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9 **Kevin Russell**

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

13 **ROBERT JACOBSEN,**)
14 **Plaintiff,**)
15 **vs.**)
16 **MATTHEW KATZER, KAMIND**)
17 **ASSOCIATES, INC., and KEVIN**)
18 **RUSSELL,**)
19 **Defendants.**)

Case No. C 06 1905 JSW
REPLY MEMORANDUM IN
SUPPORT OF MOTION BY KEVIN
RUSSELL TO DISMISS [F. R. Civ.
P. 12(b)(2) and 12(b)(6)]
Date: August 11, 2006
Time: 9:00 a.m.
Dept: Courtroom 17, 16th floor
Hon. Jeffrey S. White

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REPLY MPA IN SUPPORT OF DEFENDANT RUSSELL'S MOTION TO DISMISS

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INTRODUCTION

Jacobsen’s opposition to this motion is not based on well-pleaded allegations in the complaint. The complaint does not state a claim against Russell for “fraud,” either under California law or under United States patent law. It states only that Russell committed “libel” and that he assisted his client in enforcing allegedly invalid patents. Apparently realizing that this is not enough, Jacobsen now submits a lengthy, conclusionary and hopelessly confused declaration allegedly showing that Russell defrauded the Patent Office. It does not. It only shows that Jacobsen has no admissible evidence that even one of the challenged KAM patents is anticipated by prior art, obvious or invalid for any reason.

Because Jacobsen cannot show fraud, he has no basis for jurisdiction over Russell. Because he is unable to cite authority that a charge of patent infringement—without more—can be defamatory, he has no basis to accuse Russell of libel. And as his “fraud” allegations wholly lack merit, he cannot show that Russell breached any independent duty that would warrant a claim for attorney-client conspiracy. Jacobsen cannot deal with any of the points raised by this motion, and his complaint against Russell should be dismissed without leave to amend.

STATEMENT OF FACTS

The following relevant events have occurred since this motion was filed. Jacobsen’s declaration attaches a copy of Russell’s request to withdraw patent application 10/989,815 from issue *and for continued examination*, with a disclosure statement indicating that Jacobsen’s complaint was attached to the request. Exh. U. Jacobsen characterizes the request as Russell’s “admission of illegal conduct by his client Katzer.” At ¶ 82. The *Manual of Patent Examination Procedure*, § 2001.06(c) (8th ed. 2001) requires that when the subject matter for which a patent is sought is involved in litigation the Patent Office must be immediately informed and provided with any material information.

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1 Similar papers were filed in two other patent applications. On June 8, 2006, the
2 Patent Office mailed a Notice of Allowance of application No. 10/976,227, also for a
3 model train control system invented by Matthew Katzer. (Please see Request For Judicial
4 Notice, filed herewith, Exhibits 1 through 5.) The Notice of Allowability states at
5 Exhibit 2, page 2, that Jacobsen's complaint provides "no further evidence that would
6 suggest an unfavorable ruling for the claims in the instant application."

7 On June 14, 2006, the Patent Office mailed a **Notice of Allowance of application**
8 **No. 10/989,815, the very patent referred to by plaintiff as proof of "fraud,"** for a
9 model train control system invented by Matthew Katzer. (Request For Judicial Notice
10 Exhibits 6, 7 and 8.) The Notice of Allowability, Exhibit 7, was issued after the
11 examiner clearly reviewed and considered the claims in Jacobsen's complaint. (Request
12 For Judicial Notice Exhibit 8.)

13 ARGUMENT

14 **A. Jacobsen has not either pled "fraud" or made any showing of fraud** 15 **committed by Russell.**

16 The Opposition contains not fewer than 14 uses of the word "fraud," or
17 "fraudulent" to describe Russell's conduct and relies heavily on statements that Russell
18 committed "fraud," or "fraud in procuring . . . patents," (At 7:14) or "fraudulently
19 obtained patents" (At 11:9 and 22). Those statements are baseless. Jacobsen has not pled
20 facts sufficient to show fraud of any kind. F.R. Civ. P. 9(b). Nor does he present
21 evidence that would support any such claim.

22 **1. The complaint does not state a claim for "common law** 23 **fraud" under California law.**

24 The elements of fraud under California law are "a representation, usually of fact,
25 which is false, knowledge of its falsity, intent to defraud, justifiable reliance upon the
26 representation, and damage resulting from the justifiable reliance." *Stansfield v. Starkey*,
27 220 Cal. App. 3d 59, 72-73 (1990). "It is settled that a plaintiff, to state a cause of action
28 based on a misrepresentation, must plead that he or she actually relied on the
misrepresentations." *Mirkin v. Wasserman*, 5 Cal. 4th 1082, 1088-89 (1993) and cases

1 cited.

2 Jacobsen claims to state a claim for “common law fraud” because Russell wrote
3 letters stating that the JMRI product infringed KAM’s patents. Opp. at 10. The
4 contention is nonsense; Jacobsen does not allege that he “relied” on any such letter, or
5 paid royalties to KAM as a result of any statement by Russell. As he does not plead
6 reliance or damage caused by such reliance, he does not state a claim for fraud.
7 *Stansfield*, 220 Cal. App. 3d 59, 72-73.

8 **2. The complaint does not state a claim for “fraudulent**
9 **procurement” of a patent.**

10 Fraud in procuring a patent is sharply distinct from the “inequitable conduct”
11 alleged in the complaint. “Fraud” refers to a “type of conduct so reprehensible that it
12 could alone form the basis of an actionable wrong.” *Nobelpharma AB v. Implant*
13 *Innovations, Inc.*, 141 F.3d 1059, 1069 (Fed. Cir. 1998). Inequitable conduct is only an
14 equitable defense—a “shield”—in a patent infringement action, while “a more serious
15 finding of fraud potentially exposes a patentee to antitrust liability and thus serves as a
16 sword.” *Id.*, at 1070. Unlike inequitable conduct, which is determined by “equitable
17 balancing of lesser degrees of materiality and intent,” fraud in procuring a patent “must
18 be based on independent and clear evidence of deceptive intent together with a clear
19 showing of reliance, i.e., that the patent would not have issued but for the
20 misrepresentation or omission.” *Id.*, at 1071.

21 The elements of fraud in procuring a patent are:

- 22 (1) a false representation or deliberate omission of a fact
23 material to patentability, (2) made with the intent to deceive
24 the patent examiner, (3) on which the examiner justifiably
25 relied in granting the patent, and (4) but for which
26 misrepresentation or deliberate omission the patent would not
27 have been granted.

28 *C.R. Bard, Inc. v. M3 Systems, Inc.*, 157 F.3d 1340, 1364 (1998). Each element of patent
fraud must be pled with particularity. *Miller Pipeline Corp. v. British Gas, P.L.C.*, 69 F.
Supp. 2d 1129, 1134-35 (S.D. Ind. 1999); and cases cited; F.R. Civ. P. 9(b).

The complaint does not state a claim against Russell for patent fraud. It does not

1 allege Russell even applied for a patent. It states Russell was aware of products
 2 manufactured by Tanner and Freiwald and that those manufacturers *claimed* their
 3 products were material prior art. Complaint, ¶’s 44-45. It also states that “Defendant
 4 Katzer and Defendant Russell had two patent applications open” and did not inform the
 5 patent examiner about the Tanner and Freiwald products. Jacobsen does not allege those
 6 products were material to the applications in any particular respect, or that the patent
 7 examiner relied on the omission or that any patent would not have been granted if the
 8 examiner had been informed. He does not allege Russell was personally aware of prior
 9 art except those two products. The complaint does state a claim for patent fraud. *C.R.*
 10 *Bard, Inc.*, 157 F.3d 1340, 1364; F.R. Civ. P. 9(b).

11 **3. Jacobsen’s evidence is insufficient to make out a prima facie**
 12 **case of fraud against Russell.**

13 Proof of patent fraud requires “no less than clear, convincing proof of intentional
 14 fraud involving affirmative dishonesty . . .” *C.R. Bard, Inc.*, 157 F.3d 1340, 1365. A
 15 plaintiff must prove materiality and reliance by the patent examiner. Plaintiffs may not
 16 meet their burden just by showing that a patent applicant failed to mention a similar
 17 product—or a thousand arguably similar products.

18 *There is no presumption that information not filed by an*
 19 *applicant was material simply because patentability ensued.*
 20 *To establish culpability any omission must be of a fact*
 21 *material to patentability and it must be a deliberate*
 22 *misrepresentation, whether by omission or misstatement, that*
 23 *was intended to and did mislead the examiner into taking*
 24 *favorable action that would not otherwise have been taken.*
 25 *Intent to mislead or to deceive must be proved by clear and*
 26 *convincing evidence. [Citation.] Deceptive intent is not*
 27 *inferred simply because information was in existence that was*
 28 *not presented to the examiner; and indeed, it is notable that*
in the usual course of patent prosecution many choices are
made, recognizing the complexity of inventions, the virtually
unlimited sources of information, and the burdens of patent
examination. [Citation.] [Emphasis added.]

25 *Id.*

26 To survive summary judgment, a plaintiff alleging patent fraud must show a
 27 genuine issue that it can prove materiality by clear and convincing evidence. E.g.
 28 *Scripto-Tokai Corp. v. Gillette Co.*, 1994 U.S. Dist. LEXIS 21617, at 27-38 (C.D. Cal.

1 Sept. 9, 1994). If plaintiff claims the defendant omitted mention of prior art, he must
2 show in precisely what respect said prior art was material. E.g. *Baxa Corp. v. McGaw,*
3 *Inc.*, 996 F. Supp. 1044, 1049-1052 (D.Colo.1997). To show that a patent is invalid
4 because anticipated by prior art, a party must present a claim analysis showing that “all of
5 the elements of that product or process are present in a single piece of prior art.” *Digital*
6 *Control, Inc. v. McLaughlin Mfg. Company, Inc.*, 248 F. Supp. 2d 1019, 1021-22 (W.D.
7 Wash. 2003) and cases cited.

8 Jacobsen’s opposition “showing” is grossly inadequate. It is extremely damaging
9 to say that a patent lawyer committed “fraud” in procuring a patent, and it is inexcusable
10 to make such a statement without claim analysis showing that the attorney withheld at
11 least *one* genuinely material piece of information in at least one patent application.¹
12 Jacobsen has no claim analysis, only his own subjective and confusing opinions and a
13 stack of attached papers. The only “evidence” of materiality consists of his own and Dr.
14 Tanner’s *opinion* that one or another product has the “same functionality” or is otherwise
15 “similar” to a KAM patent.² (Please see the accompanying objections to evidence.) The
16 presence of other software performing a similar function is irrelevant unless its
17 materiality is clearly and properly shown. *C.R. Bard, Inc.*, 157 F.3d 1340, 1365.

18 Finally, the Tanner declaration substantially *weakens* Jacobsen’s case. As both
19 Tanner and Jacobsen admit, Tanner sent his letter, apparently with all attachments, to the
20 Patent Office, where it was received on October 7, 2002 and included in the file wrapper
21 of the three existing KAM patents and the challenged ‘461 application. Tanner decl., ¶
22 33; Jacobsen decl., ¶ 105. During the examination of the ‘329 patent the examiner is
23

24 ¹See *View Engineering, Inc. v. Robotic Vision Systems, Inc.*, 208 F.3d 981, 984-988
25 (Fed. Cir. 2000), in which defendant based its counterclaim solely on Howard Stern’s opinion that
26 its patents were infringed and performed no independent claim construction analysis. 208 F.3d at
27 985. The trial court awarded sanctions in the sum of \$97,825, and the Federal Circuit affirmed.

28 ²E.g. ¶ 68 states that a KAM patent is “conspicuously similar” to a JMRI product. Since
no description of the JMRI product is attached, it is impossible to judge.

1 presumed to have considered all pertinent prior art of the parent applications of the '329
2 patent. "In all continuation and continuation-in-part applications, the parent applications
3 should be reviewed for pertinent prior art." *Manuel of Patent Examining Procedure*
4 (*MPEP*) 707.05. *Nintendo of America Inc. v. Magnavox Co.*, 707 F. Supp. 717 (S.D.N.Y.
5 1989), *Northstar Mfg. Co., Inc. v. Shimi-A-Line, Inc.*, 1993 WL 115937 (D. Minn 1993).
6 The '329 patent is a continuation of the 6,460,467 patent, which is a continuation of
7 6,267,061 patent in which Tanner submitted his prior art. Tanner decl., par 33; Jacobsen
8 decl., par. 105.

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10 **B. The case against Russell should be dismissed for lack of personal jurisdiction.**

11 Jurisdiction may not be based on the mere sending of cease and desist letters in a
12 patent dispute. *Red Wing Shoe Company v. Hockerson-Halberstadt, Inc.* 148 F.3d 1355,
13 1360 (Fed. Cir. 1998). Moreover, state law tort claims against a person based on
14 attempts to enforce a patent are preempted by patent law unless the claim of patent
15 infringement is *objectively baseless*. *Globetrotter Software, Inc. v. Elan Computer*
16 *Group*, 362 F.3d 1367, 1374-77 (Fed. Cir. 2004). Preemption is is governed by the law
17 of the Federal Circuit. *Id.*, at 1374.

18 An action against a non-domiciliary, based on state-law causes of action and
19 charging bad-faith enforcement of a patent, is also governed by Federal Circuit
20 jurisdictional rules. *International Electronics, Inc. v. Human Electronics, Inc.*, 320 F.
21 Supp. 2d 1085, 1088-89 (W.D. Wash. 2004). Where the claim is based entirely on
22 sending of cease and desist letters, the party must not only plead, but also make a "factual
23 showing --viewed against the summary judgment standard, not the lower Rule 12(b)(6)
24 standard -- that the patent holder's activities were 'objectively baseless.'" *Id.*, at 1089.
25 Such showing must overcome the presumption that patents are valid and requires clear
26 and convincing evidence. *Schumer v. Laboratory Computer Systems*, 308 F.3d 1304, 1315-16
27 (Fed. Cir. 2002). Testimony may not be "conclusory," and if it is given by an interested
28 party and relates to a prior invention it must be corroborated. *Id.* Above all, such

1 testimony must be *clear*. “Indeed, to accept confusing or generalized testimony as
2 evidence of invalidity is improper.” *Id.*, at 1316.

3 Jacobsen does not meet this burden. His declaration consists of subjective opinion
4 testimony, only loosely linked to the attached papers. (See Russell’s objections to
5 evidence.) His “showing” does not rise to the level of evidence, and his complaint
6 against Russell should be dismissed. *Schumer*, 308 F.3d 1304, 1315-16.

7 **C. The 7th Count for libel against Russell should be dismissed.**

8 The charge of “libel” is rarely made in patent cases, and there is little authority on
9 the subject. What authority exists persuasively states that a charge of patent infringement
10 is not defamatory unless it is coupled with other, more damaging accusations. *CMI, Inc.*
11 *v. Intoximeters, Inc.*, 918 F. Supp. 1068, 1084 (W.D.Ky. 1995); *Atlantic Mutual Ins. Co.*
12 *v. J. Lamb, Inc.*, 100 Cal. App. 4th 1017 (2002). Patents law is complicated, and
13 reasonable people may differ as to whether a patent was, or was not infringed. A leading
14 authority dedicates three pages of closely-spaced text to cases in which patent
15 infringement was found to be in good faith—bearing no particular stigma. 7 Donald S.
16 Chisum, *Chisum on Patents*, § 20.03 [4][b][v][E], 20-392 to 20-395 (Bender, 2005).

17 Jacobsen cannot cite even one case stating that a simple charge of patent
18 infringement amounts to libel. Rather than cite authority, Jacobsen argues that (a) he is a
19 professor; (b) as a professor he is vulnerable to charges of *plagiarism*; (c) plagiarism
20 amounts to the same thing as patent infringement; so that (d) Jacobsen can recover
21 damages for “libel” because he is a professor. The argument is baseless. Patent
22 infringement is not the same thing as plagiarism. Jacobsen has no even anecdotal
23 evidence of a professor being disciplined or “shunned by his colleagues” because he/she
24 infringed a patent or was accused of it. Patent infringement is *business conduct*.
25 Professors become involved in patent disputes only when they step out of their role as
26 professors and act as business people. When they act as business people they are treated
27 accordingly. They are not “shunned” simply because they are accused of infringing
28 patents, and they are not entitled to special treatment. Since Jacobsen cites neither

1 evidence nor authority to support this argument, his seventh claim should be dismissed
2 without leave to amend.

3 **D. The 5th Count for conspiracy against Russell should be dismissed.**

4 California law bars actions against an attorney for conspiring with a client, unless
5 the attorney violates an independent legal duty to the plaintiff or acts in his/her own
6 financial interest. *Berg & Berg Enterprises v. Sherwood Partners, Inc.*, 131 Cal. App. 4th
7 802, 815-18 (2005). An attorney charged with an antitrust violation committed in the
8 course of representing a client, such as “sham litigation,” is not potentially liable for
9 conspiracy unless shown to have used his own power or influence to cause the violation.
10 *Amarel v. Connell*, 102 F.3d 1494, 1522-23 (9th Cir. 1996). Charges that a person
11 violated the antitrust laws by enforcing an allegedly invalid patent are closely akin to of
12 “sham litigation.” E.g. *C.R. Bard, Inc.*, 157 F.3d 1340, 1368-69. Thus no claim will lie
13 against Russell simply for helping his client enforce an allegedly invalid patent.

14 Jacobsen attempts to save Count 5 against Russell by arguing that Russell
15 breached an independent duty by committing “fraud” As shown above, he does not and
16 cannot state a claim for fraud. Having no other basis to claim Russell violated an
17 independent legal duty, Jacobsen asserts that by mailing invoices to him, Russell violated
18 an obscure California statute. Cal. Civ. Code § 1716. Section 1716 is a consumer
19 protection statute, and it prohibits the *deceptive* practice of “sending mailed solicitations
20 for the sale of goods and services in such form that the recipient mistakes them for an
21 invoice for obligations already incurred and unthinkingly makes payment of the stated
22 sum.” 4 Bernard E. Witkin, *Summary of Cal. Law* § 328, p.321 (10th ed. 2005). .

23 The complaint makes it clear that the invoices could not have deceived Jacobsen
24 and were not sent for the purpose of deceiving him. Complaint, ¶’s 58-61. As an Oregon
25 patent attorney, he cannot have known the statute even existed. It is California’s policy
26 that attorneys should not be sued for representing their clients. *Berg & Berg Enterprises*,
27 *supra*, 131 Cal. App. 4th 802, 815-18. Jacobsen’s hyper-technical argument does not
28 warrant an exception to that policy.

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CONCLUSION

For the reasons stated, this motion should be *granted* in all respects.

Dated: June 16, 2006

Law Offices of David M. Zeff

By _____/S/_____
David M. Zeff, Attorneys For
Defendant Kevin Russell