VICTORIA K. HALL (STATE BAR NO. 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

E-filing

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

ROBERT JACOBSEN, an individual

Plaintiff

MATTHEW KATZER, an individual, KAMIND Associates, Inc., an Oregon corporation, dba KAM Industries, and KEVIN RUSSELL, an individual

Defendants

C 06 1905 HRL

Case No.

COMPLAINT FOR DECLARATORY JUDGMENT, FOR VIOLATIONS OF ANTITRUST LAWS, CALIFORNIA BUSINESS AND PROFESSIONS CODE § 17200, AND LANHAM ACT, AND FOR LIBEL

DEMAND FOR JURY TRIAL

Plaintiff, Robert Jacobsen, alleges as follows:

I. NATURE OF ACTION

1. This is an action for declaratory judgment that U.S. Patent No. 6,530,329 ("the '329 patent") is invalid, unenforceable, void and/or not infringed by Plaintiff Jacobsen. A true and correct copy of the '329 patent is attached in Exhibit A. This is also a complaint for violation of federal antitrust laws, the Lanham Act, and

California Unfair Competition Act and for libel. This matter stems from a dispute between Plaintiff Robert Jacobsen, a developer of open source software who offers the software free to the public via the Internet, and Defendant Matthew Katzer, a patentee who sells software products embodying what he claims are valid and enforceable patents.

II. THE PARTIES

2. Robert Jacobsen ("Jacobsen") is an individual living in Berkeley, California. He works for the Lawrence Berkeley National Laboratory ("Lab") of the University of California and teaches physics at the university. He is a model train hobbyist who has written, with others, open source software code called JMRI (Java Model Railroad Interface) which allows him and other model train hobbyists to control how the trains move on track. Plaintiff Jacobsen, a primary developer and distributor of the software through the JMRI Project, makes this software available on the internet, free of charge, but allows hobbyists to donate to support the project. His experience with model train control systems is such that he is an expert in the field.

3. Matthew Katzer ("Katzer") is an individual living in Oregon. He is also a model train hobbyist who has written software code for controlling model trains on train tracks. On information and belief, he has substantial wealth, recently making a large donation to his alma mater. He has obtained several utility patents, and on information and belief, has several patent applications pending at the time this complaint was filed. His experience with model train control systems is such that he is also an expert in the field.

4. KAMIND Associates, Inc. ("KAM") is an Oregon corporation with its principal place of business at Hillsboro, Oregon. It does business as KAM Industries. On information and belief, KAM is owned by Defendant Katzer. On information and belief, KAM is in the business of selling products embodying what Defendant Katzer said were his inventions, which Defendant Katzer claimed in the patents issued to him. KAM's products range in list price from $49 to $249.

5. Kevin Russell is an individual practicing law in Portland, Oregon. On information and belief, Defendant Katzer and Defendant KAM hired Defendant Russell, through his employer Chernoff, Vilhauer, McClung & Stenzel LLP, to prosecute patent applications and enforce their fraudulently obtained and invalid patents.

III. JURISDICTION AND VENUE

6. This action arises under patent laws of the United States (35 U.S.C. § 1 *et seq.*), antitrust laws of the United States (15 U.S.C. § 1 *et seq.*), the Lanham Act (15 U.S.C. § 1051 *et seq.*), California's Unfair Competition Act (California Business & Professions Code § 17200 *et seq.*) and laws authorizing declaratory judgment actions (28 U.S.C. §§ 2201-2202). Defendants' conduct has put Jacobsen in reasonable and serious apprehension of imminent suit for infringement of the '329 patent. Based on the allegations in Paragraphs 11 through 72, there is a conflict of asserted rights between Plaintiff Jacobsen and Defendants Katzer and KAM, and thus an actual controversy exists between Plaintiff Jacobsen and Defendants Katzer and KAM as to the validity, scope, enforceability and infringement of the '329 patent. Defendants' conduct has violated federal antitrust and trademark laws, and the California Unfair Competition Act, and they have libeled him.

7. This Court has personal jurisdiction over the defendants. Plaintiff Jacobsen is the main contact for the JMRI Project. Defendant Katzer has repeatedly directed charges of infringement against Plaintiff Jacobsen. Through their attorney Defendant Russell, Defendant Katzer and Defendant KAM have repeatedly sent monthly bills in excess of $200,000 to Plaintiff Jacobsen's Berkeley, California home address. Through their attorney Defendant Russell, Defendant Katzer and Defendant KAM have filed a Freedom of Information Act ("FOIA") request with the U.S. Department of Energy ("DOE"), falsely accusing Plaintiff Jacobsen of patent infringement. The FOIA request sought to gain access to, among other things, all of Plaintiff Jacobsen's e-mails relating to JMRI, and made no exception for privileged e-mails between plaintiff's counsel and Jacobsen. The FOIA request interfered with Plaintiff Jacobsen's work, and required him to discuss the infringement matter with his employer, and Lab counsel as well as the DOE FOIA liaison. Plaintiff Jacobsen had to divert significant work time from other projects to deal with the false accusations of patent infringement, and the FOIA request, resulting in a loss of income. Defendants committed these acts in an attempt to force Plaintiff Jacobsen to shutdown his software or force him to pay Defendant Katzer and Defendant KAM royalties on Katzer's fraudulently obtained and invalid patents. Thus, Defendants' conduct resulted in injury in this jurisdiction.

8. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§ 1331, 1332, 1337, 1338(a), 2201, and 2202, and supplemental jurisdiction, 28 U.S.C. § 1367.

9. Venue is proper in this judicial district pursuant to 28 U.S.C. § 1391(b) and (c).

////

IV. INTRADISTRICT ASSIGNMENT

10. This case is exempt from Local Rule 3-2 because it is an intellectual property matter.

V. FACTS

A. BACKGROUND

11. Model trains are a popular hobby for all people, young and old. Many model train enthusiasts create elaborate systems of tracks traveling through small scale cities, towns, tunnels, and mountains, and criss-crossing other train tracks. Some hobbyists have multiple trains running at the same time, which creates problems for controlling the trains. Prior to advances in control system technology, if two trains were on the same train track, a signal designating speed and direction, sent to one train, was by default sent to the other train. Also, if two controllers sent signals to two different trains, one train could cause the other to derail.

12. Through advances made in the 1980s and 1990s, hobbyists could control separate trains, either on the same track or different tracks, and in such a manner that the chances of derailment, or other problems, were reduced. Defendant Katzer was one of many hobbyists involved in the control system advances. For example, in the mid-1990s, a group of small companies created a multi-train control system called "Digital Command Control" ("DCC"). A large group of hobbyists, called the National Model Railroad Association ("NMRA"), created a semi-open standard for DCC. On information and belief, Defendant Katzer was a part of the group that created the DCC standard.

13. Defendant Katzer frequently talked with other hobbyists about their control systems and obtained model train control systems products from other manufacturers or on his own. Then, Defendant Katzer filed patent applications covering these technologies, which he knew he did not invent, or he jointly invented with others. He also withheld material references and other information to trick the Patent Office into issuing patents to him.

B. DEFENDANT KATZER INTENTIONALLY WITHHELD MATERIAL REFERENCES REPEATEDLY WHEN HE FILED PATENT APPLICATIONS

14. Defendant Katzer filed numerous applications for patents on model train control systems, beginning with patent application 09/104,461 ("the '461 application"), filed on June 24, 1998, which matured into U.S. Patent No. 6,065,406 ("the '406 patent"). From the '461 application stemmed several continuation applications, from which issued a number of other patents, including the '329 patent.[1] Although aware of others' control systems, Defendant Katzer intentionally did not list the information on the Information Disclosure Sheet. He intentionally withheld the information from the patent examiner and claimed a multi-train control system that been published, in public use, offered for sale and sold years before. Defendant Katzer also intentionally withheld information about Defendant KAM's products, which include multi-train control systems that were in public use, published, offered for sale or sold more than 1 year before Defendant Katzer filed the '461 application.

[1] The '329 patent issued from patent application 10/124,878 ("the '878 application"), which was filed April 17, 2002 and claimed benefit of the filing date of patent application 09/858,222. This patent application, in turn, claimed benefit of the filing date of patent application 09/550,904, which claimed benefit of the filing date of the '461 application.

i. THIRD PARTIES MATERIAL REFERENCES WHICH DEFENDANT KATZER WITHHELD DURING PROSECUTION OF '461 APPLICATION AND LATER APPLICATIONS

15. Marklin, Inc. of Germany introduced a system in 1986 that permitted multi-train control called "Command Control", consisting of a command center which received controls from outside sources (such as a computer or a hand-held controller device), and directed the control signal to a designated train. This system was in public use, advertised and sold beginning in either the late 1980s or early 1990s. Defendant Katzer was aware of Marklin's work. Defendant Katzer intentionally did not list this reference on the Information Disclosure Sheet. He intentionally withheld Marklin's Command Control from the patent examiner.

16. In 1993, Dr. Hans Tanner of Digitoys released WinLok 1.5, a software program which allowed multi-train control. In 1995, Dr. Tanner released WinLok 2.0 which incorporated other advances in train control. The WinLok programs are known to model train enthusiasts, and were reviewed in Model Railroading magazine in March 1995 (WinLok 1.5) and December 1995 (WinLok 2.0). The programs compete with Defendant KAM's products. In his patent applications, Defendant Katzer referred to software published by Digitoys, but he intentionally did not identify it on the Information Disclosure Sheet nor did he provide a copy of it or its manual to the patent examiner. The only Digitoys software programs that Defendant Katzer could have been referring to is the WinLok series. On information and belief, Defendant Katzer withheld this information because he did not want the patent examiner to consider it during prosecution. On

information and belief, Defendant Katzer knew that it would bar claims in his patent applications. But Defendant Katzer knew that there was independent evidence that showed he knew about the WinLok series, so he knew he had to disclose the reference. On information and belief, the reason Katzer mentioned a Digitoys program in the specification was so that, if he were accused of withholding the reference, he could later argue that he did tell the patent examiner about it. The effect of making a general reference to the WinLok series in the specification, and not listing it in the Information Disclosure Sheet, was that the patent examiner did not consider the software program as prior art or a reference when examining the claims.

17. A. J. Ireland, of Digitrax, developed a DCC system called "Challenger" in 1993 and introduced it at the NMRA National Convention in Valley Forge, PA. Mr. Ireland later introduced another DCC system called "Big Boy", which he sold through his company beginning in September 1994. "Big Boy" used technology similar to a simple computer network to interconnect parts of the model railroad system – one or more throttles (hand-held computer devices) used to control individual trains, personal computers to control individual trains, and a command station to route control signals to one or more trains. This system is called "LocoNet". This system and the Digitrax products compete with Defendant KAM's products. Defendant Katzer requested and received the LocoNet specification in 1994 or 1995. Mr. Ireland then developed the "Chief" DCC, which embodies advances over "Big Boy". Ireland sold "Chief" through Digitrax beginning in 1996. Defendant Katzer was aware of Digitrax' products and

LocoNet, but he intentionally did not list them on the Information Disclosure Sheet. He intentionally withheld these references from the patent examiner.

18. In 1993, Train Track Computer Systems introduced "Track Driver Professional 32" ("TD Pro"), software for prototype railroads that contains the client-server features which Defendant Katzer claimed years later in the '461 application. On information and belief, Defendant Katzer worked with Train Track Computer Systems prior to filing the '461 application, thus he knew about TD Pro's capabilities. But Defendant Katzer intentionally did not list them on the Information Disclosure Sheet. He intentionally withheld information about TD Pro from the patent examiner.

19. Beginning in 1994, at conferences in the United States and Europe, LocoNet technology was publicly used to demonstrate multi-train control through a network. Conference organizers published notices and advertisements of such demonstrations. On information and belief, Defendant Katzer was aware of this information, but he intentionally withheld it from the patent examiner.

20. Strad Bushby of Silver Spring, MD, used the Digitrax products starting in 1995 to build a system involving multiple interconnected computers for running trains on a model railroad. His activities were advertised in programs at area model railroad conventions beginning in 1996, and tour buses of model railroad enthusiasts came to his home to see his control systems set-up. Mr. Bushby discussed his model train control systems with Defendant Katzer before Defendant Katzer filed his patent applications, but Defendant Katzer intentionally

withheld the information regarding Mr. Bushby's control system from the patent examiner.

21. In May 1996, John E. Kabat created software, called LOCONET1 v. 1.2, which could interface with the LocoNet network, thus allowing other programs to send commands, one program at a time, to trains through LocoNet. By early February 1997, Kabat had created a more advanced version of his program, called LOCONET.VxD, which worked in MICROSOFT Windows systems. This version of the software, offered to the public for free via download, allowed multiple programs to communicate with the LocoNet system, and queue commands to be sent to their corresponding trains. Defendant Katzer had multiple conversations with Kabat about these software programs. Defendant Katzer included discussions of Kabat's programs in his own presentations at the NMRA conventions in 1996, 1997 and 1998. However, Defendant Katzer intentionally did not list any of the Kabat programs on the Information Disclosure Sheet. He intentionally withheld information about the Kabat programs from the patent examiner.

22. Mr. Juergen Freiwald of Egmating, Germany wrote and sold software under the names "Railroad and Co." and "TrainController". This software competes with Defendant KAM's products. Versions made publicly available starting in 1995 could control multiple trains from multiple programs via multiple control systems. Defendant Katzer knew of these programs, and included information about them in his presentations at the NMRA conventions in 1997 and 1998. However, Defendant Katzer intentionally did not list it on the Information Disclosure Sheet.

He intentionally withheld information about Freiwald's software programs from the patent examiner.

23. During 1997, Stanley Ames, Rutger Friberg and Edward Loizeaux wrote a book called "Digital Command Control - the comprehensive guide to DCC" which described various control system aspects later claimed in Katzer's patent applications. Defendant Katzer contributed to this book, and signed its introduction as an explicit endorsement of its contents. Defendant KAM has offered the book for sale. However, Defendant Katzer intentionally did not list the book on the Information Disclosure Sheet. He withheld information about this book from the patent examiner. While examining one of Katzer's continuation applications recently, a patent examiner independently located the book and cited it in rejecting claims.

24. At the DCC Working Group meeting at the NMRA National Convention in early August 1997, Dr. Tanner of Digitoys gave a presentation on Railroad Open System Architecture (ROSA), which described multi-train control using a network. Dr. Tanner used several slides to describe ROSA. Defendant Katzer was a member of the DCC Working Group at the time, and attended the presentation. Defendant Katzer intentionally did not list this presentation on the Information Disclosure Sheet. He intentionally withheld information about the presentation from the patent examiner.

25. In October 2002, Dr. Tanner and Mr. Freiwald reminded Defendant Katzer and Defendant Russell of their products, and stated their products were prior art and had the capabilities that Katzer claimed as his invention several years later. As

noted later in this complaint, they also made Defendant Katzer and Defendant Russell aware of other prior art which had similar capabilities, and were material references for Katzer's patent applications. Although Defendant Katzer and Defendant Russell had two patent applications open for prosecution on the merits, neither made the patent examiner aware of the prior art identified by Dr. Tanner and Mr. Freiwald.

26. Because of fraud on the Patent Office and inequitable conduct during the prosecution of the '461 application, neither the patent issuing from the '461 application nor any patent (including the '329 patent) whose application claimed benefit of its filing date is enforceable. Because of fraud on the Patent Office and inequitable conduct during the prosecution of later applications, neither patents issuing from the later applications nor any patent (including the '329 patent) whose application claimed benefit of these applications' filing dates are enforceable.

ii. JMRI PROJECT REFERENCE WITHHELD BY DEFENDANT KATZER DURING PROSECUTION OF '878 APPLICATION

27. In late March 2002, a posting to a public mailing list described the client-server capabilities of JMRI Project software to allow multiple programs to operate multiple trains on a model railroad at the same time. On April 14, 2002, the first version of JMRI Project software containing the new capabilities, was released to the public for free download, and announced via several public mailing lists and the JMRI Project website. Defendant Katzer is a member of the public mailing list. Three days later, Defendant Katzer filed a patent application tailored to claim

the capabilities of the JMRI Project software. Defendant Katzer withheld information about the JMRI Project software from the patent examiner. After a patent issued from the patent application, Defendant Katzer, through his attorney Defendant Russell, accused Plaintiff Jacobsen of infringing the patent, and sent him a bill for more than $200,000.

28. Because of fraud on the Patent Office and inequitable conduct during the prosecution of the '878 application, the '329 patent is unenforceable.

iii. DEFENDANT KATZER'S OWN REFERENCES WHICH HE WITHHELD DURING PROSECUTION OF PATENT APPLICATIONS

29. Defendant Katzer first introduced a product called "Train Server" with the NMRA programming API[2] in 1996. Defendant Katzer claims to have sent approximately 100,000 Train Server CDs to users and developers, beginning in 1996. Defendant Katzer also created a product called "Train Tools" and first used it in 1996. On information and belief, the "Train Tools" and "Train Server" products are an embodiment of Defendant Katzer's API listed in '461 application. Defendant Katzer intentionally did not list this in the Information Disclosure Sheet. He intentionally withheld this reference from the patent examiner.

30. Defendant Katzer introduced "Engine Commander v.1.1" for the Marklin command stations in January 1995. He advertised that it worked with LocoNet. On information and belief, this reference is an embodiment of the invention claimed in the '461 application. Thus this reference would have barred Defendant

[2] "API" is short for application programming interface. An API offers short-cuts to software developers, so that they do not have to repeatedly re-create code to perform certain functions.

Katzer from obtaining his U.S. patents under 35 U.S.C. § 102(b). Defendant Katzer intentionally did not list this in the Information Disclosure Sheet. He intentionally withheld this reference from the patent examiner.

31. In July 1996, Defendant Katzer advertised "Engine Commander v. 2.0". On information and belief, this reference, alone or coupled with a server such as Defendant Katzer's "Train Server", embodied the invention later claimed in the '461 application. Thus this reference would have barred Defendant Katzer from obtaining his U.S. patents under 35 U.S.C. § 102(b). Defendant Katzer intentionally did not list this reference in the Information Disclosure Sheet. He intentionally withheld it from the patent examiner.

32. In December 1997, Defendant Katzer advertised "Engine Commander with Train Server v. 2.1". On information and belief, this product is an embodiment of the invention claimed in the '461 application. Although not clearly barred by 35 U.S.C. § 102(b), Defendant Katzer had a duty to inform the patent examiner of this advertisement. Instead, Defendant Katzer intentionally did not list it on the Information Disclosure Sheet. He intentionally withheld this reference from the patent examiner.

33. Because of fraud on the Patent Office and inequitable conduct during the prosecution of the '461 application, neither the patent issuing from the '461 application nor any patent (including the '329 patent) whose application claimed benefit of its filing date is enforceable. Because of fraud on the Patent Office and inequitable conduct during the prosecution of later applications, neither patents issuing from the later applications nor any patent (including the '329 patent)

whose application claimed benefit of these applications' filing dates are enforceable.

C. DEFENDANT KATZER KNEW HE WAS NOT THE INVENTOR OF THE INVENTIONS CLAIMED IN HIS PATENT APPLICATIONS

34. Defendant Katzer knew that others had invented some, if not all, of what he claimed in the '461 application and later patent applications, but he lied and claimed that he was the inventor.

35. For claims which had not been invented by others, Defendant Katzer knew that at least one other person had worked jointly with him to invent what he claimed in the patent applications, but he intentionally withheld the information from the patent examiner.

36. Because of fraud on the Patent Office and inequitable conduct during the prosecution of the '461 application, neither the patent issuing from the '461 application nor any patent (including the '329 patent) whose application claimed benefit of its filing date is enforceable. Because of fraud on the Patent Office and inequitable conduct during the prosecution of later applications, neither patents issuing from the later applications nor any patent (including the '329 patent) whose application claimed benefit of these applications' filing dates are enforceable.

///

///

///

///

D. THE '329 PATENT AND OTHER PATENTS ISSUED TO KATZER ARE INVALID ON VARIOUS PATENTABILITY GROUNDS

37. On information and belief, there are numerous other references, which alone or in combination with still other references, anticipate or make obvious the invention claimed in the '329 patent and other patents.

38. The '329 is invalid for failure to meet the written description requirement of 35 U.S.C. Sec. 112.

E. THERE ARE NO VALID ENFORCEABLE CLAIMS THAT CAN BE THE SOURCE OF A PATENT INFRINGEMENT CLAIM BY DEFENDANT KATZER

39. Because of Defendant Katzer's and Defendant Russell's widespread inequitable conduct, and fraud on the Patent Office, there are no enforceable claims that can be the source of a patent infringement suit against Plaintiff Jacobsen or anyone else in the U.S.

40. Numerous sources of prior art anticipate or make obvious the claims in the '329 patent and other patents issued to Katzer. The patent application also failed to meet the written description requirements of 35 U.S.C. Sec. 112. Thus, there are no valid claims that can be the source of a patent infringement suit against Plaintiff Jacobsen or anyone else in the U.S.

F. DEFENDANTS ATTEMPTED TO MONOPOLIZE, AND ENGAGED IN OTHER UNLAWFUL, UNFAIR AND FRAUDULENT BUSINESS PRACTICES

41. Because Defendants Katzer and Russell withheld material references and because Defendants Katzer and Russell knew prior art either anticipated or made obvious the inventions in the '329 patent, Defendants Katzer and Russell knew the '329

patent, and other patents issued to Katzer which he and Russell made veiled threats to enforce, were not valid and enforceable.

42. Despite knowing that the patents were invalid and unenforceable, Defendants embarked on a scheme to enforce them and collect patent royalties in violation of federal antitrust laws and California unfair business practices laws. As a part of the scheme, they filed or threaten to file patent infringement lawsuits, cybersquatted on a JMRI Project trademark, repeatedly made false charges against Plaintiff Jacobsen within industry working groups and on multiple public forums, represented the patents were valid and enforceable, and used a FOIA request to libel Plaintiff Jacobsen and intimidate him into shutting the JMRI Project down.

i. ENFORCEMENT TACTICS THROUGH 2004

43. On Sept. 18, 2002, Defendant Russell filed patent infringement lawsuits in U.S. District Court for the District of Oregon, on behalf of Defendant Katzer and Defendant KAM against Dr. Hans Tanner of Digitoys and Juergen Freiwald of Freiwald Software and certain distributors. The complaint against Dr. Tanner alleged that Dr. Tanner's WinLok 1.5 and 2.0 infringed patents issued to Katzer. The complaint against Mr. Freiwald alleged that Mr. Freiwald's Railroad & Co. software infringed the patents issued to Katzer. Concurrent with filing the lawsuit, Defendant Russell sent cease and desist letters to dealers who sold WinLok or Railroad & Co. software.

44. On Oct. 3, 2002, Dr. Tanner wrote Defendant Russell regarding the patent infringement complaint. Dr. Tanner reminded Defendant Russell that WinLok 1.5

and 2.0 had been released in 1993 and 1995, respectively. Thus, Dr. Tanner said, Defendant Katzer's patent could not claim what would have been barred under 35 U.S.C. § 102(b). Dr. Tanner also pointed out that at least three other products had the capabilities claimed later by patents issued to Katzer – Railroad & Co.'s software, MES software created by Heinrich Maile of Spain, and SoftLok software created by a German manufacturer. All three also would have served to bar patents issued to Katzer under § 102(b). Citing Defendant Katzer's "failure … to fully disclose the widely known and extant body of prior art", Dr. Tanner accused Defendant Katzer of withholding references from the patent examiner, in violation of Rule 1.56.

45. On Oct. 15, 2002, Mr. Freiwald wrote Defendant Russell regarding the patent infringement complaint. Mr. Freiwald told Defendant Russell that his Railroad & Co. software program had been sold since summer 1996. Like Dr. Tanner, Mr. Freiwald pointed out that WinLok 1.5 and 2.0, the Spanish MES program, the German SoftLok program pre-dated Defendant Katzer's patent application by more than 1 year. Mr. Freiwald also noted that the German program MpC also had capabilities claimed by the Katzer patent and was sold beginning in 1996. Thus these would bar Defendant Katzer's patents. Then, Mr. Freiwald told Defendant Russell: "Furthermore, it can be assumed that Katzer, as an expert in the market of software for model railroad computer control, was aware of the programs listed above when he filed his patents." Mr. Freiwald then accused Defendant Katzer of withholding references, in violation of Rule 1.56.

46. On information and belief, Defendant Katzer and Defendant Russell discussed the letters from Dr. Tanner and Mr. Freiwald. Realizing that the patents they had worked together to obtain would be held unenforceable and/or invalid, they decided to dismiss the lawsuit.

47. Defendant Katzer's lawsuit against Dr. Tanner and Mr. Freiwald was dismissed on Dec. 20, 2002.

48. On information and belief, Defendant Katzer and Defendant Russell conspired to find other easier targets against which to enforce patents issued to Katzer. On information and belief, during 2003 and 2004, Defendant Katzer and Defendant Russell contacted several other hobbyists who offered software for controlling model trains. On information and belief, Defendant Katzer and Defendant Russell threatened them with patent infringement lawsuits and forced them to pay patent royalties. On such victim of these anticompetitive enforcement tactics was Glen Butcher who had offered free model railroad control system software called "loconetdd" and "railroadd" on his website. In September 2004, Mr. Butcher posted that he had been contacted by Defendant Katzer via e-mail. On information and belief, Defendant Katzer and/or Defendant Russell threatened Mr. Butcher with a patent infringement lawsuit and forced him to pay patent royalties. On information and belief, one or both defendants forced Mr. Butcher to take down his free software program. After Sept. 8, 2004, "loconetdd" and "railroadd" were no longer available for download.

49. Then, Defendants turned their attention to the JMRI Project.

ii. DEFENDANTS CONSPIRE AND PUT INTO EFFECT PLANS TO ATTACK THE JMRI PROJECT AND PLAINTIFF JACOBSEN

50. On information and belief, in late 2004 and early 2005, Defendants conferred to discuss the JMRI Project software, which allows for multi-train control through a client-server system. JMRI has a following among model train enthusiasts who use multi-train control systems. Defendant Katzer and Defendant Russell know JMRI competes with Katzer's products. They set upon a plan to force the JMRI Project to shut down or to pay royalties to Defendant KAM through various harassing tactics. Defendant Katzer registered a domain name that is a JMRI Project trademark, doing so in bad faith, with the intent to trade on its goodwill. Defendant Katzer and employees of Defendant KAM decided to begin a campaign within an NMRA industry working group and on multiple public forums to falsely accuse Plaintiff Jacobsen of patent infringement and other bad conduct, with the intent to weaken support for the JMRI Project. Despite knowing that the '329 patent was invalid and unenforceable, Defendant Katzer and Defendant Russell decided to threaten Plaintiff Jacobsen with patent infringement. Defendant Katzer and Defendant KAM, through Defendant Russell, sent a FOIA request to Plaintiff Jacobsen's employer, falsely accusing Plaintiff Jacobsen of patent infringement, to embarrass Plaintiff Jacobsen and to make him look bad in front of his employer. These acts have resulted in damages to Plaintiff Jacobsen and injury to Defendant KAM's competitors, including the JMRI Project.

a. DEFENDANT KATZER CYBERSQUATS ON JMRI PROJECT TRADEMARK

51. DECODERPRO is a JMRI Project trademark for a JMRI product.

52. Defendant Katzer knew that the trademark DECODERPRO belonged to the JMRI Project.[3]

53. Defendant Katzer registered www.decoderpro.com with the intent to profit from the JMRI Project's goodwill in the trademark.

54. As a part a settlement agreement in a trademark infringement case filed against Jerry Britton in Oregon, Defendant Katzer transferred rights to www.decoderpro.com to Mr. Britton on the condition that Mr. Britton not transfer them to anyone else, including the rightful owner Plaintiff Jacobsen. In the settlement agreement, Defendant Katzer required Mr. Britton to pay him $20,000 if Mr. Britton transferred the domain name to anyone else.

55. Thus, Defendant Katzer continues to intend to profit in bad faith from the JMRI Project's goodwill.

b. DEFENDANT KATZER AND DEFENDANT KAM ENGAGE IN PUBLIC CAMPAIGN AGAINST PLAINTIFF JACOBSEN, FALSELY ACCUSING HIM OF PATENT INFRINGEMENT AND OTHER BAD ACTS

56. In late 2004 or early 2005, Defendant Katzer and employees of Defendant KAM began a campaign within a NMRA industry working group and on multiple public forums against Plaintiff Jacobsen. They spread accusations, which they knew were false, of patent infringement and other bad conduct about Plaintiff Jacobsen.

57. Defendants have waged this campaign for months. This campaign has hurt Plaintiff Jacobsen's reputation and Plaintiff Jacobsen has spent a significant amount of time to fight the campaign waged against him. Defendants committed

[3] On information and belief, Defendant Katzer has or is cybersquatting on others' trademarks.

these acts to intimidate Plaintiff Jacobsen, to force him to shut down KAM's competitor, the JMRI Project, to pay royalties to Defendant KAM and to weaken support for the JMRI Project.

c. ENFORCEMENT TACTICS AGAINST JMRI PROJECT

58. On or about March 8, 2005, Defendant Russell, acting upon Defendant Katzer's instructions, sent Plaintiff Jacobsen a letter accusing Jacobsen of infringing Claim 1 of the '329 patent. In this letter, Defendant Russell stated that KAM had an active licensing program, and wanted to license its patent to Plaintiff Jacobsen at $19 per program installed on a computer. On information and belief, this license was to be paid for past downloads and any future downloads. Knowing that Dr. Tanner and Mr. Freiwald were sued in 2002, and knowing Defendant Katzer's substantial wealth allowed him to sue him, Plaintiff Jacobsen was concerned that he faced a patent infringement lawsuit. Plaintiff Jacobsen investigated Defendant Russell's assertion, but concluded that he did not infringe.

59. Plaintiff Jacobsen responded to Defendant Russell's letter on March 29, 2005. He asked for information on the preliminary analysis that Defendant Russell had done and asked for Defendant Russell to show which JMRI modules infringed Claim 1 of the '329 patent. Defendant Russell did not respond for several months.

60. On or about Aug. 24, 2005, Defendant Russell wrote back with essentially the same response he provided in his March 8, 2005 letter. He also stated that he was reviewing whether JMRI infringed any other patents issued to Defendant Katzer. Defendant Russell included no detailed explanation of what JMRI modules infringed any claim in any Katzer patent. Defendant Russell claimed the license

for Claim 1 of the '329 patent had risen $10 to $29 per license, and demanded $203,000 for the 7,000 copies that Plaintiff Jacobsen had said, at the end of summer 2005, had been distributed. On information and belief, the $29 license was to be a license paid not only for past downloads, but for future downloads. Defendant Russell enclosed a demand for payment and requested a response in 15 days.

61. On Oct. 20, 2005, Defendant Russell sent another letter to Plaintiff Jacobsen, with an invoice that included finance charges. The new total was more than $206,000.

62. Defendant Russell has continued to send letters to Plaintiff Jacobsen on a roughly monthly basis. Plaintiff Jacobsen responded on Jan. 31, 2006, stating that multiple examples of prior art anticipated claims in the '329 patent and other patents supposedly invented by Defendant Katzer, and that both Defendant Katzer and Defendant Russell knew about them.

63. On or about Feb. 7, 2006, Defendant Russell responded, and continued to accuse Plaintiff Jacobsen of infringing the '329 patent.

d. DEFENDANTS SEND A FOIA REQUEST TO PLAINTIFF JACOBSEN'S EMPLOYER TO INTIMIDATE AND EMBARRASS PLAINTIFF JACOBSEN

64. On or about Oct. 27, 2005, Defendant Russell, on Defendant Katzer's and Defendant KAM's behalf, filed a Freedom of Information Act request with the U.S. Department of Energy ("DOE"), seeking e-mails and other communications between Plaintiff Jacobsen and others regarding JMRI Project software. Plaintiff Jacobsen's employer, the Lawrence Berkeley National Laboratory at the

University of California, has a contract with DOE, and Plaintiff Jacobsen had used his DOE account on occasion to send messages to a public mailing list.

65. In the FOIA request, Defendant Russell falsely accused Plaintiff Jacobsen of patent infringement, and claimed that the Lab had sponsored the allegedly infringing JMRI Project's activities. This embarrassed Plaintiff Jacobsen in front of his employer. Jacobsen had to explain Defendants' harassing conduct to his employer and DOE. Defendant Russell made no exception for attorney-client privileged e-mails between Plaintiff Jacobsen and any attorneys who Plaintiff Jacobsen had sought legal advice from.

66. On information and belief, it was Defendants' intent to use the FOIA request to embarrass Plaintiff Jacobsen and to intimidate him into shutting down the JMRI Project and paying royalties to Defendant KAM.

67. On information and belief, DOE turned down Russell's FOIA request in late December 2005.

G. DEFENDANTS' CONDUCT HAS RESULTED IN HARM TO JMRI PROJECT, DEFENDANTS' COMPETITORS AND PLAINTIFF JACOBSEN, AND A NEED TO RESOLVE THE DISPUTE

68. Defendants' intimidation tactics have harmed Plaintiff Jacobsen, the JMRI Project, and other competitors.

69. Defendants' wrongful conduct succeeded in stopping Plaintiff Jacobsen from posting an updated version of the JMRI Project software in late 2005, which one manufacturer wanted to include in a CD due for release during the Christmas holidays.

70. The increase in exchanges between Defendant Russell, done on behalf of Defendant Katzer and Defendant KAM, and Plaintiff Jacobsen, has left Jacobsen in reasonable and serious apprehension that Defendant Katzer and Defendant KAM will sue him, despite all parties knowing that the patents are invalid and unenforceable.

71. A test version of the latest JMRI Project software has been released, and a full version will be released shortly. These versions will have the same capabilities as the prior version, which Defendants maintain infringe the '329 patent. Plaintiff Jacobsen expects Defendants to repeat their accusations that the new version infringes the '329 patent.

72. Plaintiff Jacobsen seeks resolution of this matter, seeks to end Defendants' unlawful, unfair and/or fraudulent business practices, and wants redress for the harm that Defendants' have inflicted on him and others.

COUNT ONE

Declaratory Judgment of Unenforceability of the '329 patent

Against Defendant Katzer and Defendant KAM

73. Plaintiff Jacobsen repeats and realleges each and every allegation in paragraphs 1 through 72.

74. Through their conduct, Defendant Katzer and Defendant KAM claim that the '329 patent is enforceable.

///

///

75. Plaintiff Jacobsen contends that the patent is unenforceable because of the fraud which Defendant Katzer and Defendant Russell committed on the Patent Office, and inequitable conduct.

76. By reason of paragraphs 73 through 75, an actual controversy exists between Plaintiff Jacobsen and Defendant Katzer and Defendant KAM as to the enforceability of the '329 patent. Plaintiff Jacobsen desires a judicial determination and declaration of respective rights and duties of the parties. Such a determination is necessary and appropriate at this time in order that the parties may ascertain their respective rights and duties.

COUNT TWO

Declaratory Judgment of Invalidity of the '329 patent

Against Defendant Katzer and Defendant KAM

77. Plaintiff Jacobsen repeats and realleges each and every allegation in paragraphs 1 through 72.

78. Through their conduct, Defendant Katzer and Defendant KAM claim the '329 patent is valid.

79. Plaintiff Jacobsen contends that many, if not all, enforceable claims in the '329 patent are invalid.

80. By reason of paragraphs 77 through 79, an actual controversy exists between Plaintiff Jacobsen and Defendant Katzer and Defendant KAM as to the validity of the '329 patent. Plaintiff Jacobsen desires a judicial determination and declaration of respective rights and duties of the parties. Such a determination is necessary

and appropriate at this time in order that the parties may ascertain their respective rights and duties.

COUNT THREE

Declaratory Judgment of Non-infringement

Against Defendant Katzer and Defendant KAM

81. Plaintiff Jacobsen repeats and realleges each and every allegation in paragraphs 1 through 72.

82. Defendant Katzer and Defendant KAM claim products that Plaintiff Jacobsen distributes, infringe the '329 patent.

83. Plaintiff Jacobsen contends that that he does not, and has not, infringed any valid and enforceable claim of the '329 patent.

84. By reason of paragraphs 81 through 83, an actual controversy exists between Plaintiff Jacobsen and Defendant Katzer and Defendant KAM as to the validity of the '329 patent. Plaintiff Jacobsen desires a judicial determination and declaration of respective rights and duties of the parties. Such a determination is necessary and appropriate at this time in order that the parties may ascertain their respective rights and duties.

///

///

///

///

///

COUNT IV

Antitrust violation under Sherman Act § 2

Against Defendant Katzer and Defendant KAM

(Relevant market: Multi-train control systems software; Geographic market: U.S.)

85. Plaintiff Jacobsen repeats and realleges each and every allegation in paragraphs 1 through 72.

86. For purposes of this claim, the relevant market is the market for multi-train control systems software and the geographic market is the United States.

87. Defendant Katzer and Defendant KAM have market power. Defendant Katzer and Defendant KAM boast on the KAM website that they are the predominant maker of multi-train control systems software. They claim to have sold or otherwise distributed more than 100,000 copies of control systems embodying inventions in patents issued to Katzer. On information and belief, their sales exceed $100,000. Furthermore, if valid and enforceable, the patents would dominate the relevant market. They would cover many, if not most, multi-train control systems software products made, used, sold and distributed in the United States.

88. The JMRI Project offers a competing product. It has been downloaded and used by hobbyists approximately 12,000 times. It is distributed free so there are no sales per se of the software, but donations to the project have been less than $4,000 to date.

89. Defendants knowingly and willfully obtained the patents issued to Defendant Katzer, through fraud on the Patent Office and through Defendant Katzer's and Defendant Russell's inequitable conduct. The invention in the patents also is not

patentable because it is anticipated, obvious or invented by others. But for the fraud on the patent office and inequitable conduct, the patents would not have issued.

90. Defendant Katzer and Defendant KAM engaged in anticompetitive conduct. They have embarked on a scheme, begun in 2002, to enforce these fraudulently obtained and invalid patents, and have succeeded in removing or hindering competitors through various anti-competitive enforcement tactics. In the litigation against Dr. Tanner and Mr. Freiwald, the claim was so objectively baseless that no reasonable litigant could have anticipated success. But regardless of the outcome of the litigation, Defendant Katzer and Defendant KAM used the lawsuit with the intent to interfere directly with Dr. Tanner and Mr. Freiwald's business. They intend to interfere with the JMRI Project. Later on, and through the same attorney, Defendant Russell, they have issued veiled threats that they will use other patents issued to Defendant Katzer, to threaten Plaintiff Jacobsen, among others, with patent infringement litigation.

91. Through this anticompetitive conduct, Defendant Katzer and Defendant KAM specifically intended to gain a monopoly in the relevant market.

92. Because of Defendant Katzer's substantial wealth and willingness to enforce the fraudulently obtained and invalid patents, there is a dangerous probability that Defendant Katzer and Defendant KAM would succeed in obtaining monopoly power.

///

///

93. Plaintiff Jacobsen has had to take time off work to address these threats and has lost income as a result of Defendant Katzer and Defendant KAM's unlawful conduct.

94. Defendant Katzer and Defendant KAM's unlawful conduct has caused damage to Plaintiff Jacobsen and, unless enjoined by this Court, continues to threaten to cause adverse and anticompetitive injury to Plaintiff Jacobsen and the JMRI Project.

COUNT V

UNFAIR COMPETITION UNDER SECTION 17200

Against All Defendants

95. Plaintiff Jacobsen repeats and realleges each and every allegation in paragraphs 1 through 72.

96. Defendant Katzer and Defendant KAM have engaged in unlawful, unfair and/or fraudulent business acts and practices within the meaning of California Business and Professions Code § 17200 *et seq.* In particular:

a. Defendant Katzer and Defendant KAM attempted to monopolize the multi-train control systems market in violation of Section 2 of the Sherman Act, 15 U.S.C. § 2.

b. Defendant Katzer and Defendant KAM obtained the patents issued to Katzer through fraud on the Patent Office, and through inequitable conduct during patent prosecution.

c. Defendants have described their products as being covered by multiple patents, making it likely that they deceived others into thinking that the patents were valid and enforceable when the patents are not.

d. Defendant Katzer cybersquatted on a JMRI Project trademark. As a part of a settlement for trademark infringement, Defendant Katzer transferred the domain name to Jerry Britton with instructions that if Mr. Britton transferred the name to any other person, including the rightful owner Plaintiff Jacobsen, then Mr. Britton would have to pay Defendant Katzer $20,000. Defendant Russell drafted the agreement. On information and belief, Defendants are cybersquatting on others' trademarked names, with intent to profit in bad faith from the domain names.

e. Knowing the patents issued to Katzer were unenforceable because of fraud on the Patent Office and inequitable conduct during prosecution, and invalid because of prior art, Defendants Katzer and KAM, with Defendant Russell aiding and abetting, nevertheless began a pattern of enforcing the patents issued to Katzer as if they were enforceable and valid.

f. Defendant Katzer and employees of Defendant KAM conspired and have engaged in a campaign within an NMRA industry working group and on multiple public forums to falsely accuse Plaintiff Jacobsen of patent infringement and other bad conduct. They committed these acts with the intent to weaken support for the KAM's competitor, the JMRI Project, to intimidate Plaintiff Jacobsen into shutting down the JMRI Project and to force Plaintiff Jacobsen to pay royalties to Defendant KAM.

g. Defendants conspired to send a FOIA request to Plaintiff Jacobsen's employer to embarrass him and to intimidate him into shutting down the JMRI Project and to pay royalties to Defendant KAM.

h. Plaintiff Jacobsen had to divert significant work time from other projects to deal with the false accusations and the FOIA request, resulting in a loss of income.

i. Defendant Katzer and Defendant KAM's unlawful enforcement tactics has resulted in, or threaten, anticompetitive injury to competitors, such as Plaintiff Jacobsen and the JMRI Project.

97. Plaintiff Jacobsen, other competitors, and other model train hobbyists, will continue to suffer injury in fact, and the loss of money and property, as a result of Defendants' unfair competition.

COUNT VI

CYBERSQUATTING IN VIOLATION OF 15 U.S.C. § 1125(d)

Against Defendant Katzer

98. Plaintiff Jacobsen repeats and realleges each and every allegation in paragraphs 1 through 72.

99. Plaintiff Jacobsen and the JMRI Project are the owners of the trademark DECODERPRO.

100. On information and belief, Defendant Katzer knew that DECODERPRO is a JMRI Project trademark.

101. On information and belief, Defendant Katzer registered the domain name www.decoderpro.com, in violation of Section 43 of the Lanham Act, 15 U.S.C. § 1125(d).

102. Plaintiff Jacobsen had rights to the trademark DECODERPRO before Defendant Katzer registered the name.

103. Defendant Katzer trafficked in the domain name when he transferred it to Jerry Britton and held on to rights in the domain name by threatening to force Mr. Britton to pay $20,000 if Mr. Britton transferred the domain name to another person, including the rightful owner, Plaintiff Jacobsen.

104. Thus, Defendant Katzer intends to profit in bad faith from the goodwill of Plaintiff Jacobsen's mark.

105. Unless Defendant Katzer is enjoined in its wrongful conduct, Plaintiff Jacobsen will suffer irreparable injury and harm for which there is no adequate remedy at law.

COUNT VII

LIBEL

Against all Defendants

106. Plaintiff Jacobsen repeats and realleges each and every allegation in paragraphs 1 through 72.

107. On information and belief, Defendant Katzer and Defendant KAM directed Defendant Russell to make a FOIA request to DOE, falsely accusing

Plaintiff Jacobsen of patent infringement and seeking documents relating to the JMRI Project.

108. Defendant Russell drafted a FOIA request on or about Oct. 27, 2005 to the U.S. Department of Energy, stating that the JMRI Project was infringing KAM's patents. Defendant Russell alleged that the Lab and DOE were involved in and/or funding the JMRI Project.

109. On or about Oct. 27, 2005, Defendant Russell sent the FOIA request to DOE.

110. At the time he sent the FOIA request, Defendant Russell was aware that the patents were fraudulently obtained and prior art, including the JMRI Project's software, anticipated or made obvious the '329 patent. Thus Defendant Russell, aware that the patents are unenforceable and invalid, knowingly made a false accusation of patent infringement against Plaintiff Jacobsen, a scientist whose work involves the creation of intellectual property.

111. On information and belief, Defendant Russell knew that the Lab and DOE had nothing to do with the JMRI Project, but made the allegation to effect Defendants' goal to embarrass Plaintiff Jacobsen and force him to shut down the JMRI Project and to pay royalties to Defendant KAM.

112. DOE received the FOIA request and made inquiries with the Lab. The Lab then asked Plaintiff Jacobsen about the FOIA request.

113. This false accusation embarrassed and worried Plaintiff Jacobsen, causing him to have to explain Defendants' harassing conduct to his employer, the Lab, and to the U.S. Department of Energy. The false accusation injured Plaintiff

Jacobsen's reputation, and caused him to divert significant work time from other projects to deal with the FOIA request, resulting in a loss of income.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff Jacobsen respectfully requests that the Court enter

A. A declaration that Jacobsen has not and does not infringe any valid and enforceable claim of the '329 patent.

B. A declaration that the '329 patent is invalid.

C. A declaration that the '329 patent is unenforceable because of fraud on the Patent Office during the prosecution of the '461 application.

D. A declaration that the '329 patent is unenforceable because of inequitable conduct during the prosecution of the '461 application.

E. A declaration that the '329 patent is unenforceable because of fraud on the Patent Office during the prosecution of the '878 application.

F. A declaration that the '329 patent is unenforceable because of inequitable conduct during the prosecution of the '878 application.

G. An injunction prohibiting Defendants, their officers, agents, employees, assigns, attorneys, parents, subsidiaries or other persons in active concert or participation with Defendants from asserting any claim of the '329 patent against any other person in the United States.

H. For patents owned by Defendant Katzer or Defendant KAM that remain enforceable, an injunction ordering Defendant Katzer to identify all patents and patents applications filed in the United States and throughout the world, to

produce to their respective patent offices all material references discovered through this litigation, and to request re-examination (or the nearest equivalent proceeding outside the U.S.) of any patents issuing from the patent applications.

I. A decree finding that Defendant Katzer and Defendant KAM have attempted to monopolize the market for multi-train control systems software in the United States, in violation of Section 2 of the Sherman Act, 15 U.S.C. § 2.

J. An award for treble damages for the loss of income and other property as a result of Defendants' violation of Section 2 of the Sherman Act, 15 U.S.C. § 2.

K. A decree finding that any patents used to effect Defendant Katzer and Defendant KAM's anticompetitive scheme are unenforceable.

L. A decree finding that Defendant Katzer and Defendant KAM have engaged in unlawful, unfair and/or fraudulent business practices in violation of the California Unfair Competition Act, California Business and Professions Code § 17200 *et seq.*

M. An order finding that Defendant Katzer has cybersquatted on the trademarked name, www.decoderpro.com, owned by Plaintiff Jacobsen in violation of the Lanham Act, 15 U.S.C. § 1125(d), and requiring Defendant Katzer to release any rights he has in said domain name and return said domain name to Plaintiff Jacobsen.

N. An order enjoining Defendant Katzer and Defendant KAM, and all persons and entities under their direction or control, from engaging in or carrying out any further anti-competitive or bad faith conduct in violation of the Sherman Act, and the Lanham Act.

O. An order enjoining all Defendants, and all persons and entities under their direction or control, from engaging in or carrying out any further unlawful, unfair or fraudulent business practices in violation of the California Unfair Competition Act.

P. An order referring the matter to the appropriate U.S. Attorney's Office for investigation into antitrust violations, perjury, mail fraud, and cancellation proceedings against any patents involved in this litigation, and any related patents.

Q. An award of $50,000 in damages from Defendants, jointly and severally, for libel.

R. Punitive damages for libel from Defendants, jointly and severally, in an amount that the jury find appropriate.

S. An order awarding costs and attorney's fees as permitted by law, including 35 U.S.C. § 285.

T. An order granting any other relief the court finds just.

///

///

///

///

///

///

///

///

///

DISCLOSURE OF INTERESTED PARTIES OR ENTITIES PURSUANT CIVIL LOCAL RULE 3-16

Pursuant to Civil L.R. 3-16, the undersigned certifies that as of this date, other than the named parties, there is no such interest to report.

Dated: March 13, 2006

VICTORIA K. HALL

LAW OFFICE OF VICTORIA K. HALL

Signed: Victoria K. Hall

Attorney for

Plaintiff Jacobsen

JURY DEMAND

Plaintiff respectfully requests a jury trial for all issues triable by jury.

LAW OFFICE OF VICTORIA K. HALL

Signed: Victoria K. Hall

Attorney for

Plaintiff Jacobsen