VICTORIA K. HALL (SBN 240702)
LAW OFFICE OF VICTORIA K. HALL
401 N. Washington St. Suite 550
Rockville MD 20850
Victoria@vkhall-law.com
Telephone: 301-738-7677
Facsimile: 240-536-9142

Attorney for Plaintiff
ROBERT JACOBSEN

UNITED STATES DISTRICT COURT

FOR THE NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

ROBERT JACOBSEN,

Plaintiff,

v.

MATTHEW KATZER, et al.,

Defendants.

No. C-06-1905-JSW

MEMORANDUM IN OPPOSITION TO DEFENDANTS MATTHEW KATZER AND KAMIND ASSOCIATES, INC.'S MOTION TO DISMISS FOR FAILURE TO STATE A CLAIM ON WHICH RELIEF CAN BE GRANTED AND FOR LACK OF SUBJECT MATTER JURISDICTION AND MOTION TO BIFURCATE AND STAY

Date: August 11, 2006
Time: 9:00 a.m.
Courtroom: 2, 17th Floor
Judge: Hon. Jeffrey S. White

Filed concurrently:
1. Proposed Order

SUMMARY OF ARGUMENT

Relying on an antitrust theory overruled by the U.S. Supreme Court more than 20 years ago in Assoc. Gen. Contractors of Cal., Inc. v. Cal. State Council Carpenters, 459 U.S. 519 (1983), and recognized as rejected in R.C. Dick Geothermal Corp. v. Thermogenics, Inc., 890 F.2d 139 (9th Cir. 1989) (en banc) (Noonan, J., for three judges concurring in opinion and two judges concurring in judgment), Defendants Matthew Katzer ("Mr. Katzer") and KAMIND Associates, Inc. ("KAM") ask this Court to dismiss Mr. Jacobsen's antitrust claim for failure to state a claim on which relief can be granted. Because Mr. Jacobsen is a proper party to seek antitrust remedies under the Clayton §§ 4 and 16, and has suffered antitrust injury, this Court should deny Mr. Katzer and KAM's motion to dismiss for failure to state a claim.

Mr. Katzer and KAM also ask for dismissal of a federal antitrust claim for lack of subject matter jurisdiction because of lack of "antitrust standing" as opposed to lack of constitutional standing. Constitutional standing, which is properly challenged in a 12(b)(1) motion, is separate from "antitrust standing", and is not addressed by Mr. Katzer and KAM. This Court has federal question jurisdiction for a cause of action based on federal antitrust laws. Thus, this Court has subject matter jurisdiction and the motion to dismiss based on the lack thereof should be denied.

Mr. Katzer and KAM also ask this Court to dismiss Mr. Jacobsen's libel claim, and raise litigation privilege under Civ. § 47(b). Because the accusation of patent infringement is false and such a false accusation is libel per se when leveled against a research scientist, Mr. Jacobsen has stated a claim for libel. Mr. Katzer and KAM cannot raise litigation privilege to bar the claim because the FOIA request was a business transaction, not a complaint to prompt the U.S. Department of Energy to redress harms, and also because the FOIA request was not done in serious and good faith contemplation of litigation. Thus, Mr. Jacobsen's claim stands

Finally, Mr. Katzer and KAM ask this Court to bifurcate the proceedings to separate certain claims from the patent claims, and to stay discovery. Because bifurcation would result in delay and prejudice to Mr. Jacobsen, and does not expedite or make the proceedings more efficient, this Court should deny the motion to bifurcate the proceedings and stay discovery.

Table of Contents

Table of Authorities

Cases

Statutes

Rules

Regulations

Newspaper Articles

Plaintiff Robert Jacobsen, through his undersigned counsel, opposes Defendants Matthew Katzer and KAMIND Associates, Inc.'s Motion to Dismiss for Failure to State a Claim on Which Relief Can Be Granted, for Lack of Subject Matter Jurisdiction, and to Bifurcate and Stay.

ISSUES TO BE DECIDED

Is a claim under federal antitrust laws within the subject matter jurisdiction of a federal district court?

Does Mr. Jacobsen, a competitor of Defendants Mr. Katzer and KAM, state a claim for relief for antitrust when Defendants Mr. Katzer and KAM engaged in conduct that restrained Mr. Jacobsen's development of the JMRI product and harmed, and threatened to harm, competition in the model train control system software market?

Does Mr. Jacobsen state a claim for relief for libel when he states that Katzer made to a third party a false and defamatory statement, which had a tendency to injure Mr. Jacobsen?

Is it necessary at this stage of the proceedings to bifurcate and stay any claims when resolution of a number of claims may be had with early summary judgment?

MEMORANDUM OF POINTS AND AUTHORITIES

I. INTRODUCTION

For nearly 8 years, Defendant Matthew Katzer ("Katzer"), with his attorney, Defendant Kevin Russell ("Russell"), used fraud as a primary means to obtain and enforce certain software patents. Despite knowing these patents were unenforceable due to their fraudulent bases, these Defendants nevertheless engaged in various enforcement actions that resulted in anticompetitive harm, and harm to the reputation of Mr. Jacobsen. Now that Katzer and KAM face liability for their actions, they raise several grounds to dismiss the antitrust and libel claims, and in the alternative, move to bifurcate and stay certain proceedings which does not result in efficient handling of the case. For the following reasons, the Court should deny their motion.

II. RELEVANT FACTS

Over the course of more than 8 years, Mr. Katzer fraudulently obtained patents for inventions that others created, that he jointly created with others, or that were barred by law.

Complaint ¶¶ 13-36. Mr. Katzer knew he was not the sole inventor. Id. He also knew that his patents were invalid and unenforceable. See id. ¶¶ 44-45. Nevertheless, he sought to enforce them, in violation of antitrust laws. Id. ¶¶ 43-49, 58-63. Mr. Katzer targeted Mr. Jacobsen, a leader of the JMRI Project, for his enforcement tactics. Id. ¶¶ 58-63. First, he and his attorney, Mr. Russell, accused Mr. Jacobsen of patent infringement. Id. ¶ 58. Then, Mr. Katzer and Mr. Russell sent Mr. Jacobsen bills in excess of $200,000. Id. ¶¶ 60-62. Then, Mr. Katzer and Mr. Russell sent a FOIA request to Mr. Jacobsen's employer, falsely accusing him of patent infringement when they both knew that the patents were invalid and never could be enforced. Id. ¶ 64. The false accusation, leveled against a research scientist, embarrassed Mr. Jacobsen in front of his employer. Id. ¶ 65. It further had a tendency to injure Mr. Jacobsen's reputation because, for a research scientist, using other's work without giving proper credit may subject the scientist to discipline and cause other scientists to not trust him. See id. ¶ 110. Thus, the accusation constituted libel.

III. ARGUMENT

For purposes of the 12(b)(6) motion, "[a]ll factual allegations set forth in the complaint are taken as true and construed in the light most favorable to [p]laintiff[]." Lee v. City of Los Angeles, 250 F.3d 668, 688 (9th Cir. 2001) (citation and quotation omitted). The Court may not refer to documents outside the complaint unless the documents are attached to the complaint, the complaint necessarily relies upon them, or the Court takes judicial notice of matters of public record. Id. at 688-89.

> In appraising the sufficiency of the complaint [the Court] follow[s] … the accepted rule that a complaint should not be dismissed for failure to state a claim unless it appears beyond doubt that the plaintiff can prove no set of facts in support of his claim which would entitle him to relief.

Conley v. Gibson, 355 U.S. 41, 45-46 (1957).

Mr. Jacobsen has stated a claim upon which relief can be granted for Count IV and Count VII. He is a proper party to bring the antitrust claim and has pleaded the elements of antitrust injury. He has also pleaded the elements of libel and the facts to support the elements. Where needed, he has pled in accordance with Rule 9(b). Thus, both claims should stand. Should the

court find that either cause of action fails to state a claim for which relief can be granted, Mr. Jacobsen asks leave of the court to file an amended complaint.

Also, because bifurcating the trial and staying discovery will not be convenient, expedite the case or serve the interests of judicial economy, and will prejudice Mr. Jacobsen by delaying the case, this Court should deny the motion to bifurcate and stay discovery.

A. This Court has Subject Matter Jurisdiction over the Antitrust Claim

Defendants Katzer and KAM argue that this Court lacks subject matter jurisdiction to hear a federal antitrust claim. Katzer 12(b) motion at 3. Because constitutional standing is separate from "antitrust standing", and the antitrust claim arises under federal law, this Court has subject matter jurisdiction to hear the claim. Whether Mr. Jacobsen has "antitrust standing" is separate from the 12(b)(1) inquiry regarding constitutional standing, and is addressed in Sec. III.B. See Assoc. Gen. Contractors of Cal., Inc. v. Cal. State Council Carpenters, 459 U.S. 519, 535 n.31 (1983). E.g., Glen Holly Entertainment Inc. v. Tektronix Inc., 343 F.3d 1000, 1008 (9th Cir. 2003). Mr. Katzer and KAM have not raised an argument re constitutional standing, thus one is not addressed.

The Court has subject matter jurisdiction. "The district courts shall have original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States." 28 U.S.C. § 1331. "[T]he vast majority of cases brought under the general federal-question jurisdiction of the federal courts are those in which federal law creates the cause of action." Merrell Dow Pharms. Inc. v. Thompson, 478 U.S. 804, 808 (1986). Federal antitrust laws created the antitrust cause of action. Thus, subject matter jurisdiction exists.

B. Mr. Jacobsen Has Stated a Claim for Antitrust Violations

In challenging whether Mr. Jacobsen has stated a claim on which relief can be granted, Katzer and KAM argue that Mr. Jacobsen has not shown a dangerous probability of success and that he does not have "standing" to bring an antitrust claim. As the facts and law show, Mr. Jacobsen's antitrust claim survives their attack. Mr. Jacobsen is a proper party to bring an antitrust claim for treble damages, and for injunctive relief, and he has suffered antitrust injury. There also exists a dangerous probability that Mr. Katzer and KAM would succeed in their anticompetitive

scheme.

1. Mr. Jacobsen is a Proper Party to Bring Antitrust Treble Damages Lawsuit and Seek Injunctive Relief

Although styled by Mr. Katzer and KAMIND Associates, Inc. as an "antitrust standing" issue, that issue in the 12(b)(6) motion is whether Mr. Jacobsen is the proper party to bring the antitrust claim, and whether he has suffered antitrust injury. For the following reasons, Mr. Jacobsen has met the requirements of Clayton Act § 4 and § 16.

(a) Clayton Act § 4 remedy

Mr. Jacobsen can seek a § 4 remedy for treble damages, and is not barred from doing so because he is not a for-profit competitor. The U.S. Supreme Court identified factors for courts to use to determine whether a person is the proper party to bring a treble damages claim under the Clayton Act § 4. These factors are:

> (1) the nature of the plaintiff's alleged injury; that is, whether it was the type the antitrust laws were intended to forestall;
> (2) the directness of the injury;
> (3) the speculative measure of the harm;
> (4) the risk of duplicative recovery; and
> (5) the complexity in apportioning damages.

Amarel v. Connell, 102 F.3d 1494, 1507 (9th Cir. 1996) (citing Assoc. Gen. Contractors, 459 U.S. at 535). The U.S. Supreme Court has "refused to engraft artificial limitations on the [Clayton Act] § 4 remedy." Blue Shield of Va. v. McCready, 457 U.S. 465, 472 (1982). Thus, a consumer can bring an antitrust suit for treble damages, Reiter v. Sonotone, 442 U.S. 330 (1979), as can a state, Standard Oil Co. v. Arizona, 738 F.2d 1021, 1023 (9th Cir. 1984), a foreign sovereign, Pfizer Inc. v. India, 434 U.S. 308 (1978), a potential competitor, Bubar v. Ampco Foods, Inc., 752 F.2d 445, 450 (9th Cir. 1985), a boycott victim, Blue Shield of Va. v. McCready, 457 U.S. 465 (1982), and an employee, Ostrofe v. H.S. Crocker Co., 740 F.2d 739 (9th Cir. 1984). Despite Mr. Katzer and KAM's assertions that "target area" is the method used to determine who may seek a § 4 remedy, the U.S. Supreme Court overruled the "target area" theory in Assoc. Gen. Contractors, 459 U.S. 536 n.33, and replaced it with a factor analysis. The Ninth Circuit

recognized this in R.C. Dick Geothermal Corp. v. Thermogenics, Inc., 890 F.2d 139 (9th Cir. 1989) (en banc) (Noonan, J., for three judges concurring in opinion and two judges concurring in judgment). Thus, the appropriate test is that expressed in Associated General Contractors. Analysis of the Assoc. Gen. Contractors factors shows that Mr. Jacobsen is a proper party to bring a treble damages claim.

Antitrust injury

Mr. Jacobsen's injury is of the nature that antitrust laws were intended to forestall. The central purpose of the Sherman Act is "in protecting the economic freedom of the participants in the relevant market." Assoc. Gen. Contractors, 459 U.S. at 538. Antitrust injury, definition of which is governed by regional circuit law, Nobelpharma AB v. Implant Innovations, Inc., 141 F.3d 1059, 1068 (Fed. Cir. 1998) (en banc), is "(1) unlawful conduct, (2) causing an injury to the plaintiff, (3) that flows from that which makes the conduct unlawful, and (4) that is of the type the antitrust laws were intended to prevent." Am. Ad Mgmt., Inc. v. Gen. Tel. Co. of Cal., 190 F.3d 1051, 1055 (9th Cir. 1999). The Ninth Circuit also requires that "the injured party be a participant in the same market as the alleged malefactors." Glen Holly Entertainment Inc. v. Tektronix Inc., 343 F.3d 1000, 1008 (9th Cir. 2003) (internal quotations and citation omitted).

Here, Mr. Katzer and KAM sought to monopolize the market for model train control systems software through years of fraud on the Patent Office and a pattern of intimidation and enforcement against manufacturers, hobbyists and the JMRI Project. Complaint ¶¶ 42-50, 58-67. Fraudulent procurement and enforcement can constitute a violation of antitrust law under Walker Process Equipment, Inc. v. Food Machinery & Chem. Corp., 382 U.S. 172 (1965), if other elements of an antitrust violation are met. These other elements have been alleged. As detailed in Sec. III.B.2, Mr. Katzer and KAM have market power in the relevant market, and had a dangerous probability of success. Knowing their patents were invalid and unenforceable, Mr. Katzer and KAM engaged in anticompetitive conduct when they attempted to enforce, and sometime succeeded in enforcing, the fraudulently obtained patents. Complaint ¶¶ 43-49, 58-66. Thus, they specifically intended to monopolize the relevant market. Thus, Mr. Katzer and KAM's conduct

was unlawful.

Mr. Jacobsen suffered injury and it flowed from Mr. Katzer and KAM's unlawful conduct. Had Mr. Katzer and KAM succeeded, consumers would have had to pay $19 to $29 more per copy of the JMRI Project software. Id. ¶¶ 58, 60. A necessary part of Mr. Katzer and KAM's antitrust scheme was the intimidation of Mr. Jacobsen into paying the "license" fee. Mr. Jacobsen had a choice – pay the fee, in excess of $200,000, and be a part of Mr. Katzer and KAM's anticompetitive scheme, or spend hours investigating whether Mr. Katzer and KAM's allegations were false and reject them and their scheme. He chose the latter. In vindicating the economic freedom of others, Mr. Jacobsen bore the brunt of the injury Mr. Katzer and KAM inflicted.

Mr. Jacobsen's injury was the type that antitrust laws were meant to prevent. Without Mr. Jacobsen's participation, Mr. Katzer and KAM would not succeed in taxing a popular program. Thus Mr. Jacobsen's injury is "inextricably intertwined" with, Blue Shield, 457 U.S. at 484, and an integral part of, Ostrofe, 740 F.2d at 746, the anticompetitive injury that Mr. Katzer and KAM sought to inflict on hobbyists and the relevant market. Mr. Jacobsen was forced to divert time from other activities which would have provided him with income, so that he could investigate and reject Mr. Katzer and KAM's scheme. Hence, the nature of his injury is one that antitrust laws were intended to forestall.

Some Ninth Circuit case law suggests that a remedy under § 4 can be had only if the injury to an antitrust plaintiff's business or property occurred in the same market as the restraint. Legal Econ. Evaluations, Inc. v. Met. Life Ins. Co., 39 F.3d 951 (9th Cir. 1994). Consumers' injuries, such as the increased costs a consumer had to pay in Blue Shield due to anticompetitive conduct, are an exception to this rule. Id. at 955-56. The antitrust plaintiff in Legal Economic Evaluations argued that, like consumer McCready in Blue Shield, it "faced a 'Hobson's choice'" of either joining the conspiracy and give up work for clients of its choice or resist the conspiracy and give up profits from performing work for its clients. Id. The Court in Legal Economic Evaluations rejected this contention, noting these two options were harm in the market of brokerage and consulting services, not in the relevant market of settling lawsuits or selling annuities. Id. at 956.

In contrast, the Ninth Circuit in Ostrofe stated that "a person who does not suffer 'antitrust injury' in the technical sense but is the direct victim of conduct undertaken to accomplish the anti-competitive practice of an antitrust conspiracy" can sue. 740 F.2d at 744. There, the Court permitted an employee to seek damages, under § 4, stemming from his dismissal and a boycott directed toward him, when the restraint was in the paper lithograph labels market. 740 F.2d at 742-44.[1] As noted earlier, coercing Mr. Jacobsen was a necessary part of Mr. Katzer and KAM's anticompetitive scheme. Thus, under Ostrofe, this Court can still permit Mr. Jacobsen to seek a § 4 remedy. Furthermore, the harm Mr. Jacobsen faced – unlike that in Legal Economic Evaluations – was either in the relevant market, in which he faced liability under patent laws, or in his consulting activities as a teacher at UC Berkeley. He vindicated the economic rights of others and suffered damages outside the relevant market, instead of suffering the harm in the relevant market and passing the injury from that harm to consumers. It would serve antitrust policy to encourage direct victims of anticompetitive tactics to bring suit for damages, by recognizing Mr. Jacobsen as a proper party to bring suit for damages in these limited circumstances.

Last, Mr. Jacobsen is a participant – a manufacturer/distributor – in the model train control system software market, like Mr. Katzer and KAM. All elements of antitrust injury are met.

Other Associated General Contractors factors

Other Associated General Contractors factors can be readily addressed. Mr. Jacobsen's injury was direct. Mr. Katzer and KAM meant to wear down Mr. Jacobsen through repeated accusations of patent infringement, and then a FOIA request, leaving Mr. Jacobsen to wonder what tactic they would try next. Like all people, Mr. Jacobsen has a fixed amount of time each day, and when he repeatedly diverted time away to address Mr. Katzer's and KAM's coercive tactics, it eventually interfered with contract opportunities, which resulted in the loss of income.

Directness of the injury also affects two other Associated General Contractors factors –

---

[1] The Court also found that Mr. Ostrofe could sue due to a restraint in the market of managerial services, caused by a boycott among label manufacturers directed at him. 740 F.2d at 742-43.

whether the damages are speculative and the complexity in apportioning damages. Assoc. Gen. Contractors, 459 U.S. at 543. Here, the damages are not speculative, but fixed, since they involve a specific amount – the contracts' value – that was lost. Duplicate recovery is not a problem because no one else suffered the loss of the contracts. Cf. Illinois Brick Co. v. Illinois, 431 U.S. 720 (1977). The complexity in apportioning damages is also not an issue, because – at this time – there are only two antitrust defendants and only one plaintiff. Thus, no problems exist with apportioning damages among plaintiffs who are varying degrees away from the anticompetitive injury. Although not specifically identified in Amarel, another factor the U.S. Supreme Court discussed is whether there is a "better class of persons whose self-interest would normally motivate them to vindicate the public interest in antitrust enforcement", Assoc. Gen. Contractors, 459 U.S. at 542. Here, because Mr. Katzer and KAM's target has been manufacturers and other producers of model train control system software, the best class of persons to bring the treble damages claim is one from this group, to which Mr. Jacobsen belongs. Hence, Mr. Jacobsen is the proper party to bring a treble damages lawsuit.

(b) Clayton Act § 16 remedy

Mr. Jacobsen is also a proper party to seek a remedy for injunctive relief. Because of the nature of injunctive relief, certain Associated General Contractors factors are not relevant in determining who is a proper party to bring a claim for injunctive relief. Cargill, Inc. v. Monfort of Colo., Inc., 479 U.S. 104, 111 n.6 (1986). While a plaintiff must show that the injury is the type which antitrust laws were intended to forestall, Amarel v. Connell, 102 F.3d 1494, 1507 (9th Cir. 1996), problems with duplicative recovery, complexity of apportioning damages, and the presence of more directly harmed plaintiffs are not concerns because "the fact is that one injunction is as effective as 100, and, concomitantly, that 100 injunctions are no more effective than one." Hawaii v. Standard Oil Co., 405 U.S. 251, 261 (1972); Cargill, 479 U.S. at 111 n.6. Furthermore, a plaintiff is not required to show actual harm, as in a § 4 claim, but threatened harm in a seeking injunctive relief under § 16. Cargill, 479 U.S. at 111. Nor is he required to show injury to his business or property. Id. These more lenient standards allow even indirect purchasers, normally

barred by Illinois Brick from seeking damages under § 4, to sue for equitable relief. Freeman v. San Diego Ass'n of Realtors, 322 F.3d 1133, 1145 (9th Cir. 2003). Mr. Jacobsen can seek an injunction if he shows the injury he is threatened with is the type which antitrust laws were intended to forestall. He makes this showing.

Antitrust laws were enacted to protect competition. Brunswick Corp. v. Pueblo Bowl-O-Mat, Inc., 429 U.S. 477, 488 (1977). Through their coercive tactics, Mr. Katzer and KAM threatened to halt Mr. Jacobsen's distribution of JMRI Project software and result in increased cost to the consumer. See Complaint ¶¶ 58-66, 69. As it was, their tactics caused Mr. Jacobsen to halt posting updated versions of the software because of his concern over legal exposure. Id. ¶ 69. Thus, Mr. Katzer and KAM's tactics impeded advances in the relevant market, and their continued threats against Mr. Jacobsen made it a danger that they would succeed in obtaining their unwarranted $19 to $29 per copy license fee from consumers. Mr. Jacobsen is not required to show that an actual lessening of competition occurred. Brunswick Corp., 429 U.S. at 489 n.14. He need only show threatened injury. 15 U.S.C. § 26; Cargill, 479 U.S. at 111, Oregon Laborers-Employers Health & Welfare Trust Fund v. Philip Morris Inc., 185 F.3d 957, 966 (9th Cir. 1999). Because he has done so, he can seek injunctive relief under § 16.

2. Katzer and KAM Have a Dangerous Probability of Success

Due to Katzer's wealth and his willingness to enforce fraudulently obtained patents, Katzer and KAM have a dangerous probability of successfully monopolizing the market. "In order to determine whether there is a dangerous probability of monopolization, courts have found it necessary to consider the relevant market and the defendant's ability to lessen or destroy competition in that market." Spectrum Sports, Inc. v. McQuillan, 506 U.S. 447, 456 (1986).

(a) Relevant Market

The relevant market is the U.S. market for model train control system software. Complaint ¶ 86. Mr. Katzer obtained U.S. patents. Id. ¶¶ 3, 14. In these patents, Mr. Katzer claimed as his invention, the work – and products – of others, which had been sold, offered for sale, and published in the U.S. more than 1 year before the first Katzer patent application. Id. ¶¶ 16, 22, 43-45

(claimed other work as his invention). These include features in products of major model train control system software manufacturers DigiToys and RailRoad & Co. Id. Mr. Katzer withheld information about his own products which would bar the patents under § 102(b). Id. ¶¶ 29-32. Mr. Katzer also knew about and withheld numerous other material references in the field of model train control systems software which would constitute § 102(b) bars. Id. ¶¶ 12-15; 17-21; 23-24, 27. The Katzer patents are drafted to cover his and others' products in the relevant market. Id. ¶ 13.

(b) Katzer's Ability to Lessen or Destroy Competition in the Relevant Market

Despite fraudulently obtaining the patents, Katzer sought to enforce them. He has substantial wealth, id. ¶ 3, and, thus, can afford to maintain litigation and threats to litigate at will. And he does. He sent cease and desist letters to DigiToys and RailRoad & Co. ¶¶ 43-45[2]. He also enforced the patents against Glen Butcher, forcing Mr. Butcher to take down his software program. ¶ 48. He then tried to use the '329 patent against Mr. Jacobsen, including repeatedly sending him a bill for more than $200,000. ¶¶ 58-63. To reduce legal exposure, Mr. Jacobsen stopped updating the software, which resulted in a distributor not shipping a new version of the software for the Christmas holidays 2005. ¶ 63. Thus, because of his wealth, intimidation tactics and willingness to enforce or threaten enforcement of the patents, Katzer has the ability to lessen or destroy competition in the U.S. model train control systems software market.

Because Katzer treats his fraudulently obtained patents as if they cover a large part, if not all, of the relevant market, and he has repeatedly shown intent and ability to enforce these patents, Katzer has a dangerous probability of success in monopolizing the relevant market.

Mr. Katzer and KAM argue, and misstate Mr. Jacobsen's argument, by stating that

[2] The Complaint states that DigiToys and RailRoad & Co. responded to the patent infringement lawsuits filed against them. Plaintiff's counsel has since learned that the two lawsuits filed against the manufacturers were not served, and will make the change in amended pleadings. She will also include Defendants' continued attempts to enforce the patents against manufacturers.

> KAM and Katzer, under no set of facts, could be liable for an antitrust violation under the Sherman Act as KAM and Katzer will only succeed in achieving monopoly power if this Court finds that KAM's patents are valid. If that is the case, however, KAM and Katzer, as valid patentees, cannot be liable for an antitrust violation.
>
> Katzer 12b motion at 8.

This assumes that the Katzer patents are valid. But this case is about fraudulent procurement and enforcement of the Katzer patents. As the U.S. Supreme Court held in Walker Process, a patent holder can be liable for fraudulent procurement and enforcement of a patent if the other elements of a Sec. 2 violation are met. Thus, Mr. Katzer and KAM's argument fails.

C. Mr. Jacobsen Has Stated a Claim for Libel

In order to state a claim, Mr. Jacobsen must show that Mr. Katzer intentionally caused to be published "a statement of fact that is false, unprivileged, and has a natural tendency to injure or which causes special damage.... Publication means communication to some third person who understands the defamatory meaning of the statement and its application to the person to whom reference is made." Raghavan v. Boeing Co., 133 Cal. App. 4th 1120, 1132 (Ct. App. 2005). "Libel is a false and unprivileged publication by writing…, which exposes any person to hatred, contempt, ridicule, or obloquy, or which causes him to be shunned or avoided, or which has a tendency to injure him in his occupation." Cal. Civ. §§ 45, 45a. As review of the complaint and the law shows, Mr. Jacobsen has stated a claim upon which relief may be granted.[3]

As noted before, Mr. Katzer and KAM's attorney Russell made a false statement by

[3] Mr. Katzer and KAM's attempt to refer to their anti-SLAPP motion should be rejected. Their argument repeatedly relies upon declarations by Mr. Katzer and Mr. Russell. With limited exceptions, only the Complaint may be relied upon in a motion to dismiss. If the Court relies upon matters outside the Complaint, the motion usually becomes a motion for summary judgment for which Mr. Jacobsen has raised a genuine issue of material fact to defeat the motion. Fed. R. Civ. P. 12(b); United States v. LSL Biotechs., 379 F.3d 672, 699-700 (9th Cir. 2004).

accusing Mr. Jacobsen of patent infringement. Complaint ¶ 65, 110. The statement was made to the Department of Energy, and circulated amongst Mr. Jacobsen's colleagues. Complaint ¶ 65, 110 - 113. The allegation is factual, not mere opinion. Analysis of the law and facts shows this.

A threshold question in libel is "whether a reasonable factfinder could conclude that the contested statement implies an assertion of objective fact." Lieberman v. Fieger, 338 F.3d 1076, 1080 (9th Cir. 2003).

> In conducting this inquiry [the Court] examine[s]: (1) whether the general tenor of the entire work negates the impression that the defendant was asserting an objective fact, (2) whether the defendant used figurative or hyperbolic language that negates that impression, and (3) whether the statement in question is susceptible of being proved true or false.

Id. The "general tenor" of the FOIA request was that the JMRI Project – sponsored by no less the U.S. Department of Energy, according to Defendants – was infringing KAM's patent rights, and that Defendants wanted information relating to JMRI Project's activities. There was certainly no joking or hyperbole associated with the FOIA request made to a major research facility. When the Court rules on the allegations of patent infringement, either Mr. Jacobsen will have infringed a valid and enforceable patent, or not. Thus, the allegation of patent infringement is asserting a fact.

The allegation is defamatory because the relevant community which heard the defamatory statement is the researcher community which Mr. Jacobsen works in. Complaint ¶ 113. There, a researcher must refrain from plagiarizing another's work. Indeed, careers in academia have been severely damaged or destroyed by allegations of using another's work without credit or permission.[4] E.g., Dan Carnavale, "Plagiarizing Dean Is Put On Leave", Chron. of Higher Education 10 (July 1, 2005). Here, Russell, acting at the command of his client and knowing it was false, accused Mr. Jacobsen of willfully using Katzer's valid and enforceable intellectual property without permission or credit. Complaint ¶ 65. This information, in the hands of Jacobsen's colleagues, would cause them to shun or avoid him, since they would think he does not give credit to other researchers for their work. Thus, such a statement would have a tendency to injure him in

[4] Mr. Jacobsen asks the Court to take judicial notice of this fact, per Fed. R. Evid. 201.

his occupation.

Katzer and KAM argue that Mr. Jacobsen cannot maintain a claim for libel against them because of immunity provided under Cal. Civ. § 47(b). Immunity from suit is granted by statute for statements made before an official proceeding or a judicial proceeding. Id. First, Jacobsen addresses statements before an official proceeding. The statute protects constitutionally protected activities, such as the right to petition for redress of harms. Complaining or reporting a problem to a governmental agency constitutes an activity for which immunity is granted. E.g., Briggs v. Eden Council for Hope & Opportunity, 19 Cal.4th 1106, 1115 (1999) (claim based on report to HUD and action in civil courts stricken). Filing of a FOIA is not a constitutionally protected activity. See McGehee v. Casey, 718 F.2d 1137, 1147 (D.C. Cir. 1983) ("[C]itizens have no first amendment right of access to traditionally non-public government information."). It is a request for information from the U.S. government in exchange for money – a business transaction, for which there is no constitutional right. Id.; NLRB v. Robbins Tire & Rubber Co., 437 U.S. 214, 242 (1978) ("The basic purpose of FOIA is to ensure an informed citizenry…."); Blackburn v. Brady, 116 Cal. App. 4th 670, 676-78 (Ct. App. 2004) (business transactions do not constitute protected activities). See 10 C.F.R. §§ 1004.1 - 1004.9 (describing transaction). Thus, filing a FOIA request does not constitute a statement before an official proceeding. Second, Jacobsen addresses statements before a judicial proceeding – often called litigation privilege. Filing a lawsuit is a protected activity – a statement before a judicial proceeding. Navellier v. Sletten, 29 Cal. 4th 82, 90 (Cal. 2002). Activities leading up to the filing of a lawsuit also are protected by litigation privilege if they meet the following criteria:

> First, "the communication must have been made preliminary to a proposed judicial or quasi-judicial proceeding." Second, "the verbal proposal of litigation must be made in good faith." Third, "the contemplated litigation must be imminent." Fourth, "the litigation must be proposed in order to obtain access to the courts for the purpose of resolving the dispute." The court noted that "[t]he critical point of each of these four elements is that the mere potential or 'bare possibility' that judicial proceedings 'might be instituted' in the future is insufficient to invoke the litigation privilege."
>
> Mezetti v. State Farm Mutual Auto. Ins. Co., 346 F. Supp. 2d 1058, 1065 (N.D. Cal. 2004)

(quoting Edwards v. Centex Real Estate Corp., 53 Cal. App. 4th 15, 35 (Ct. App. 1997)) (citations omitted). Litigation privilege does not protect hollow threats or action not taken in serious and good faith contemplation of litigation. Mezetti, 346 F. Supp. 2d at 1065. As shown, for one year, Katzer and KAM made threats against Mr. Jacobsen. While Mr. Jacobsen never knew if, one day, he would be served with a complaint, Katzer knew that due to his inequitable conduct, he could never file a lawsuit and prevail. Thus, there was no proposed litigation. Katzer's threats were never in good faith for the same reason – he knew he had patented others' work, he was not the sole inventor, and even his own work barred him from receiving a patent. As the passage of time has shown, the litigation, if any, was not imminent. Finally, because of the massive fraud on the Patent Office which Katzer and Russell committed, they could not have contemplated filing a lawsuit to resolve the dispute but to crush their competitor, Mr. Jacobsen and the JMRI Project. Thus, Katzer and KAM cannot raise litigation privilege as a bar to the libel claim.

Mr. Katzer argues that he cannot be held liable for libel. Mr. Russell sent the FOIA request on behalf of KAM, an Oregon corporation. A corporation cannot act except through its officers. Foreman Roofing Inc. v. United Union of Roofers, Waterproofers & Allied Workers, Local 36, 144 Cal. App. 3d 99, 107-08 (Ct. App. 1983). Mr. Katzer is an officer at KAM, and he is the one who has directed his anticompetitive tactics, and KAM's anticompetitive tactics, at Mr. Jacobsen. Thus, he is a proper party to hold accountable for libel.

D. The Motion for Bifurcation and Stay is Premature and Should be Denied

Mr. Jacobsen opposes Mr. Katzer and KAM's motion to bifurcate and stay discovery, as premature, and because bifurcating and staying discovery will not be convenient, expedite the case, and serve the interests of judicial economy, but will prejudice Mr. Jacobsen, whose case will be extended at additional cost to him. To prevail on a motion to bifurcate, the movant must show that bifurcation will be more convenient, avoid prejudice, expedite or help save judicial resources. See Fed. R. Civ. P. 42(b). See also Kimberly-Clark Corp. v. James River Corp. of Va., 14 U.S.P.Q. 2d 2070, 2071 (N.D. Ga. 1989) (listing additional factors). Katzer and KAM have not done so.

With the exception of the cybersquatting claim, all issues in this case are inextricably linked

to Defendants' fraudulent procurement of the Katzer patents. Once this issue is resolved, resolution of other claims will quickly follow. Thus, it is not more convenient to bifurcate the claims. Judicial economy is best served by trying the matters together. Mr. Jacobsen expects that many claims will be resolved on early summary judgment motions, which will be delayed if discovery is stayed. This delay also works against another interest in bifurcation – expediting the case. Furthermore, Mr. Jacobsen does not have Mr. Katzer's wealth. Delay through bifurcation will cost more, make it more difficult for him to prosecute the case, and thus will prejudice him.

Katzer and KAM argue that the issues will confuse the jury, and that patent claims are often tried separately from non-patent claims. First, the parties, counsel and the court will initially involved in the proceedings, not a jury, so confusion of the jury is not an issue, in the early stages. Second, while courts do bifurcate patent-antitrust trials, they do after the movant has made a showing that it is in one of the interests outlined in Rule 42(b) to do so. Bifurcation in patent trials is not a given. Laitram Corp. v. Hewlett-Packard Co., 791 F. Supp. 113 (E.D. La. 1992). As noted, given the massive evidence of fraud which Mr. Jacobsen has presented in declarations for the anti-SLAPP motions, Mr. Jacobsen believes that numerous claims will be resolved in early summary judgment motions. It serves the interests in Rule 42(b) to conduct discovery on all counts at the same time so summary judgment may be granted, as soon as possible, where it may be had.

IV. CONCLUSION

For the foregoing reasons, Mr. Jacobsen asks this Court to deny Mr. Katzer and KAM's motions to dismiss and to deny Mr. Katzer and KAM's motion to bifurcate and stay discovery.

DATED: July 12, 2006

By /s/

Victoria K. Hall, Esq. (SBN.240702)
LAW OFFICE OF VICTORIA K. HALL
401 N. Washington St. Suite 550
Rockville MD 20850

Telephone: 301-738-7677
Facsimile: 240-536-9142

ATTORNEY FOR PLAINTIFF