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UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN FRANCISCO DIVISION

ROBERT JACOBSEN, an individual, )  
 )  
Plaintiff, )  
 )  
vs. )  
 )  
MATTHEW KATZER, an individual, KAMIND )  
ASSOCIATES, INC., an Oregon corporation dba )  
KAM Industries, and KEVIN RUSSELL, an )  
individual, )  
 )  
Defendants. )

Case Number C06-1905-JSW  
Hearing Date: August 11, 2006  
Hearing Time: 9:00am  
Place: Ct. 2, Floor 17  
Hon. Jeffrey S. White

DEFENDANTS MATTHEW  
KATZER AND KAMIND  
ASSOCIATES, INC.'S MOTION TO  
DISMISS FOR FAILURE TO STATE  
A CLAIM ON WHICH RELIEF CAN  
BE GRANTED [Fed. R. Civ. P.  
12(b)(6)], AND FOR LACK OF  
SUBJECT MATTER JURISDICTION  
[Fed. R. Civ. P. 12(b)(1)] AND  
MOTION TO BIFURCATE AND  
STAY [Fed. R. Civ. P. 42(b)];  
MEMORANDUM OF POINTS AND  
AUTHORITIES IN SUPPORT  
THEREOF

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**NOTICE**

To the court and all interested parties, please take notice that a hearing on Defendants Matthew Katzer and Kamind Associates, Inc.'s Motion to Dismiss and Motion to Stay and Bifurcate will be held on August 11, 2006 at 9:00 a.m. in Courtroom 2, Floor 17, of the above-entitled court located at 450 Golden Gate Avenue, San Francisco, California.

**MOTION**

Defendants Matthew Katzer and Kamind Associates, Inc. ("KAM") move the court for an order dismissing Counts 4 and 7 of plaintiff's complaint; alternatively dismissing Count 7 against Matt Katzer; and bifurcating and staying discovery on Count 5 and, alternatively, bifurcating and staying discovery on Count 4 pending resolution of the patent claims.

**SUMMARY OF ARGUMENT**

Jacobsen’s complaint is primarily a request for declaratory relief regarding the enforceability of certain patents held by KAM. The complaint also contains claims alleging antitrust violations, unfair competition, cyber-squatting, and libel.

Jacobsen is a model railroad hobbyist who has never lost customers and has never had any paying customers. Complaint, ¶ 2. As such, Jacobsen does not have standing to bring a Sherman Act §2 antitrust claims because he cannot allege an injury to his “business or property” as that term has been defined in order to determine if a party has standing to bring antitrust claims. *In re Multidistrict Vehicle Air Pollution*, 481 F.2d 122, (9<sup>th</sup> Cir. 1973).

Additionally, Jacobsen’s complaint fails to state a claim for a Sherman Act § 2 violation. In order to state an antitrust claim, a plaintiff must allege, *inter alia*, that KAM and Katzer have a dangerous probability of achieving monopoly power. *Cost Mgmt. Servs. V. Washington Natural Gas Co.*, 99 F.3d 937, 949-950 (9<sup>th</sup> Cir. 1996). Jacobsen cannot allege facts showing a dangerous probability of success because the only potential for monopoly stated in the complaint is the potential that will be realized if KAM prevails in this patent validity suit. At that point, however, there will be no question of an antitrust violation, because a patent-holder in possession of a valid patent cannot be liable for restraining competition. *FMC Corp. v. Manitowoc Co.*, 835 F.2d 1141, 1418 and n. 16 (Fed. Cir. 1987) .

Jacobsen has failed to state a claim for libel because KAM’s FOIA request does not contain a statement of fact and therefore cannot constitute libel. *Okun V. Superior Court*, 29 Cal. 3d, 442, 450 (1981). Additionally, the FOIA request is a privileged statement made in connection with an official proceeding. Cal. Civ. Code § 47(b).

Finally, Count 4 (the Sherman Act claim), alternatively, and Count 5 (the California Unfair Competition claim ) should be bifurcated and stayed pending resolution of the patent infringement claims to reduce complexity and serve judicial economy.

**STATEMENT OF ISSUES TO BE DECIDED**

1. Whether Jacobsen has standing to bring an antitrust claim under Section 2 of the Sherman Act, 15 U.S.C. § 2? Fed. R. Civ. P. 12(b)(1)
2. Whether Count 4 of the complaint states a claim on which relief can be granted? Fed. R. Civ. P. 12(b)(6)
3. Whether Count 7 of the complaint states a claim on which relief can be granted? Fed. R. Civ. P. 12(b)(6)
4. Whether Count 7 states a claim on which relief can be granted against Matt Katzer, individually? Fed. R. Civ. P. 12(b)(6)
5. Whether Counts 4 and 5 should be bifurcated and discovery stayed pending resolution of the patent claims? Fed. R. Civ. P. 42(b)

**STATEMENT OF RELEVANT FACTS**

For purposes of this motion only, KAM and Katzer assume the following allegations are true.

Jacobsen works for the Lawrence Berkeley National Laboratory of the University of California and teaches physics at the University. Complaint, ¶ 2. Jacobsen is a model train hobbyist who helps develop open source software code called JMRI (Java Model Railroad Interface) that distributes the software free of charge. Complaint, ¶ 2. KAM is an Oregon corporation and Katzer is its principal. Complaint, ¶¶ 3-4. Katzer obtained patents for competing software products similar to the JMRI product and, as to some of the patented products, KAM's function the same as the software products provided for free by JMRI. Complaint, ¶¶ 3-4. Jacobsen alleges that Katzer failed to disclose prior art to the Patent Office in obtaining some of the patents and that said patents are thereby unenforceable. Complaint, ¶¶ 11-38.

The Complaint contains seven counts against KAM and/or Katzer. This motion and memorandum addresses Count 4 (Sherman Act § 2 Antitrust claim), Count 5 (California Unfair

1 Competition Claim pursuant to California Business and Professions Code § 17200 *et seq.*) and  
2 Count 7 (California libel).

3 Count 4 of the complaint against all defendants alleges that KAM has market power and  
4 that its attempts to enforce its patent amount to an attempted monopolization under § 2 of the  
5 Sherman Act, 15 U.S.C. § 2. Complaint, ¶¶ 85-94. Jacobsen alleges that there is a dangerous  
6 probability that KAM and Katzer will succeed in obtaining monopoly power. Complaint, ¶ 92.  
7 Jacobsen also asserts that if the patents are found to be valid and enforceable, the patents would  
8 dominate the relevant market. Complaint, ¶ 87. Conversely, Jacobsen asserts that the patents  
9 were fraudulently procured and are thus invalid. Complaint, ¶ 89. Jacobsen alleges that he had to  
10 take time off work to address the threats from KAM and Katzer and that this has resulted in lost  
11 income. Complaint, ¶ 93. The JMRI project software is still available for download for free by  
12 hobbyists. Complaint, ¶ 88.

13 Count 5 of the complaint against all defendants alleges that KAM and Katzer have  
14 engaged in unlawful, unfair and/or fraudulent business acts and practices within the meaning of  
15 California Business and Professions Code § 17200 *et seq.* by virtue of all of the allegations in the  
16 complaint, including attempted monopolization under § 2 of the Sherman Act, 15 U.S.C. § 2.  
17 Complaint, ¶ 96.

18 Count 7 of the complaint against all defendants alleges that KAM and Katzer committed  
19 libel by falsely accusing Jacobsen of patent infringement and seeking documents related to the  
20 JMRI project in the FOIA request. Complaint, ¶ 107. The FOIA request embarrassed Jacobsen  
21 and caused a loss of income due to time spent explaining the request to his employer.  
22 Complaint, ¶ 113.



1 **ARGUMENT**

2 **A. Jacobsen does not have standing to bring Count 4 of the complaint alleging antitrust**  
3 **violations under Section 2 of the Sherman Act.**

4 Jacobsen alleges that both KAM and Katzer have violated § 2 of the Sherman Act.

5 Standing to bring a Sherman Act antitrust claim is conferred by sections 4 and 16 of the Clayton  
6 Act. 15 U.S.C. §§ 15, 26. *See e.g., In re Multidistrict Vehicle Air Pollution*, 481 F.2d 122 (9<sup>th</sup>  
7 Cir. 1973). Section 4 of the Clayton Act states:

8 Any person who shall be injured in his business or property by reason of anything  
9 forbidden in the antitrust laws may sue...and shall recover threefold damages by him  
10 sustained, and the cost of suit, including a reasonable attorney's fee. 15 U.S.C. § 15.

11 Section 16 of the Clayton Act states:

12 Any person...shall be entitled to sue for and have injunctive relief...against threatened  
13 loss or damage by a violation of the antitrust laws. 15 U.S.C. § 26.

14 Jacobsen requests both treble damages and injunctive relief for alleged violations of the Sherman  
15 Act. Complaint, Prayer ¶¶ J, N.

16 Jacobsen, however, is a model railroad hobbyist who has not lost customers and has  
17 never had any paying customers. Complaint, ¶ 2. As such, Jacobsen has not experienced an  
18 injury to “business or property” as those terms are used in § 4 of the Clayton Act. To attain  
19 standing under the antitrust laws, a plaintiff “must allege injury to his ‘business or property’, a  
20 term definitively limited to interests in commercial ventures or enterprises.” *In re Multidistrict*  
21 *Vehicle Air Pollution*, 481 F.2d 122, 126 (9<sup>th</sup> Cir. 1973) *citing Hawai'i v. Standard Oil Co. of*  
*California et al.*, 405 U.S. 251, 264(1972).

22 Jacobsen alleges that he “works for the Lawrence Berkeley National Laboratory of the  
23 University of California and teaches physics at the university.” Complaint, ¶ 2. Jacobsen further  
24 alleges that he had to take time off work to address the threats from KAM and Katzer and that  
25 this has resulted in lost income. Complaint, ¶ 93. To the extent that Jacobsen’s alleged “lost  
26 income” in the form of wages from the University of California could constitute a commercial

1 activity (a rather dubious proposition at best), this alleged loss could, in no way, have been  
2 suffered “by reason of” any alleged antitrust violation. The Ninth Circuit has adopted the “target  
3 area” test to interpret the “by reason of” requirement for standing under §4 of the Clayton Act.  
4 *In re Bristol Bay, Alaska Salmon Fishery Antitrust Litigation*, 530 F. Supp. 36, 40. (W.D. Wa  
5 1981) and cited cases. The target area within which a defendant is responsible for an antitrust  
6 violation is that area of the economy which is affected by the breakdown in competition (i.e. the  
7 model train software market). *Id.* A defendant’s liability does not extend “to every ripple that  
8 flows from his unlawful act...[but rather] is limited to a specific market that the defendant has  
9 disrupted.” *Id.* Any loss of wages that Jacobsen has allegedly suffered did not occur in the  
10 model train software market where competition has been allegedly restrained, but rather in the  
11 field of academia. Therefore, Jacobsen does not have standing to pursue these alleged losses.  
12 Jacobsen’s claim for treble damages for lost income and attorney fees which is grounded on § 4  
13 of the Clayton Act, 15 U.S.C. § 15, should be dismissed for lack of subject matter jurisdiction.  
14 Fed. R. Civ. P. 12(b)(1).

15 Likewise, Jacobsen has not alleged any “loss or damage” to interests that would convey  
16 standing to him under § 16 of the Clayton Act. To demonstrate standing under § 16, a plaintiff  
17 must allege a threatened loss or injury proximately resulting from the alleged antitrust violation.  
18 *Parks v. Watson*, 716 F.2d 646, 662 (9<sup>th</sup> Cir. 1983). Neither the JMRI project or Jacobsen has  
19 suffered a loss under § 16 of the Clayton Act since the JMRI software is available for free. Any  
20 lost wages allegedly suffered by Jacobsen in his capacity as an employee of the Lawrence  
21 Berkeley Laboratory of the University of California are not proximately related to the alleged  
22 antitrust activity by KAM and Katzer and therefore Jacobsen’s claim for injunctive relief under §  
23 2 of the Sherman Act grounded on § 16 of the Clayton Act should be dismissed.  
24  
25  
26

1        **B. Count 4 of the complaint for antitrust violations under Section 2 of the Sherman Act**  
2        **fails to state a claim on which relief can be granted.**

3            A court should dismiss under Fed. R. Civ. P. 12(b)(6) for failure to state a claim where it  
4 appears that a plaintiff can prove no set of facts in support of the claim which would entitle the  
5 plaintiff to relief. *Conley v. Gibson*, 355 U.S. 41, 45-46 (1957). Because the Jacobsen can prove  
6 no set facts to support Jacobsen's antitrust claim under Sherman Act § 2, the court should  
7 dismiss Count 4 of Jacobsen's complaint.

8            The Sherman Act prohibits monopolization and attempted monopolization. Monopoly  
9 power is the power to control prices or exclude competition." *United States v. E.I. Du Pont de*  
10 *Nemours & Co.*, 351 U.S. 377, 391 (1956). Jacobsen alleges that Katzer and KAM have market  
11 power and are attempting to gain monopoly power of the train systems control market.  
12 Complaint ¶¶ 87, 91. To state a claim for attempted monopolization, Jacobsen must allege facts  
13 demonstrating (1) specific intent to control prices or destroy competition, (2) predatory or  
14 anticompetitive conduct to establish the attempted monopolization; (3) a dangerous probability  
15 of success, and (4) causal antitrust injury. *Cost Mgmt. Servs. V. Washington Natural Gas Co.*, 99  
16 F.3d 937, 949-950 (9<sup>th</sup> Cir. 1996). In general, the procurement of a patent does not constitute an  
17 antitrust violation. *FMC Corp. v. Manitowoc Co.*, 835 F.2d 1411, 1418 and n. 16 (Fed. Cir.  
18 1987). There are two exceptions to this general rule. A plaintiff may assert an antitrust claim if  
19 he can show that either (1) the patent was procured by fraud on the patent office, *Walker Process*  
20 *Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 US 172, (1965) or (2) that the patent holder is  
21 enforcing the patent in bad faith, *Handgards, Inc. v. Ethicon, Inc.*, 601 F.2d 986, 993 (9<sup>th</sup> Cir.  
22 1979). A plaintiff must establish that either or both of these exceptions exist in addition to all of  
23 the other necessary elements of an antitrust claim. *Prof. Real Estate Investors, Inc. v. Columbia*  
24 *Pictures, Indus., Inc.*, 508 US 49, 60 (1993). Count 4 fails to plead the elements of a Sherman  
25 Act § 2 antitrust violation because the complaint fails to allege that (1) KAM has a dangerous  
26

1 probability of achieving monopoly power, and (2) Plaintiff has suffered any causal antitrust  
2 injury.

3 1. Dangerous Probability of Achieving Monopoly Power.

4 Jacobsen does not allege that KAM currently has monopoly power. Jacobsen alleges that  
5 KAM and Katzer have market power (Complaint at ¶ 87) and that KAM and Katzer are  
6 attempting to succeed in obtaining monopoly power. Jacobsen alleges that there is a dangerous  
7 probability that KAM and Katzer will succeed in obtaining monopoly power. Complaint, ¶ 92.  
8 Jacobsen also asserts that, on the one hand, if the patents are found to be valid and enforceable,  
9 the patents would dominate the relevant market. Complaint, ¶ 87. On the other hand, Jacobsen  
10 asserts that the patents were fraudulently procured and are thus invalid. Complaint, ¶ 89. In  
11 other words, KAM and Katzer will achieve monopoly power if, and only if, patents are valid. If  
12 KAM and Katzer prevail in this suit challenging the validity of the '329 patent, that will  
13 necessitate a finding that KAM's patents are enforceable and its share of the relevant market will  
14 then be irrelevant.

15 Jacobsen, quite simply has failed to allege facts showing a dangerous probability of  
16 success because the only potential for monopoly stated in the complaint is the potential that will  
17 be realized if KAM and Katzer prevail in this suit challenging the validity of the '329 patent. At  
18 that point, however, there will be no question of antitrust, because a patent-holder in possession  
19 of a valid patent cannot be liable for restraining competition. *FMC Corp. v. Manitowoc Co.*, 835  
20 F.2d 1141, 1418 and n. 16 (Fed. Cir. 1987). KAM and Katzer, under no set of facts, could be  
21 liable for an antitrust violation under the Sherman Act as KAM and Katzer will only succeed in  
22 achieving monopoly power if this Court finds that KAM's patents are valid. If that is the case,  
23 however, KAM and Katzer, as valid patentees, cannot be liable for an antitrust violation. Count  
24 4, therefore, fails to state a claim under § 2 of the Sherman Antitrust Act because the complaint  
25 fails to allege that KAM and Katzer have a dangerous probability of achieving monopoly power  
26 and therefore Count 4 should be dismissed without leave to amend.

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1           2. Antitrust Injury.

2           Antitrust injury is not just any injury flowing from an anti-trust violation, but rather more  
3 restrictively is an "injury of the type the antitrust laws were intended to prevent and that flows  
4 from that which makes defendants' acts unlawful." *Brunswick Corp. v. Pueblo Bowl-O-Mat,*  
5 *Inc.*, 429 U.S. 477, 489 (1977). A plaintiff must prove four elements to show an antitrust injury:  
6 (1) unlawful conduct, (2) causing an injury to the plaintiff, (3) that flows from that which makes  
7 the conduct unlawful, and (4) that is of the type the antitrust laws were intended to prevent.  
8 *American Ad Management, Inc. v. General Tel. Co.*, 190 F.3d 1051, 1055 (9<sup>th</sup> Cir. 1999) (*citing*  
9 *Brunswick Corp.* 429 U.S. at 489).

10           Count 4 fails to allege any facts demonstrating antitrust injury. Jacobsen asserts that he  
11 lost income as a result of having to take time of work to "address the threats." Complaint at ¶ 93.  
12 However, Jacobsen must allege more than a purely economic injury that has no effect on  
13 competition in the relevant market. *Les Shockley Racing, Inc. v. Nat'l Hot Rod Ass'n*, 884 F.2d  
14 504, 508 (9<sup>th</sup> Cir. 1989). Jacobsen must allege that KAM's behavior directly damaged  
15 Jacobsen's business and also *stifled competition* in the market. *Unitherm Food Sys., Inc. v. Swift*  
16 *Eckrich, Inc.*, 375 F.3d 1341, 1361 (Fed. Cir. 2004) (emphasis added), *rev'd on other grounds* by  
17 *Unitherm Food Sys., Inc. v. Swift Eckrich, Inc.*, 126 S.Ct. 980, 162 L.Ed. 974 (2006). An  
18 antitrust injury is an injury to the market or to competition in general, not merely injury to  
19 individuals or individual firms. *McGlinchy v. Shell Chem. Co.*, 845 F.2d 802, 812 (9<sup>th</sup> Cir.  
20 1988). Jacobsen's alleged loss of work income is not an injury that affects the relevant market  
21 and is therefore not an injury of the type the antitrust laws were intended to prevent.

22           Jacobsen has failed to allege any activity by KAM that has stifled competition in the  
23 marketplace and has caused an antitrust injury to Jacobsen. By his own admission, the JMRI  
24 project software is still available for download for free by hobbyists. Complaint, ¶ 88. Even  
25 assuming, for the sake of argument, that KAM has stifled JMRI's status in the marketplace,  
26 JMRI is not a plaintiff in this lawsuit.

1 Likewise, any other allegations of alleged attempts to stifle other model software  
2 competitors of KAM in the marketplace such as the alleged “enforcement tactics” against Mr.  
3 Friewald, Dr. Tanner and Mr. Butcher (Complaint at ¶¶45-48, 90) are not properly brought by  
4 Jacobsen because this alleged antitrust conduct has not credibly injured Jacobsen. Count 4 fails  
5 to allege antitrust injury and thus should be dismissed without leave to amend.

6 **C. Count 7 of the complaint for libel fails to state a claim on which relief can be**  
7 **granted.**

8 As discussed in detail in KAM and Katzer’s Memorandum of Points and Authorities in  
9 support of their Special Motion to Strike, KAM’s Freedom of Information Act (“FOIA”) request  
10 does not constitute libel. Under California law, libel is “a false and unprivileged publication by  
11 writing, printing, picture, effigy, or other fixed representation to the eye, which exposes any  
12 person to hatred, contempt, ridicule, or obloquy, or which causes him to be shunned or avoided,  
13 or which has a tendency to injure him in his occupation.” Cal. Civ. Code § 45. Because libel is  
14 a species of defamation, a statement is not libelous unless the statement is defamatory. Cal. Civ.  
15 Code § 44. Defamatory statements “cast aspersions upon the plaintiff directly or by imputation  
16 fairly implied \* \* \* [and] call into question the plaintiff’s honesty, integrity or competence or  
17 reasonably imply any reprehensible personal characteristic.” *Polygram Records, Inc. v. Superior*  
18 *Court*, 170 Cal. App. 3d 543, 550 (1985). Whether a statement is defamatory is a question of  
19 law for the court. *Gould v. Maryland Sound Industries, Inc.*, 31 Cal. App. 4th 1137, 1153  
20 (1995).

21 By its terms, the FOIA request does not contain any statements of fact that call into  
22 question Jacobsen’s honesty, integrity, competence or character. The FOIA request does state  
23 that the JMRI project is infringing on KAM’s patents, however the mere claim of patent  
24 infringement is not defamatory. *CMI, Inc. v. Intoximeters, Inc.*, 918 F. Supp. 1068, 1084 (W.D.  
25 Ky. 1995) (“The statement by one party that another is infringing does not carry an intrinsic  
26 moral or business turpitude. For instance, it is not the same as calling one a liar, bankrupt or

1 untrustworthy”). An essential element of libel is that the publication in question must contain a  
2 false *statement of fact*. *Okun v. Superior Court*, 29 Cal. 3d, 442, 450 (1981). Reasonable people  
3 can differ as to whether a patent is being infringed. *CMI, Inc.*, 918 F. Supp. at 1084 . Here, the  
4 FOIA request contains no statement of fact at all, rather it is a request for information authorized  
5 by and made pursuant to federal law. To the extent that the FOIA request contains any  
6 statements other than information request, it only contains the legal opinion that the JMRI  
7 project is infringing on KAM’s patents, not statements of fact. Because the FOIA request does  
8 not contain any defamatory statements exposing Jacobsen to hatred, contempt, ridicule, or  
9 obloquy, causing Jacobsen to be shunned or avoided, or having a tendency to injure Jacobsen in  
10 his occupation, the FOIA request cannot be the basis for a libel claim.

11 Additionally, the FOIA request is absolutely privileged by virtue of the litigation  
12 privilege codified in California Civil Code section 47(b) . Under section 47(b) , the statements in  
13 the FOIA request should be viewed as privileged communications made in a “judicial  
14 proceeding” or, alternatively, communications made in an “official proceeding authorized by  
15 law.” This litigation privilege as it applies to KAM’s FOIA request is discussed at length in  
16 KAM and Katzer’s Memorandum of Points and Authorities in Support of the anti-SLAPP special  
17 motion to strike previously filed with this Court (Docket # 29). The undersigned respectfully  
18 refers this Court to said briefing instead of repeating those arguments here. Based on the above,  
19 Count 7 of the complaint should be dismissed for failure to state the elements of libel and should  
20 be dismissed without leave to amend, for failure to state the elements of libel.

21 **D. Count 7 of the complaint for libel fails to state a claim against Matthew A. Katzer**  
22 **on which relief can be granted.**

23 Alternatively, Count 7 fails to state a claim against Katzer. The libel claim, which is  
24 based entirely on the FOIA request to the DOE, discussed in detail in KAM and Katzer’s anti-  
25 SLAPP Motion to Strike, was explicitly sent “on behalf of KAM” and does not mention Katzer.  
26 *See* Exhibit 1 attached to Declaration of Matthew A. Katzer in support of special Motion to

1 Strike.<sup>1</sup> Count 7 fails to state a claim against Katzer and should be dismissed as against Katzer  
2 without leave to amend.

3 **E. Count 5 of the complaint and, alternatively, Count 4 of the complaint should be**  
4 **bifurcated and discovery stayed pending resolution of the patent validity claims**  
5 **(Counts 1-3).**

6 Federal Rule of Civil Procedure 42(b) allows a court to order a separate trial for claims  
7 or issues “in furtherance of convenience or to avoid prejudice, or when separate trials will be  
8 conducive to expedition and economy.” *See also Ellingson Timber Co. v. Great N. Ry. Co.*,  
9 4424 F.2d 497, 499 (9<sup>th</sup> Cir. 1970) (“One of the purposes of Rule 42(b) is to permit deferral of  
10 costly and possibly unnecessary discovery proceedings pending resolution of potentially  
11 dispositive preliminary issues”). Staying Jacobsen’s antitrust and unfair competition claims  
12 pending resolution of the validity of KAM’s patents will serve judicial economy and avoid  
13 confusion of the issues and will not prejudice Jacobsen.

14 It is common practice in federal court to stay antitrust claims joined in a patent validity  
15 suit until after trial of patent invalidity issues. *In re Innotron Diagnostics*, 800 F.2d 1077, 1084  
16 (Fed. Cir. 1986). This is because, as in this case, the Sherman Act §2 antitrust claim and  
17 California Unfair Competition claim under Business and Professions Code § 17200, depend on  
18 the resolution of the underlying patent claims. Bifurcating this case will decrease complexity,  
19 avoid the prejudice of delay caused by the need to develop the record on the antitrust and related  
20 California Unfair Competition Act claims, avoid confusion of the issues (confusion of the jury  
21 caused by mixing antitrust and patent claims in the same trial), will serve judicial economy by  
22 resolving certain threshold issues raised by the Sherman Act antitrust and California Unfair  
23 Competition Act claims, without causing prejudice Jacobsen. Additionally, many issues will

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26 <sup>1</sup>As a document that is referred to extensively in the Complaint and forms the basis of Jacobsen’s claim, the FOIA request is properly considered in a 12(b)(6) motion. *Durning v. First Boston Corp.*, 815 F.2d 1265, 1267 (1987); *United States v. Ritchie*, 342 F.3d 903, 908 (9<sup>th</sup> Cir. 2003).



1 likely be mooted by addressing the patent claims first. Therefore, Count 5 of the Complaint  
2 (and Count 4 should this Court decide not to dismiss Count 4 pursuant to Fed. R. Civ. P. 12(b)(1)  
3 or (6) should be bifurcated and discovery on these counterclaims should be stayed, pending, at  
4 least, resolution of any patent claims on summary judgment.

5 **F. Conclusion.**

6 Based on the above, this Court should grant KAM and Katzer's motion to dismiss Counts  
7 4 and 7 of Jacobsen's complaint and should bifurcate and stay discovery on Count 5 pending  
8 resolution of the patent validity claims.

9  
10 Dated June 1, 2006.

11 \_\_\_\_\_  
12 /s/  
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1 I certify that on June 1, 2006, I served Matthew Katzer's and KAM's Motion to Dismiss  
2 and Supporting Memorandum on the following parties through their attorneys via the Court's  
ECF filing system:

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Case Number C 06 1905 JSW  
Defendants' Motion to Dismiss for Failure to State a Claim and for lack of Subject Matter  
Jurisdiction and Motion to Bifurcate and Stay and Memorandum in Support