on claim construction, infringement, validity, and enforceability. Defendants promised to
12 provide them, and then after breaking their promise, were ordered to make the disclosures. Instead,
13 Defendants filed a statutory disclaimer for the '329 patent, thus treating the '329 patent as if it
14 never issued. Defendants then moved to dismiss the patent causes of action. However, under
15 Caraco, the Court retains jurisdiction. The harm that Defendants caused through their anti-SLAPP
16 motions can be redressed by the Court if it retains jurisdiction.

17 Under Micron Tech., Inc. v. MOSAID Techs., Inc., 518 F.3d 897 (Fed. Cir. 2008), the
18 Court has jurisdiction over all issued Katzer patents. Like MOSAID, Defendants engaged in
19 aggressive enforcement tactics against all competitors, and had targeted Jacobsen next for suit.
20 Defendants sent cease and desist letters and bills to his home and his employer. Defendants have
21 accused Jacobsen of infringing multiple patents and represented the same to his employer and this
22 Court. Because these facts closely follow the facts in Micron, in which the Federal Circuit found
23 jurisdiction, this Court also has jurisdiction.

24 The Court has jurisdiction over unenforceability of the '329 patent because Katzer asserted
25 that Jacobsen infringed multiple patents. Inequitable conduct as to one patent may infect other
26 related patents. Thus, the Court retains jurisdiction over this issue.

27 Jacobsen is the prevailing party because he obtained a favorable result and has the
28 necessary judicial imprimatur. Thus, the Court has jurisdiction to hear an attorney fee award.

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1 Jacobsen respectfully submits this Opposition to Defendants’ Motion to Dismiss his causes
2 of action for declaratory judgment relating to U.S. Patent No. 6,530,329 (“the ‘329 patent”).

3 **I. STATEMENT OF ISSUES**

4 1. Does the Court retain jurisdiction over the declaratory judgment causes of action relating
5 to the ‘329 patent because of harm arising from false statements that Defendants and Kevin Russell
6 made in their anti-SLAPP motions?

7 2. Does Defendants’ pattern of accusations that Jacobsen infringed multiple patents,
8 combined with their aggressive litigation tactics, their representations to this Court, and their
9 history of suing competitors, support declaratory judgment jurisdiction over all Katzer patents?

10 3. Does the Court retain jurisdiction over the declaratory judgment cause of action relating
11 to unenforceability of the ‘329 patent because of Defendants’ accusations that Jacobsen infringed
12 multiple patents?

13 4. Because Jacobsen prevailed in making the ‘329 patent unenforceable, does the Court
14 retain jurisdiction over a future attorney fee motion?

15 **II. RELEVANT FACTS**

16 Three and a half years ago, Defendants sent the first of multiple cease and desist letters to
17 Jacobsen’s home address, alleging infringement of U.S. Patent No. 6,530,329. Declaration of
18 Robert Jacobsen [hereinafter Jacobsen Decl.] ¶ 1, Ex. A. Later, they included invoices in excess of
19 \$200,000 to Jacobsen’s home address, and charged him with 7,000 infringements. *Id.* ¶ 3, 4, 6, 7,
20 Ex. C, D, G. They initially offered a license of \$19/copy. *Id.* Ex. A. They increased the license to
21 \$29/copy, implying that they had decided to charge him with infringement of other patents beside
22 the ‘329 patent. *Id.* Ex. C. In October 2005, they sent a FOIA request, which included
23 unnecessary allegations of patent infringement, an invoice for more than \$200,000, and a false
24 claim that a federal lawsuit had been filed against Jacobsen, to Jacobsen’s employer, the U.S.
25 Department of Energy and Lawrence Berkeley National Laboratory. *Id.* ¶ 5, Ex. E at 1, 3, 18. In
26 the FOIA request, Defendants charged Jacobsen with infringement of not only the ‘329 patent, but
27 of multiple unspecified patents. *Id.* Ex. E at 1 (FOIA request: “KAMIND Associates, Inc. is a
28 small software vendor that has patents being infringed by the JMRI project sponsored by the

1 Lab.”).

2 This wasn’t the first time Defendants had made infringement allegations against a
3 competitor. In September 2002, Defendants, through their counsel Kevin Russell, charged
4 DigiToys and Freiwald Software with patent infringement. Request for Judicial Notice Exs. I & J.
5 Russell wrote both DigiToys and Freiwald Software, charging them with infringing 2 claims from
6 2 patents, but filed suit against both competitors, alleging infringement of all 342 claims from all
7 then-issued patents. Id. Exs. I, J, K, & L. Defendants backed down after both competitors
8 challenged Defendants with inequitable conduct. See Second Amended Complaint [“SAC”]
9 [Docket #191] ¶ 95. But Defendants soon found an easier target—Glenn Butcher—and through
10 the similar intimidation tactics, forced him to comply with their terms. See Jacobsen Decl. Ex. J.
11 Meanwhile, Defendants boasted about their patent portfolio and that they aggressively pursued
12 enforcement. Id. Ex. K & L. After DigiToys and Freiwald Software, Jacobsen was Defendants’
13 last major target. Id. ¶ 10.

14 After Defendants’ first letter, Jacobsen challenged Defendants to provide proof of their
15 allegations against him. Id. ¶ 2. Defendants did not even produce a claim construction position.
16 See id. ¶¶ 1, 3, 4, 6, 7, 9, Ex. A, C, D, G, I. After repeated accusations, the FOIA request, and
17 Defendants’ pattern of enforcement, Jacobsen filed this lawsuit in March 2006. The core of the
18 lawsuit was the declaratory judgment causes of action of non-infringement, invalidity, and
19 unenforceability of the ‘329 patent.

20 After Jacobsen filed his Complaint, Defendants Matthew Katzer and KAMIND Associates,
21 and then-Defendant Kevin Russell, filed anti-SLAPP motions in mid-May 2006.¹ In affidavits to
22 these motions, Katzer and Russell continued to assert that Jacobsen and JMRI infringed multiple
23 Katzer patents. Declaration of Matthew Katzer in Support of Special Motion to Strike [Docket
24 #13] [hereinafter Katzer anti-SLAPP Decl.] ¶ 5 (“...infringing KAM’s patents.”), ¶ 7
25 (“...infringement of KAM’s patents.”); Defendants’ Matthew Katzer and KAMIND Associates,
26

27 ¹ Defendants Matthew Katzer and KAMIND Associates, Inc.’s Special Motion to Strike Plaintiff’s
28 Libel Claim Under Cal. Civ. Proc. Code § 425.16 [Docket #12]; Special Motion to Strike
Plaintiff’s Claims Against Kevin Russell Under Cal. Civ. Proc. Code § 425.16 [Docket #23].

1 Inc. Special Motion to Strike Plaintiff's Libel Claim under Cal. Civ. Pro. Code § 425.16 [Docket
2 #29] at 5, l. 7 ("KAM believes that certain JMRI software infringes on KAM patents."), at 8, ll. 21-
3 22 ("...to alert the DOE that the JMRI project was infringing on KAM patents.") (emphasis added
4 in all). Katzer and Russell also stated their FOIA request was sent in preparation for a lawsuit,
5 contemplated in good faith, for infringement of the Katzer patents. Katzer anti-SLAPP Decl. at 3;
6 Declaration of Kevin Russell in Support of Special Motion to Strike [Docket # 23] [hereinafter
7 Russell anti-SLAPP Decl.] at 2.

8 Jacobsen strenuously objected to Katzer and Russell's statements that any lawsuit was
9 contemplated in good faith. In his June 9, 2006 Opposition, Jacobsen sought to show that Katzer
10 and Russell acted in bad faith.² He provided evidence supporting the patent declaratory judgment
11 causes of actions to show that Defendants and Russell engaged in sham litigation and Walker
12 Process fraud.³ On July 21, 2006, he sent Rule 11 letters to Katzer's counsel, Scott Jerger, and
13 Russell's counsel, David Zeff, charging them with knowingly procuring a fraud upon the court.
14 Declaration of Victoria Hall Exs. A& B. Mr. Zeff responded. Id. Ex. C. However, the earliest
15 Jacobsen could file the Rule 11 motions was August 12, 2006.

16 At the August 11, 2006 hearing, the Court ruled in favor of Defendants and then-Defendant
17 Russell. In its October 20, 2006 order, the Court looked to Katzer and Russell's declarations to
18 determine if they had made a *prima facie* case, but did not address the issues that Jacobsen raised.
19 See Order Granting Defendants' Motions to Dismiss and Special Motions to Strike [Docket #111]

20 _____
21 ² Memorandum in Opposition to Defendants Matthew Katzer and KAMIND Associates, Inc.'s
22 Special Motion to Strike Plaintiff's Libel Claim [Docket # 49] at 10-14; Memorandum in
23 Opposition to Defendant Russell Motion to Strike Claims 5 and 7 [Docket # 45] at 9-12;
24 Declaration of Robert Jacobsen in Support of Opposition to Defendants Matthew Katzer and
25 KAMIND Associates, Inc.'s Special Motion to Strike Plaintiff's Libel Claim [Docket # 46], at 15-
26 26, Exs. W-BB. Declaration of Robert Jacobsen in Support of Opposition to Defendant Russell
27 Motion to Strike Claims 5 and 7 [Docket # 51] at 15-26, Exs. W-BB; Declaration of Hans Tanner
28 in Support of Opposition to Defendants Matthew Katzer and KAMIND Associates, Inc.'s Special
29 Motion to Strike Plaintiff's Libel Claim [Docket #] at 3-5, Exs. F-G; Declaration of Hans Tanner in
30 Support of Opposition to Defendant Russell Motion to Strike Claims 5 and 7 [Docket #] at 3-5,
31 Exs. F-G.

Kevin Russell, acting on Katzer's behalf, sent these references to patent examiners, who began
issuing rejections of all pending patent claims, based in part on Jacobsen's anti-SLAPP evidence.

³ Id.

1 at 11 n.3. Thus, Jacobsen was not permitted to challenge the veracity of statements in Katzer and
2 Russell's anti-SLAPP affidavits. The Court saw these issues as relating to the merits of the causes
3 of action challenged under anti-SLAPP, and deferred the issues as they related to declaratory
4 judgment.

5 A year later, in preparation for settlement talks, Jacobsen sought the basis for Katzer and
6 Russell's purported good faith basis for believing that Jacobsen infringed Katzer patents. See
7 Order re: Settlement Conference [Docket #199], at 1. Judge Laporte agreed that Jacobsen should
8 have this information, and in late October 2007, Katzer agreed to provide disclosures on claim
9 construction, infringement, validity, and enforceability of claim 1 of the '329 patent. See id. Three
10 months passed while Jacobsen waited for the information, but Katzer did not disclose it. See id.
11 Jacobsen sought Judge Laporte's assistance to get the information, and Judge Laporte again
12 ordered to Katzer to disclose it. See id. Judge Laporte gave Defendants until January 31, 2008 to
13 produce the disclosures. Defendants violated the order. Jacobsen protested and sought sanctions.
14 Suddenly and without explanation, Defendants filed a disclaimer the next day, February 1, 2008,
15 rather than produce the disclosures. See Declaration of Matthew Katzer [Docket #203], Ex. A.
16 Then, Defendants moved to dismiss Jacobsen's declaratory judgment causes of action. Defendants
17 still have not produced the disclosures to Jacobsen. As late as April 4, 2008, Katzer was charging
18 Jacobsen with infringement of at least one enforceable patent. See Joint Case Management
19 Statement [Docket # 216] at 2. At the April 11, 2008 hearing, Katzer made self-serving assertions
20 that he disclaimed the '329 patent solely for economic reasons, without providing an explanation
21 what the "economic reasons" were.⁴

22 While these events unfolded, Hans Tanner, who Katzer had sued in 2002, shut down
23 DigiToys in March 2008 because of the threats that the Katzer patents posed to his company. See
24 Request for Judicial Notice Ex. A. Also, after withholding one examiner's rejections from other
25 examiners, Russell submitted the rejections but buried them in 2000 pages of otherwise irrelevant
26 material. See id. Ex. B (Information Disclosure Sheet for U.S. Patent App. No. 11/607,233).

27 _____
28 ⁴ Plaintiff objects to Defendants' general explanation of "economic reasons" without a statement
from Defendants on the record detailing what all those reasons are.

1 Nonetheless, examiners at the Patent Office continued to issue rejections that bar patentability of
2 all pending claims in Katzer patent applications. The rejections are the result of Katzer and
3 Russell's submitting the evidence that Jacobsen put forward in his anti-SLAPP declaration. See,
4 e.g. id. Ex. C (January 2007 Information Disclosure Sheet for U.S. Patent App. No. 11/592,784) at
5 11-13; Ex. D (Office Action dated Apr. 3, 2008, rejecting all pending claims); Ex. E (June 2006
6 Information Disclosure Sheet for U.S. Patent App. No. 10/889,995) at 4-7; Ex. F (Office Action
7 dated Aug. 7, 2006, rejecting all pending claims); Ex. G (Office Action dated Dec. 21, 2006,
8 rejecting all pending claims). Katzer has failed to address these rejections, and is instead
9 abandoning all pending applications.

10 **III. ARGUMENT**

11 **A. Jacobsen's Declaratory Judgment Causes of Action Remain Live Controversies**

12 Defendants' disclaimer does not automatically moot the declaratory judgment causes of
13 action for non-infringement, invalidity, and unenforceability of the '329 patent. The Federal
14 Circuit recently held, in a similar situation, that a unilateral covenant not to sue did not moot
15 declaratory judgment. Caraco Pharm. Labs., Ltd. v. Forest Labs, Inc., 527 F.3d 1278 (Fed. Cir.
16 2008). Similar reasoning supports declaratory judgment jurisdiction here.

17 In Caraco Pharm., a generic manufacturer, Ivax, filed an abbreviated new drug application
18 (ANDA) to manufacture a generic version of Lexapro®, a drug used to treat depression and
19 anxiety disorders. Id. at 1286. Forest is Lexapro®'s manufacturer. Id. In filing the ANDA, Ivax
20 certified that Forest's two patents were invalid or would not be infringed. Id. at 1282-83, 1286. As
21 the first to file the ANDA, Ivax would have a 180-day exclusivity period from either (1) the start of
22 commercial marketing or (2) the date of a court judgment in its favor. During this period, no other
23 generic pharmaceutical companies could manufacture the drug. See id. at 1283. However, once
24 the exclusivity period ended, subsequent generic companies could file ANDAs and seek to
25 manufacture the drug. Id. at 1284. Subsequent generic companies could begin manufacturing the
26 drug only after obtaining a court judgment in their favor. Id.

27 When Ivax filed its ANDA, the ANDA constituted a technical act of infringement, per the
28 statute. Id. at 1286. Forest brought a patent infringement suit against Ivax on one of the two Forest

1 patents, and eventually prevailed. Id. Caraco then filed an ANDA to manufacture a generic
2 Lexapro®. Id. at 1288. Forest brought suit against Caraco for infringement of one of the two
3 patents. Id. Caraco sought declaratory judgment of non-infringement on the second patent, but
4 Forest sought to dismiss, arguing no case or controversy existed. Id. If Caraco obtained a court
5 judgment, then Caraco would trigger the beginning of the Ivax’s 180-day exclusivity period. Id. at
6 1287-88. After the exclusivity period ended, then Caraco could begin its manufacture. See id. at
7 1287. Instead of litigating the second patent, Forest unilaterally granted Caraco a covenant not to
8 sue, and the district court dismissed Caraco’s declaratory judgment cause of action for lack of
9 jurisdiction. Id. at 1289-90.

10 The Federal Circuit reversed, holding that Forest’s covenant not to sue did not cause the
11 district court to lose jurisdiction over Caraco’s declaratory judgment cause of action. See id. at
12 1291, 1297. Caraco had standing because, without a declaratory judgment decree, it faced the
13 inability to start its generic manufacture. The Court found the issues were ripe for judicial review.
14 The matter was not moot because a live controversy existed as to whether Caraco could be entitled
15 to a court judgment to trigger its generic manufacture start date. Id. at 1291-97.

16 Applying Caraco here shows that Jacobsen has standing, the matter is ripe for judicial
17 review, and is not moot. This Court has jurisdiction.

18 1. Jacobsen Has Standing to Maintain the Declaratory Judgment Causes of Action

19 Jacobsen has standing for the declaratory judgment causes of action because he suffered
20 injury-in-fact, caused by Defendants and their counsel Kevin Russell, which would be redressed if
21 the Court retained jurisdiction over these causes of action.

22 The Supreme Court has explained that the “irreducible constitutional minimum of
23 standing” contains the following three requirements:

24 First and foremost, there must be alleged (and ultimately proved) an “injury in
25 fact”—a harm suffered by the plaintiff that is “concrete” and actual or imminent, not
26 “conjectural” or “hypothetical.” Second, there must be causation—a fairly traceable
27 connection between the plaintiff’s injury and the complained-of conduct of the
28 defendant. And third, there must be redressability—a likelihood that the requested
relief will redress the alleged injury.

Steel Co. v. Citizens for a Better Env’t, 523 U.S. 83, 102-03 (1998) (internal
citations omitted).

1 Caraco, 527 F.3d at 1291. Jacobsen suffered injury-in-fact when Defendants and Kevin Russell
2 prevailed in their anti-SLAPP motions and affidavits, requiring Jacobsen to pay more than \$30,000
3 to their attorneys.

4 Defendants and Kevin Russell caused the injury because they made false statements in their
5 declarations that they acted on a good faith belief that Jacobsen was engaging in patent
6 infringement. Had they told the truth in their declarations, Defendants and Mr. Russell would have
7 acknowledged that:

8 (a) they never knew of one instance of patent infringement, let alone 7,000 infringements,
9 that Jacobsen was purportedly responsible for. Their “voluntary” disclaimers, made the day after
10 Judge Laporte’s deadline to provide patent disclosures, and their continued inability to provide any
11 claim construction position or infringement position, show that Katzer and Russell made
12 allegations of infringement in bad faith.⁵ Furthermore, because Jacobsen challenged Katzer and
13 Russell’s attorneys with Rule 11 letters, Katzer and Russell’s attorneys had a duty to confirm the
14 basis for their client’s purported good faith belief of Jacobsen’s infringement.

15 (b) they had withheld material references with the intention to deceive patent examiners,
16 and they had succeeded in their deception. Most, if not all, references they eventually produced to
17 the Patent Office were in their possession when they prosecuted the application that became the
18 ‘329 patent. Once patent examiners learned of the additional prior art, in part due to Jacobsen’s
19 evidence in his anti-SLAPP declaration, the examiners began issuing rejections barring all pending
20 patent claims. Katzer and Russell have been unable to overcome these rejections, and are
21 abandoning patent applications.

22 (c) they represented to patent examiners that Katzer’s claims were an advance over prior art
23 DigiToys, when they later implicitly admitted through the lawsuit against DigiToys that DigiToys
24 anticipated or made obvious the Katzer claims. This is because the accused method in DigiToys

25 ⁵ Under Jacobsen’s claim construction, described in the Second Amended Complaint ¶¶ 17-21, he
26 does not infringe. Claim 1 of the ‘329 patent requires three computers to perform the claimed
27 method. See id. ¶¶ 388-390, 412-413. JMRI software is normally used on one computer. Id. ¶
28 398. Jacobsen knows no one who has used three computers to run JMRI. Id. ¶ 387, 422.
Defendants have never identified anyone who has used three computers, although Defendants
monitor email postings relating to JMRI usage.

1 software was disclosed in a publication that was distributed with DigiToys, prior to the filing date
2 of Katzer's first patent application. That which infringes if later, anticipates in earlier. Peters v.
3 Active Mfg. Co., 129 U.S. 530, 537 (1889); SmithKline Beecham Corp. v. Apotex Corp., 439 F.3d
4 1312, 1321 (Fed. Cir. 2006). Katzer and Russell never told examiners any details about DigiToys
5 until Jacobsen filed suit. The patent examiners' recent rejections citing DigiToys also show that
6 Katzer's claims were not advances over DigiToys.

7 (d) they knew that Jacobsen used his work email address for the occasional (1-2 emails/day)
8 posts to JMRI listservs, just like Mr. Katzer used to use his Intel Corp. work email address to post
9 to model train listservs. Katzer communicated multiple times with Jacobsen through Jacobsen's
10 work email address, and knew Jacobsen was a professor at UC Berkeley and a physicist at
11 Lawrence Berkeley National Laboratory.

12 (e) they knew from the time of JMRI's formation that JMRI consisted of a group of
13 hobbyists, and was not sponsored or connected in any way to the U.S. Department of Energy or the
14 Lawrence Berkeley National Laboratory. Katzer had known Jacobsen personally for several years
15 through Katzer's involvement with the NMRA Digital Command Control Working Group. Katzer
16 has no evidence that JMRI was ever sponsored by DOE.

17 (f) Katzer never saw any banner indicating government sponsorship because there never
18 was any such banner.

19 (g) the studies by Roger Webster—studies which Katzer cited in his anti-SLAPP
20 declaration as a basis for his belief that the U.S. Department of Energy was sponsoring JMRI—
21 were funded not by the U.S. Department of Energy but by the National Science Foundation as
22 educational grants in 1993 and 1996, more than 1 year before Katzer filed his first patent
23 application. The National Science Foundation has nothing to do with the Department of Energy
24 and the Berkeley Lab. Furthermore, Dr. Webster's work disclosed that undergraduate students
25 were developing software for client-server networking for model train layouts by 1993, which
26 Katzer in 1998 claimed as the first to invent. Katzer did not disclose Dr. Webster's work to patent
27 examiners until after Jacobsen filed suit.

28 Thus, Jacobsen's harm was caused when Katzer and Russell made false statements in their

1 anti-SLAPP affidavits.⁶

2 Finally, the harm from Defendants' and Russell's false affidavits can be redressed by
 3 retaining jurisdiction on the declaratory judgment causes of action. "...[If] the defendant concedes,
 4 or the evidence conclusively establishes, that the assertedly protected speech or petition activity
 5 was illegal as a matter of law, the defendant is precluded from using the anti-SLAPP statute to
 6 strike the plaintiff's action." Flatley v. Mauro, 39 Cal. 4th 299, 320 (2006). If Defendants and
 7 Russell had told the truth, they would not be entitled to claim their activities were protected
 8 because they did not have a subjective good faith belief that Jacobsen infringed a valid and
 9 enforceable patent, and because no reasonable person would have a good faith belief that Jacobsen
 10 infringed a valid and enforceable patent. Thus, their activities amount to sham litigation or Walker
 11 Process fraud, neither of which is protected by the First Amendment. See Judkins v. HT Window
 12 Fashion Corp., 529 F.3d 1334, 1338-39 (Fed. Cir. 2008); GP Indus. v. Eran Indus., 500 F.3d 1369,
 13 1374-75 (Fed. Cir. 2007). Jacobsen has standing.

14 2. Jacobsen's Declaratory Judgment Causes of Action Are Ripe for Judicial Determination

15 Because the issues are fit for judicial determination and because Jacobsen would suffer
 16 hardship if the court withheld consideration, the declaratory judgment causes of action are ripe.
 17 See Caraco Pharm. Labs., Ltd. v. Forest Labs, Inc., 527 F.3d 1278, 1294-95 (Fed. Cir. 2008).

18 Here, declaratory judgment jurisdiction is based on events that have occurred which
 19 inflicted significant harm on Jacobsen. This supports ripeness. Cf. Ohio Forestry Ass'n, Inc. v.
 20 Sierra Club, 523 U.S. 726, 732-36 (1998). Defendants and Russell charged Jacobsen with
 21 infringement, and relied on that charge of purported infringement as a basis for their anti-SLAPP
 22 motions. When ordered to show proof of that infringement, Defendants and Russell could not even
 23 put forward one example of infringement, let alone 7,000 infringements, that Jacobsen was
 24 purportedly responsible for. Nor could they defend against Jacobsen's charges of invalidity and

25 ⁶ Jacobsen does not seek reconsideration of anti-SLAPP at this time. He will await Defendants'
 26 disclosures on claim construction, infringement, validity, and enforceability before making a
 27 decision on his next step. Jacobsen may then file a motion to vacate or a motion for
 28 reconsideration the anti-SLAPP ruling. To move the case closer to settlement, Jacobsen
 recommends that the Court enforce Judge Laporte's order requiring the disclosures on claim
 construction, infringement, validity, and enforceability.

1 unenforceability. They could not even offer a claim construction, which the foundation for a good
2 faith belief of infringement. See Judin v. United States, 110 F.3d 780, 784 (Fed. Cir. 1997).
3 Instead, Defendants, through Russell, disclaimed the ‘329 patent and then moved to dismiss the
4 declaratory judgment causes of action. Thus, the issues are in sharp focus and fit for judicial
5 determination.

6 Jacobsen will suffer hardship if the Court withholds consideration, because Jacobsen paid
7 more than \$30,000 in attorneys fees that, had Defendants and Russell told the truth, would never
8 have been granted. Unless the court retains jurisdiction, Jacobsen may be denied his due process
9 right to challenge Defendants’ and Russell’s assertions. Thus, the matter is ripe for determination.

10 3. Dispute over Defendants’ Anti-SLAPP Motions and Affidavits Keeps Controversy Alive

11 The declaratory judgment causes of action are not moot because Jacobsen has a personal
12 stake in the outcome—he may seek the return of the attorney fee awards paid to Defendants and
13 their counsel and obtain his own attorney fees and costs. A personal stake in the outcome is
14 necessary at the outset and throughout the litigation. See Caraco, 527 F.3d at 1296. Jacobsen
15 strongly disputed, and continues to dispute, that Defendants and Russell had a good faith belief that
16 Jacobsen was engaging in infringement. The Court accepted Katzer and Russell’s statements as
17 true to determine if they had made a *prima facie* case, which left Jacobsen to wait until discovery
18 and summary judgment on the declaratory judgment causes of action before he could move to
19 vacate for fraud on the Court. Because a controversy exists over whether Defendants’ and
20 Russell’s activities were protected under the First Amendment, which can be resolved only through
21 the declaratory judgment causes of action, these causes of action are not made moot by the patent
22 disclaimer. The matter can become moot only when the Court resolves the matter, or when Katzer
23 and Russell vacate the anti-SLAPP ruling, return the court award plus interest, and pay Jacobsen’s
24 fees and costs. Samsung Elecs. Co. v. Rambus, Inc., 523 F.3d 1374, 1379 (Fed. Cir. 2008).

25 Thus, the Court retains jurisdiction over the declaratory judgment causes of action.⁷

26 _____
27 ⁷ The second prong of the Federal Circuit’s previous declaratory judgment test is now determined
28 by analyzing whether the dispute is real and immediate, which is related to the standing analysis.
For potentially infringing products, the Federal Circuit considers whether the declaratory plaintiff
is engaging in potentially infringing activities, or has taken concrete steps to do so. Prasco, LLC v.

1 **B. Jurisdiction Exists Over Declaratory Judgment for the ‘329 Patent**

2 Due to the allegation that Jacobsen infringed multiple patents, the declaratory judgment
3 action relating to unenforceability of the ‘329 patent is not moot. Inequitable conduct as to one
4 patent may infect other related patents, making them unenforceable. Nilssen v. Osram Sylvania,
5 Inc., 504 F.3d 1223, 1230 (Fed. Cir. 2007). Also, the Court retains jurisdiction over the declaratory
6 judgment cause of action relating to unenforceability so that it may determine an attorney fee
7 award. Monsanto Co. v. Bayer Bioscience, N.V., 514 F.3d 1229, 1242-44 (Fed. Cir. 2008); see
8 Brooks Furniture Mfg., Inc. v. Dutailier Int’l, Inc., 393 F.3d 1378, 1381 (Fed. Cir. 2005). Thus, the
9 Court has a separate basis for denying Defendants’ motion to dismiss for mootness the declaratory
10 judgment cause of action for unenforceability of the ‘329 patent.

11 **C. This Court Has Jurisdiction Over Multiple Katzer Patents**

12 According to a new interpretation of the declaratory judgment standard, as stated in Micron
13 Tech., Inc. v. MOSAID Techs., Inc., 518 F.3d 897, 898-902 (Fed. Cir. 2008), this Court has
14 jurisdiction over declaratory judgment causes of action relating to other Katzer patents. The
15 Micron decision is one of several that the Federal Circuit issued after the Supreme Court broadened
16 declaratory judgment jurisdiction in MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118 (2007).

17
18 Medicis Pharm. Corp., 537 F.3d 1329, 1336 n. 4 (Fed. Cir. 2008); Cat Tech LLC v. Tubemaster,
19 Inc., 528 F.3d 871, 880 (Fed. Cir. 2008). However, when method patents are involved, as they are
20 here, a product which may be, but is not necessarily, used for infringement can support declaratory
21 judgment. E.g., Lucent Techs., Inc. v. Gateway, Inc., ___ F.3d ___, No. 2007-1546, 2008 WL
22 4349236 (Fed. Cir. Sept. 25, 2008), at *3; Lucent Techs., Inc. v. Gateway, Inc., 525 F.3d 1200,
23 1203-04 (Fed. Cir. 2008) (intervenor Microsoft obtaining, and the Federal Circuit affirming,
24 declaratory judgment for non-infringement of method claim). This is especially true when bad faith
25 scare tactics as those used by Katzer and Russell are employed. See Cat Tech, 528 F.3d at 878
26 (describing the purpose of the Declaratory Judgment Act as to allow declaratory plaintiffs, who
27 were victimized by their competitors’ scare tactics, to seek declaratory relief); Teva Pharms. USA,
28 Inc. v. Novartis Pharms. Corp., 482 F.3d 1330, 1336 n.2 (Fed. Cir. 2007). Bad faith allegations or
sham threats can support declaratory judgment when they demonstrate a real and immediate
dispute. See, e.g., Hynix Semiconductor Inc. v. Rambus Inc., 527 F. Supp. 2d 1084 (N.D. Cal.
2007) (antitrust cause of action and declaratory judgment cause of action for unenforceability);
TruePosition, Inc. v. Allen Telecom, Inc., No. C.A. 01-823 GMS, 2003 WL 151227 (D. Del. Jan.
21, 2003) at *5, *7; Intel Corp. v. Via Techs., Inc., No. C 99-03062 WHA, 2001 WL 777085,
(N.D. Cal. Mar. 20, 2001) at *4 (describing as “counterfeit logic” Intel’s argument that Via’s
declaratory judgment for non-infringement negated Via’s antitrust cause of action for sham
litigation).

1 To the extent that these facts are not pled in the Second Amended Complaint, the Court should
2 grant leave for Jacobsen to amend his Complaint.

3 In Micron, declaratory defendant MOSAID sent demand letters to declaratory plaintiff
4 Micron, one of its major competitors, in 2001 and 2002. MOSAID then began suing other major
5 competitors, Samsung Electronics Company Ltd., Hynix Semiconductor Inc., and Infineon
6 Technologies of North America. Id. at 899-900. In 2006, Micron filed a declaratory judgment
7 action in the Northern District of California, choosing 14 MOSAID patents as a part of the suit. Id.
8 at 900. A number of these patents had issued after MOSAID's last demand letter in 2001. Request
9 for Judicial Notice, Ex. H ¶¶ 15, 40. The following day, MOSAID filed a patent infringement
10 lawsuit against Micron in Texas. Micron, 518 F.3d at 900. Using pre-MedImmune law, the
11 district court in the Northern District of California dismissed Micron's declaratory judgment suit
12 for lack of jurisdiction. Id. at 900. The Federal Circuit reversed. Id. at 901-02. The Federal
13 Circuit said MOSAID's pattern of litigation against its competitors, and MOSAID's statements that
14 it intended to enforce its patents aggressively, were sufficient for the district court to have
15 jurisdiction over Micron's declaratory judgment complaint. Id. at 900-02.

16 A similar pattern exists here. Defendants obtained their patents and aggressively seek to
17 enforce them. Defendants obtained a number of patents related to model train controls systems
18 technology. SAC App. A. They boast that they own key patents in the model train control system
19 software industry, and that manufacturers and an open source group copied the technology in
20 Defendants' patents. See Jacobsen Decl. Ex. K at 2. JMRI is the only open source group offering
21 model train control systems software. Thus Defendants had directed their allegations of
22 infringement toward JMRI.

23 Like MOSAID in Micron, Defendants have a history of suing their major competitors,
24 DigiToys and Freiwald Software, and Freiwald Software's distributors. Request for Judicial Notice
25 Exs. I & J. They boast about these lawsuits on their website. Jacobsen Decl. Ex. L at 4. The
26 lawsuits against DigiToys and Freiwald Software asserted all 342 claims of all Katzer patents that
27 had issued when the lawsuits were filed, Sept. 17, 2002, even though Defendants in their Sept. 18,
28 2002 demand letter alleged infringement of only two claims from two patents and stated possible

1 infringement of selected claims of another patent. SAC App. A; Request for Judicial Notice Exs. I,
2 J, K, & L. Defendants menaced at least one other model railroader, Glenn Butcher, through a
3 threat of bringing a patent infringement lawsuit, SAC ¶ 374; Jacobsen Decl. Ex. J. Then
4 Defendants targeted Jacobsen.

5 Defendants and their patent attorney, Kevin Russell, sent multiple demand letters to
6 Jacobsen's home and stated in their FOIA request to the U.S. Department of Energy that Jacobsen
7 infringed multiple patents. SAC ¶¶ 377-383; Jacobsen Decl. Exs. A, C, D, E at 1, & G.
8 Defendants have represented the same to this Court. In their initial letters, Defendants focused on
9 claim 1 of the '329 patent, and offered a license for \$19/copy. Jacobsen Decl. Ex. A. In later
10 letters, Defendants stated they were investigating whether Jacobsen infringed other patents. Id. Ex.
11 C. They increased the license fee to \$29/copy. Id. This 50 percent increase in license fee suggests
12 that Defendants had found other patents that they were going to assert Jacobsen infringed. Also,
13 because all patents, except U.S. Patent No. 6,065,406, have terminal disclaimers, they are closely
14 related in scope. Infringing one claim of one patent could mean infringing one or more claims of
15 multiple patents. Furthermore, Defendants previously had identified only two claims from 2
16 patents that they asserted DigiToys and Freiwald infringed, but sued DigiToys and Freiwald for
17 infringement of 342 claims in 3 patents. Request for Judicial Notice Exs. I, J, K, & L. Thus,
18 Jacobsen would have reason to believe that Defendants would assert a massive number of claims
19 against him, although pre-MedImmune law would not have permitted Jacobsen to seek declaratory
20 judgment on them in March 2006. Meanwhile, as a result of Defendants' tactics, DigiToys went
21 out of business in March 2008, leaving Jacobsen and JMRI as Defendants' only major U.S.-based
22 competitor—and Defendants' only remaining target.

23 A court looks to the totality of the circumstances to determine if declaratory judgment
24 jurisdiction exists. Plumtree Software, Inc. v. Datamize, LLC, 473 F.3d 1152, 1159 (Fed. Cir.
25 2006). Given the circumstances, the situation is almost exactly the same as in Micron. Because
26 the Micron district court had jurisdiction over Micron's declaratory judgment complaint, the
27 district court here in Jacobsen has jurisdiction over declaratory judgment causes of action of non-
28 infringement, invalidity, and unenforceability of all issued Katzer patents.

1 **D. Court Should Retain Jurisdiction to Hear Motion for Attorneys Fees**
2 **Because Jacobsen is the Prevailing Party**

3 Because Defendants' disclaimer was not a purely voluntary and private act done outside the
4 context of litigation, Jacobsen is, and should be, deemed the prevailing party.

5 To prevail, a party must achieve a material alteration of the legal relationship between the
6 parties, and that alteration must be judicially sanctioned. Carbonell v. I.N.S., 429 F.3d 894, 898
7 (9th Cir. 2005). There's no question that Jacobsen obtained a material alteration of the legal
8 relationship. A judgment against a party qualifies as a judicially sanctioned alteration, as does a
9 consent decree, Buckhannon Board & Care Home, Inc. v. West Virginia Dep't of Health & Human
10 Resources, 532 U.S. 598, 604 (2001), but a party may still prevail without achieving either a
11 judgment or obtaining a consent decree if the change has the necessary judicial imprimatur.
12 Buckhannon, 532 U.S. at 605; Highway Equipment Co. v. FECO, Ltd., 469 F.3d 1027, 1034-36
13 (Fed. Cir. 2006); Inland Steel Co. v. LTV Steel Co., 364 F.3d 1318, 1320 (Fed. Cir. 2004);
14 Samsung Elecs. Co. v. Rambus Inc., 440 F. Supp. 2d 495, 503-05 (E.D. Va. 2006). However, a
15 party is not deemed as having prevailed if the change in the parties' relationship is brought about
16 by purely voluntary and private action. See Buckhannon, 532 U.S. at 604 n.7, 605.

17 Defendants did not voluntarily file the statutory disclaimer. Defendants were subject to a
18 Jan. 23, 2008 order from Judge Laporte to provide, by Jan. 31, 2008, disclosures relating to their
19 positions on infringement, validity, and enforceability of the '329 patent. Order [Docket #199] at
20 1. They failed to provide those disclosures. To avoid sanctions and a contempt order from having
21 violated Judge Laporte's order, Defendants did not merely covenant not to sue on the '329 patent,
22 but took the draconian step of filing a statutory disclaimer, destroying not only their rights in claim
23 1, but all 27 claims in the '329 patent. Given the deadlines that Defendants faced, this action,
24 which changed the relationship between the parties, cannot be called voluntary, and it was brought
25 about by a court order.

26 The change in the parties' relationship has the necessary judicial imprimatur. As the docket
27 reflects, Judge Laporte ordered the disclosures. She did not impose sanctions for Defendants'
28 violation of her court order. She accepted this disclaimer in lieu of the disclosures. These actions

1 provide the necessary judicial imprimatur to make Jacobsen the prevailing party. Also, Defendants
2 conceded that Jacobsen has obtained all the relief that he sought relating to the '329 patent. Opp.
3 to Plaintiff's Mot. for Early Discovery at 4. If Defendants and Kevin Russell also stipulate to
4 vacate the anti-SLAPP ruling, Jacobsen is willing to stipulate to this regarding noninfringement,
5 invalidity, and unenforceability of the '329 patent, and asks the Court to make this stipulation a
6 part of its order. This would also give the change in the relationship between the parties the
7 necessary judicial imprimatur to make Jacobsen the prevailing party. For these reasons, this Court
8 should deem Jacobsen the prevailing party, and permit Jacobsen to seek attorneys' fees under 35
9 U.S.C. Sec. 285.⁸ This forms yet another basis for the Court to retain jurisdiction.

10 **IV. CONCLUSION**

11 For the reasons stated above, Jacobsen asks the Court to deny Defendants' motion to
12 dismiss Jacobsen's declaratory judgment causes of action relating to the '329 patent, and to deny
13 their motion to strike various relief associated with that cause of action. Jacobsen asks the Court
14 for leave to amend so that Jacobsen may include other Katzer patents in his declaratory judgments
15 actions for noninfringement, invalidity, and unenforceability, per Micron. Finally, Jacobsen asks
16 the Court to deem him the prevailing party of the patent declaratory judgment causes of action.

17
18 Respectfully submitted,
19 DATED: October 10, 2008

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24
25

26 _____
27 ⁸ Jacobsen may also be entitled to seek sanctions for Defendants' unreasonable 2-year delay in
28 filing this disclaimer. Jacobsen prefers, as a matter of practice, to avoid sanctions motions.
Addressing the attorney fee award issue under 35 U.S.C. Sec. 285 will likely make it unnecessary
for Jacobsen to seek sanctions.