

**UNITED STATES DISTRICT COURT  
DISTRICT OF MASSACHUSETTS**

DMITRIY SHIROKOV, on behalf of himself	)	
and all others similarly situated,	)	
	)	
Plaintiff,	)	
	)	
v.	)	Civ. A. No. 1:10-cv-12043-GAO
	)	
DUNLAP, GRUBB & WEAVER, PLLC;	)	
US COPYRIGHT GROUP; THOMAS DUNLAP;	)	
NICHOLAS KURTZ; GUARDALEY, LIMITED;	)	
and ACHTE/NEUNTE BOLL KINO	)	
BETEILIGUNGS GMBH & CO KG,	)	
	)	
Defendants.	)	
	)	

**PLAINTIFF’S RESPONSE IN OPPOSITION TO DEFENDANTS DUNLAP,  
GRUBB, & WEAVER PLLC, THOMAS DUNLAP, AND NICHOLAS KURTZ’S  
MOTION TO DISMISS PURSUANT TO FED. R. CIV. P. 12(b)(6), INCLUDING  
MEMORANDUM OF REASONS**

Plaintiff Dmitriy Shirokov (“Plaintiff”), by and through his undersigned counsel, hereby submits this response in opposition to Defendants’ Motion to Dismiss Pursuant to Fed. R. Civ. P. 12(b)(6) (“MTD”) filed on January 25, 2011 by Defendants Dunlap, Grubb & Weaver PLLC (“DGW”), Thomas Dunlap (“Dunlap”), and Nicholas Kurtz (“Kurtz”) (collectively, the “Moving Defendants”). For the reasons given in the following memorandum, the Moving Defendants’ motion should be denied.

**INTRODUCTION**

The Moving Defendants, on behalf of their client, Defendant Achte/Neunte Boll Kino Beteiligungs Gmbh & Co KG (“Achte”), have made a series of frivolous claims,

prayers for relief, and demands against Plaintiff and thousands of other similarly situated individuals (collectively, the “proposed Class”), in filings with the United States District Court for the District of Columbia, a copyright registration application to the United States Copyright Office, and communications by mail and websites directed to members of the proposed Class. Plaintiff filed a Class Action Complaint and Jury Demand<sup>1</sup> (“Complaint”) in this Court on behalf of himself and the proposed Class on November 24, 2010 to challenge these and other bad faith acts by the Defendants. The Moving Defendants, through their motion to dismiss, seek to evade liability for their wrongful acts. They raise three main arguments: (1) that Plaintiff does not have standing to sue; (2) that a litigation privilege protects the Moving Defendants from most of the counts in the Complaint; and (3) that other specified counts in the Complaint do not state a cause of action or a claim.

As discussed in greater detail below, none of Moving Defendants’ arguments can sustain their burden on a motion to dismiss, and some of their allegations have been mooted by the amended complaint. (1) Plaintiff has standing, as Defendants (including the Moving Defendants) caused him compensable injury. (2) The litigation privilege does not protect the full course of wrongful conduct by the Moving Defendants, including statements that were (a) not material to the Defendants’ claims, (b) made when litigation was not seriously contemplated in good faith, or (c) made to the Copyright Office. (3) Plaintiff’s amended complaint sufficiently pleads each count as a claim against Moving

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<sup>1</sup> After Moving Defendants filed their motion to dismiss the Complaint, Plaintiff filed a First Amended Complaint and Jury Demand (“FAC”) on February 8, 2011, and moved the Court for leave to file a Second Amended Complaint and Jury Demand (“SAC”) on February 18, 2011. Pending the Court’s resolution of Plaintiff’s motion, the FAC is the operative complaint. For convenience, this Response will provide citations to both the FAC and SAC.

Defendants. Plaintiff has extensively detailed a scheme of settlement fraud and extortion by Defendants involving violations of the Copyright Act, RICO, and Chapter 93A, misrepresentation, abuse of process, copyright misuse, fraud upon the court and upon the Copyright Office, and misappropriation of funds. His clear and well-pleaded complaint has ample factual and legal support to withstand the Moving Defendants' inapt motion to dismiss.

### **STANDARD OF REVIEW**

In evaluating a motion to dismiss under Fed. R. Civ. P. 12(b)(6), the Court “must assume the truth of all well-plead[ed] facts and give the plaintiff the benefit of all reasonable inferences therefrom.” *Vernet v. Serrano-Torres*, 566 F.3d 254, 258 (1<sup>st</sup> Cir. 2009) (quoting *Ruiz v. Bally Total Fitness Holding Corp.*, 469 F. 3d 1, 5 (1<sup>st</sup> Cir. 2007)). “While a defendant may seek dismissal under Rule 12(b)(6) for failing to state a claim upon which relief can be granted, a complaint actually only requires ‘a short and plain statement of the claim showing that the pleader is entitled to relief.’” *Krasnor v. Spaulding Law Office*, 675 F. Supp. 2d 208, 209 (D. Mass. 2009) (quoting Fed. R. Civ. P. 8(a)(2)). “According to the Supreme Court, this means that a plaintiff must allege enough facts so that the claim is ‘plausible on its face.’” *Id.* (quoting *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555-56 (2007)). That is, “the factual content pled should ‘allow[] the court to draw the reasonable inference that the defendant is liable for the misconduct alleged.’” *Id.* at 209-10 (quoting *Ashcroft v. Iqbal*, 129 S. Ct. 1937, 1949 (2009)). “At bottom, a complaint will survive a Rule 12(b)(6) dismissal if ‘the facts, evaluated in [the required] plaintiff-friendly manner, contain enough meat to support a reasonable expectation that

an actionable claim may exist.” *Id.* at 210 (quoting *Andrew Robinson Int’l, Inc. v. Hartford Fire Ins. Co.*, 547 F. 3d 48, 51 (1<sup>st</sup> Cir. 2008)).

## ARGUMENT

### I. Restatement of Facts

Defendant Dunlap, Grubb & Weaver, PLLC (“DGW”) is a law firm based in Virginia. FAC ¶ 33; SAC ¶ 34. Defendant Thomas Dunlap (“Dunlap”), an attorney, is a managing partner at DGW. FAC ¶ 35; SAC ¶ 36. Defendant Nicholas Kurtz (“Kurtz”) is an attorney at DGW. FAC ¶ 36; SAC ¶ 37. DGW established Defendant US Copyright Group (“USCG”) as an alias of DGW. FAC ¶ 34; SAC ¶ 35. USCG is also a business partnership with non-lawyers, including Defendant GuardaLey, Limited (“GuardaLey”), a German company. FAC ¶¶ 37, 72; SAC ¶¶ 38, 73. DGW employs USCG to engineer copyright infringement claim settlements on behalf of clients in the motion picture industry. FAC ¶¶ 73-82; SAC ¶¶ 74-83.

One of DGW’s clients in the USCG settlement business model is Defendant Achte. FAC ¶¶ 38, 88-89; SAC ¶¶ 39, 89-90. Achte claims to own a valid copyright to a motion picture entitled *Far Cry*. FAC ¶ 164; SAC ¶ 163. The motion picture was first published by release in German theaters on October 2, 2008, and first published in the United States by release in theaters on December 17, 2008. FAC ¶¶ 98-99; SAC ¶¶ 99-100. The motion picture was published in DVD first by release in the Netherlands on April 14, 2009; DVD releases in other countries followed, including the United States, on November 24, 2009. FAC ¶¶ 100-103; SAC ¶¶ 101-104. Through DGW, Dunlap, and Kurtz (collectively, the “Moving Defendants”), Achte has alleged that 4,577 unnamed

individuals (the proposed plaintiff class) ("proposed Class") have infringed its copyright in the motion picture Far Cry by downloading and/or uploading the motion picture without permission. FAC ¶ 143 & Exh. M; SAC ¶ 143 & Exh. M.

Achte, and/or DGW and/or USCG acting on Achte's behalf, retained Defendant GuardaLey, Limited ("GuardaLey") to compile the IP addresses of alleged infringers of the Far Cry copyright. FAC ¶¶ 132, 199; SAC ¶¶ 133, 198. DGW submitted a copyright registration application for Achte. FAC ¶ 93; SAC ¶ 94. In the copyright application, Dunlap supplied a false first date and nation of first publication: November 24, 2009, in the United States. FAC ¶ 110; SAC ¶ 111. The registration certificate issued by the Copyright Office reflected that materially false information. FAC ¶¶ 111, 123-124 & Exh. J; SAC ¶¶ 112, 124-125 & Exh. J.

Under Section 412 of the Copyright Act, 17 U.S.C. § 412, statutory damages and attorney's fees are not remedies available to a copyright owner for infringement of any work published more than three months prior to registration, when infringement commences prior to registration. FAC ¶¶ 43-44; SAC ¶¶ 44-45. Dunlap was aware of the absolute bar Section 412 imposed on those remedies, and the three-month length of its grace period, which he knew had lapsed. FAC ¶¶ 11, 64-65, 69, 104, & Exh. D; SAC ¶¶ 11, 65-66, 70, 105 & Exh. D. Pursuant to Section 412, the registration certificate would not have supported claims for statutory damages or attorney's fees if it had correctly listed the correct date of first publication, which was more than three months prior to the registration application. FAC ¶¶ 108, 124-125; SAC ¶¶ 109, 125-126. Nonetheless,

Dunlap certified that the information given in the application was correct to the best of his knowledge. FAC ¶¶ 119-120, SAC ¶¶ 120-121.

On the basis of the registration certificate, Achte and the Moving Defendants claimed in court filings, subpoenas, public websites and correspondence with the proposed Class members, a right to sue seek statutory damages and attorney's fees. FAC ¶¶ 133, 140-142, 146-150, 155-161, 170-172, 180, 186, 188, 190-195 & Exhs. L, M, N, & P; SAC ¶¶ 134, 141-143, 145-147, 154-160, 169-171, 179, 185, 187, 189-194 & Exhs. L, M, N, & P. Achte, by and through the Moving Defendants, filed a lawsuit (the "Achte action") in the United States District Court for the District of Columbia alleging copyright infringement against each member of the proposed Class. DGW filed Achte's initial complaint on March 18, 2010, against 2,094 members of the proposed Class. FAC ¶ 133; SAC ¶ 134. Achte alleged in that complaint that more than 95% of the alleged infringers had infringed prior to the effective date of registration of the *Far Cry* copyright. FAC ¶¶ 137, 139, SAC ¶ 139, 141.

On the same date, Achte, by and through the Moving Defendants, sought subpoenas from that court, which they then caused to be issued to the Internet Service Providers for the proposed Class members. FAC ¶ 134; SAC ¶ 135. When the Internet Service Providers provided the Defendants with a proposed Class member's contact information, DGW sent a Letter to each, including Plaintiff, describing the copyright infringement lawsuit against them and claiming an intention to seek remedies, including statutory damages of up to \$150,000 and attorney's fees, if the claim was not settled. FAC ¶¶ 135-136, 159-185 & Exh. N; SAC ¶¶ 136-137, 158-184 & Exh. N. On May 12,

2010, Achte, by and through the Moving Defendants, filed its First Amended Complaint in the Achte action, against all 4,577 members of the proposed Class, including Plaintiff. FAC ¶ 143 & Exh. M, SAC § 142 & Exh. M.

On November 24, 2010, Plaintiff filed his initial Complaint against DGW, Dunlap, Kurtz, USCG, Achte, and GuardaLey (collectively, “Defendants”) in this Court as a proposed class action on behalf of himself and all others similarly situated, directly addressing the issue of the Achte action’s pursuit of remedies barred by the Copyright Act. FAC ¶ 208, SAC ¶ 210. On December 6, 2010, less than two weeks after Plaintiff’s Complaint was filed in this Court, Achte, by and through the Moving Defendants, filed its Second Amended Complaint in the Achte action. Achte’s Second Amended Complaint, dated December 3, 2010, named one Defendant, and alleged infringement by 139 others. The Second Amended Complaint alleged only acts of infringement that occurred after the registration date.

## **II. Plaintiff Has Standing to Bring His Claims.**

### **A. As Class Representative, Plaintiff Need Not Personally Satisfy the Requirement of Injury-in-Fact for Each Cause of Action, as Long as He and Other Members of the Class Do.**

Defendants attempt to frame their motion in terms of the Plaintiff only, contending that he does not have standing for each claim. Nor does he have to in a class action. Even though a plaintiff has not met the standing requirements with respect to all his claims, he may still seek class-wide relief provided he has personal standing with respect to at least one substantial claim and provided class action is otherwise appropriate. Fed. R. Civ. P. 23(a); *Harris v. White*, 479 F. Supp. 996 (D. Mass. 1979); *In*

*re General Motors Trucks*, 55 F.3d 768, 817 (3d Cir. 1994). The Complaint properly alleges that Plaintiff and others in the proposed Class have standing.

**B. Plaintiff Need Not Personally Satisfy the Requirement of Certain Counts that Defendants Obtained His Money or Property, as Long as He Has Standing for Other Counts, and Other Members of the Class Can Satisfy That Requirement.**

Plaintiff's claims for unjust enrichment, money had and received, conversion, and constructive trust, like all other claims, are brought on behalf of a proposed Class of similarly situated plaintiffs. Plaintiff can and will satisfy the standing requirements for some counts, but need not do so for all counts, as long as other class members do. *Harris v. White*, 479 F. Supp. 996 (D. Mass. 1979).

**C. Plaintiff Suffered Damages.**

Plaintiff and the Class have suffered compensable damages. The Defendants argue that Plaintiff has not alleged causation of damages. The Complaint specifically alleges that Defendants have caused damage to himself, and others in the proposed Class, in the form of unwarranted legal expenses and costs, among other damages.

In support of their position, Moving Defendants seek to cite *Cordeco Dev. Corp. v. Santiago Vasquez*, 539 F.2d 256, 262 (1st Cir. 1967) to their advantage, parsing the sentence they quote to favor their position: “[A]ttorney’s fees are not compensable damages.” But the full quote reads: “*At common law* attorney’s fees are not compensable damages, nor are they the appropriate measure of punitive damages.” *Id.* (emphasis added). The court in *Cordeco*, like the courts in each case Defendants cite regarding the American Rule, goes on to elaborate:



Support for the district court's award of attorney's fees, then, can only be found, in the absence of an applicable statute, in the traditional equitable power to award fees when the losing party has “acted in bad faith, vexatiously, wantonly, or for oppressive reasons. . . .”

*Id.* (citation omitted). See also *Bukuras v. Mueller Group, LLC*, 592 F.3d 255, 266 (1st Cir. 2010).

Here, several of the claims in the Complaint are *statutory* and expressly grant the Plaintiff and Class standing for attorney’s fees. Likewise, Copyright claims are an exception to the American Rule. See *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994). The Complaint also details to great factual extent examples of Defendants ‘bad faith, vexatious, wanton, and oppressive’ acts, and as detailed in the following pages meets the standing of threshold for each common law claim. The motion to dismiss must be denied.

### **III. The Moving Defendants Are Not Entitled to the Litigation Privilege.**

The Moving Defendants claim that any statements they have made in their pursuit of litigation are within the litigation privilege under Massachusetts law, which protects certain communications that are pertinent or material to active or potential litigation. This defense is without merit. The privilege is not recognized under federal common law, which governs privileges in this case. Moreover, as Plaintiff makes clear in the Complaint’s factual recitals, his claims are not based solely on the false statements in their demand letters regarding potential litigation. Rather, Plaintiff’s claims against the Moving Defendants encompass a broader course of wrongful conduct to which the privilege does not apply, including the filing of a Copyright Office registration on the basis of knowingly fraudulent claims. Even the Massachusetts privilege would not attach

to statements that are not pertinent to litigation, including the Moving Defendants' irrelevant threats for forms of relief barred by the Copyright Act; nor to statements made when litigation was not seriously contemplated in good faith, including their threats of litigation made to proposed Class members against whom the Moving Defendants did not intend to proceed, knowing no claim for statutory damages would lie. Defendants, asserting the litigation privilege, have

the burden of establishing the entitlement to the privilege. Thus, a motion to dismiss on the grounds that the acts complained of were privileged will only succeed when the entitlement to the privilege is demonstrated by the complaint itself, taking all allegations of the complaint as true and drawing all reasonable inferences in favor of the plaintiffs.

*Meltzer v. Grant*, 193 F. Supp. 2d 373, 381 (D. Mass. 2002).

**A. Privileges in This Federal Question Case Are Governed by Federal Common Law, Which Does Not Recognize the Massachusetts Litigation Privilege.**

In arguing for the shelter of a state-based litigation privilege in this case, the Moving Defendants fail to reference the appropriate legal standard. "Questions of privilege in federal question cases are governed by federal law." *Shea v. McGovern*, Civ. A. No. 1:08-12148-MLW, 2011 U.S. Dist. LEXIS 8992, \*14 (D. Mass. Jan. 31, 2011) (citing Federal Rule of Evidence 501<sup>2</sup>). "A federal privilege applies even if a federal civil action combines state and federal law claims and the asserted privilege is relevant to both claims." *Id.* at \*14-15 (citations omitted). Federal courts in Massachusetts apply the federal law of privilege "in a federal question case where the court is also hearing a state

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<sup>2</sup> Under Federal Rule of Evidence 501, federal courts apply federal common law regarding privileges, and state privileges only apply in cases where "[s]tate law provides the rule of decision." As noted in the legislative history for Rule 501, "[i]t is also intended that the Federal law of privileges should be applied with respect to pendant State law claims when they arise in a Federal question case." S. Rep. No. 93-1277, at 12 n. 16 (1974), *as reprinted in* 1974 U.S.C.C.A.N. 7051, 7059 n. 16.

law claim pursuant to supplemental jurisdiction.” *Vanderbilt v. Town of Chilmark*, 174 F.R.D. 225, 226-27 (D. Mass. 1997); see also *Krolikowski v. Univ. of Mass.*, 150 F. Supp. 2d 246, 248 (D. Mass. 2001) (applying federal privilege law to both state and federal civil rights claims). Federal common law applies not only to evidentiary privileges, but to claims of immunity from suit. See, e.g., *Tenney v. Brandhove*, 341 U.S. 367 (1951) (extending absolute legislative immunity to state legislators); accord *Nat’l Ass’n of Social Workers v. Harwood*, 69 F. 3d 622 (1st Cir. 1995) (same, as to Rhode Island legislators); *Hydrogen Tech. Corp. v. United States*, 831 F. 2d 1155, 1160 (1<sup>st</sup> Cir. 1987) (applying federal law to a claim of immunity under Federal Tort Claims Act).

The privilege does not apply to federal causes of action. “A state absolute litigation privilege purporting to confer immunity from suit cannot defeat a federal cause of action.” *Steffes v. Stepan Co.*, 144 F.3d 1070, 1074 (7<sup>th</sup> Cir. 1998). In *Steffes*, the Seventh Circuit declined to apply the Illinois litigation privilege to defeat federal discrimination and retaliation claims, which “would indeed constitute error.” *Id.* See also *Kimes v. Stone*, 84 F.3d 1121 (9<sup>th</sup> Cir. 1996) (reversing dismissal of claims against attorney defendants upon plaintiff’s appeal, which argued “that the Supremacy Clause prohibits the application of California’s litigation privilege to bar a federal civil rights claim”); *Pardi v. Kaiser Found. Hospitals*, 349 F. 3d 840, 851 (9<sup>th</sup> Cir. 2004) (denying application of California litigation privilege to claims of discrimination under the Americans with Disabilities Act); *Martinez v. California*, 444 U.S. 277, 284 (1980) (42 U.S.C. § 1983 claim preempts state litigation privilege). Massachusetts’ state litigation privilege, even if it applies to state claims, does not apply to federal claims arising out of

the same incident. *Alger v. Ganick, O'Brien & Sarin*, 35 F. Supp. 2d 148, 158 (D. Mass. 1999) (an attorney's "purportedly false statements in open court may subject [his law firm] to liability under the FDCPA whereas such statements are subject to a privilege under state common law"). As a result, Moving Defendants' motion to dismiss Plaintiff's RICO claims must be denied.

Pendent state claims must survive the motion as well. This federal question case arises under federal statutes (the Copyright Act, the Computer Fraud and Abuse Act, and the Racketeer Influenced and Corrupt Organizations Act) in addition to pendent state statutory and common law claims. As a result, state privilege law does not apply, and the claimed litigation privilege would be available to Defendants only if recognized as a matter of federal common law.<sup>3</sup> The Moving Defendants erroneously seek the privilege as a bar not only to Plaintiff's RICO claims, but also to pendent state claims. Because federal common law does not support the state privilege, Defendants' motion does not support dismissal of the RICO claims or any others.

In *Conditioned Ocular Enhancement, Inc. v. Bonaventura*, 458 F. Supp. 2d 704, 708 (N.D. Ill. 2006), the Court declined to apply the state litigation privilege to bar federal claims under the Lanham Act, citing *Steffes*, and noted separately that a patent holder's right to enforce its patents through infringement letters "extends only so long as

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<sup>3</sup> Moving Defendants rely solely on cases from Massachusetts courts, or otherwise applying Massachusetts' litigation privilege. Such cases provide insufficient support for applying the privilege as a matter of federal common law. *Gallagher v. Gurstel, Staloch & Chargo, P.A.*, 645 F. Supp. 2d 795, 803 (D. Minn. 2009) (finding cases that "concern the scope of state-law privileges as applied to state law causes of action" irrelevant to federal claims; "Obviously, a state cannot 'privilege' a debt collector to violate federal law."); see also legislative history for Fed. R. Evid. 501: "[S]tate law does not supply the rule of decision (even though the federal court may apply a rule derived from state decisions), and state privilege law would not apply." H.R. Rep. No. 93-1597, at 7-8 (1974) (Conf. Rep.), as reprinted in 1974 U.S.C.C.A.N. 7098, 7101. The Massachusetts cases cited by Moving Defendants are particularly inapt to a proposed class action on behalf of plaintiffs throughout the United States, and where the Moving Defendants are based not in Massachusetts, but in Virginia and Washington, D.C.

the Letters were issued in good faith and did not contain false statements.” Because the litigation privilege is not admitted under controlling federal law, and does not extend to Defendant’s false threats (as discussed below), it does not bar Plaintiff’s claims.

Moreover, in *Religious Technology Center v. Wollersheim*, 971 F. 2d 364 (9<sup>th</sup> Cir. 1992), the Court specifically denied application of California’s statutory litigation privilege under federal common law to bar claims which—like Plaintiff’s claims in the instant case—alleged violations of the Copyright Act, RICO, and state tort law. The defendant attorney “cite[d] no cases, and we have found none, indicating such a privilege has been recognized as a matter of federal common law.” *Id.* at 367 n. 10. State-based privileges in a federal question case are governed by federal common law, under which, as discussed below, the litigation privilege is recognized only in defamation cases.

**B. The Federal Common Law Has Recognized a Litigation Privilege Against Defamation Claims, Which Are Not at Issue in this Case.**

Under federal common law, a privilege has provided immunity from claims of defamation for statements made by judges, parties, counsel and witnesses in the course of a judicial proceeding. The Supreme Court recognized this privilege as applicable to defamation cases: “*In the law of defamation*, a concern for the airing of all evidence has resulted in an absolute privilege for any courtroom statement relevant to the subject matter of the proceeding. In the case of lawyers the privilege extends to their briefs and pleadings as well.” *Imbler v. Pachtman*, 424 U.S. 409, 426 n. 23 (1976) (emphasis added). But “only in a narrow class of cases involving defamation claims has the Supreme Court acknowledged a common law tradition of absolute immunity for private lawyers.” *Robinson v. Volkswagenwerk AG*, 940 F. 2d 1369, 1371 (10<sup>th</sup> Cir. 1991).

Some Massachusetts courts have extended the privilege against defamation claims to other torts, while others have questioned the propriety of this deviation from common law principles: “it is doubtful that the so-called ‘litigation privilege’ applies to this case at all, as it is essentially a defense to defamation claims available to those who make defamatory statements in their capacity as witnesses in judicial proceedings.” *Day v. Kerkorian*, 72 Mass. App. Ct. 1, 8 & n.6 (2008) (citing Restatement (Second) of Torts § 588 (1977), and noting that “[t]he chapter of the Restatement in which § 588 appears is entitled ‘Defenses to Actions for Defamation’”). “Indeed ... the Supreme Judicial Court framed the privilege in precisely those terms, i.e., ‘[i]t is well established that statements made by a witness or party during trial, if ‘pertinent to the matter in hearing,’ are protected with an absolute privilege against an action for defamation.’” *Id.* (quoting *Correllas v. Viveiros*, 410 Mass. 314, 320 (1991), and citing *Sax v. Sax*, 53 Mass. App. Ct. 765, 773 n.10 (2002)).

A federal court in Illinois has expressly recognized a litigation privilege as a matter of federal common law, but only as a bar to “defamation claims stemming from statements ... that are related to judicial proceedings.” *NSB Techs., Inc. v. Specialty Direct Mktg., Inc.*, Case No. 03-C-2323, 2004 U.S. Dist. LEXIS 16830, \*14 (N.D. Ill. Aug. 20, 2004). State defamation claims, unquestionably covered by the privilege, are not at issue in this case. See, e.g., *L-3 Commc’ns Integrated Sys., LP v. Lockheed Martin Corp.*, Civ. A. No. 3:07-cv-0341-B, 2008 U.S. Dist. LEXIS 74907, \*32 (N.D. Tex. Sept. 29, 2008) (denying motion to dismiss based on litigation privilege where plaintiff had not asserted “claims of defamation, or its equivalent, based on statements made during litigation”);

see also *Sykes v. Mel Harris & Assocs., Inc.*, 09 Civ. 8486 (DC), 2010 U.S. Dist. LEXIS 137461, \*35 (S.D.N.Y. Dec. 29, 2010) (“Because plaintiffs have not claimed defamation, the privilege is wholly inapplicable here.”).

**C. The Federal Common Law Should Not Be Extended to Recognize the Litigation Privilege in this Case, Where Its Application Would Undermine Its Purposes.**

Thus, the absolute privilege sought by Moving Defendants against myriad counts should not be recognized under federal common law. “In federal question cases, the law of privilege is governed by ‘the principles of the common law as they may be interpreted by the courts of the United States in the light of reason and experience.’” *Religious Tech Ctr.*, 971 F.2d at 367 n. 10 (quoting Fed. R. Evid. 501). “Federal common law recognizes a privilege only in rare situations.” *In re Grand Jury Subpoena Duces Tecum*, 112 F.3d 910, 918 (8<sup>th</sup> Cir. 1997). Privileges “are not lightly created nor expansively construed, for they are in derogation of the search for truth.” *United States v. Nixon*, 418 U.S. 683, 710 (1974).

The litigation privilege available under federal common law is not applicable in this case because it would undermine the policies that justify the privilege. “Generally the recognition of an absolute privilege in defamation cases is limited to cases in which public policy or the administration of justice requires complete immunity from the threat of defamation suits.” *Ezekiel v. Jones Motor Co., Inc.*, 374 Mass. 382, 385 (1978). Communications “regarding a judicial proceeding have been found to be outside this privilege [when they] do not advance the policy upon which the privilege rests.” *Milford Power Ltd. P’ship v. New England Power Co.*, 918 F. Supp. 471, 486 (D. Mass. 1996)

(citing *Sullivan v. Birmingham*, 11 Mass. App. Ct. 359 (1981) (communications to news media not privileged).

Courts at common law applying the defamation privilege often questioned its purpose and scope. See *Torrey v. Field*, 10 Vt. 353, 415 (1838) (doubting “the rationale of the rule, as applicable to private suitors ... There is, in principle, no good reason why a suitor in court should be permitted to publish slander with impunity, more than any other one ...”; but accepting the privilege as settled law as to claims of libel and slander). The doctrine of immunity from defamation claims for statements in judicial proceedings “is so obviously inconsistent with the rule that a remedy should exist for every wrong that the courts have steadily refused to extend it beyond the strict lines already established.” Veeder, *Absolute Immunity in Defamation: Judicial Proceedings*, 9 Colum. L. Rev. 463, 465 (1909). In *Hoar v. Wood*, 44 Mass. (3 Met.) 193 (1841), described as a “leading case” on the common law defamation privilege in *Imbler v. Pachtman*, 424 U.S. 409, 426 n. 23 (1976), Chief Justice Shaw declared,

this privilege must be restrained by some limit, and we consider that limit to be this: that a party or counsel shall not avail himself of his situation to gratify private malice by uttering slanderous expressions, either against a party, witness, or third person, which have no relation to the cause or subject-matter of the inquiry.

*Id.* at 197. More simply, he described both the purpose and the limitations on the privilege: “It is for the interests of the public that great freedom be allowed in complaints and accusations, however severe, *if honestly made ...*” *Id.* at 194. Expanding the privilege to shelter fraud undermines this common sense, common law restriction.



Recognizing the limited scope of the privilege, the Supreme Court found that the common law “immunity for defamatory statements made in the course of judicial proceedings ... would not have covered a conspiracy” by counsel. *Tower v. Glover*, 467 U.S. 914, 922 (1984).

The Supreme Court further elucidated two purposes underlying the traditional common-law immunity for parties and witnesses, with respect to their testimony in judicial proceedings, in *Briscoe v. LaHue*, 460 U.S. 324 (1983). First, “the dictates of public policy, which require[] that the paths which lead to the ascertainment of truth should be left as free and unobstructed as possible,” so as not to induce a witness’s self-censorship. *Id.* at 333 (quoting *Calkins v. Sumner*, 13 Wis. 193, 197 (1860)). Second: “the truthfinding process is better served if the witness’ testimony is submitted to ‘the crucible of the judicial process so that the factfinder may consider it, after cross-examination, together with the other evidence in the case to determine where the truth lies.’” *Briscoe*, 460 U.S. at 333-34 (quoting *Imbler*, 424 U.S. at 440 (White, J., concurring in judgment)).

Neither of those purposes—the ascertainment of truth through candid testimony, nor the crucible of cross-examination—would be furthered by applying the privilege to a case of pre-judicial fraud such as the one before the Court.

The first purpose proffered for the privilege seeks to ensure justice by guaranteeing that a witness’s testimony will not “be distorted by the fear of subsequent liability.” *Id.* at 333 (citing Veeder, *Absolute Immunity in Defamation: Judicial Proceedings*, 9 Colum. L. Rev. 463, 470 & n. 12 (1909), as “a leading commentator” on the issue). Massachusetts courts have endorsed this rationale by stating that the privilege

“rests on the ‘policy of permitting attorneys complete freedom of expression and candor in communication *in their efforts to secure justice* for their clients.’” *Davidson v. Cao*, 211 F. Supp. 2d 264, 275 (D. Mass. 2002) (quoting *Sriberg v. Raymond*, 370 Mass. 105, 108 (1976)). This purpose of the privilege would be subverted if it were applied shelter attorneys’ efforts to secure *injustice*, by extorting settlement agreements far greater than the remedies available to their clients at law. In a case involving fraud upon the court, where the privileged speaker has such an improper purpose, such a justification is misplaced. In an overview of the modern privilege in multiple states, the Supreme Court of Idaho recently found:

Application of the litigation privilege varies across jurisdictions, but the common thread found throughout is the idea that an attorney acting within the law, in a legitimate effort to zealously advance the interests of his client, shall be protected from civil claims arising due to that zealous representation. An attorney engaging in malicious prosecution, which is necessarily pursued in bad faith, is not acting in a manner reasonably calculated to advance his client's interests, and *an attorney engaging in fraud is likewise acting in a manner foreign to his duties as an attorney.*

*Taylor v. McNichols*, No. 36130, 2010 Ida. LEXIS 161 (Idaho Sept. 3., 2010) (emphasis added).

The *Briscoe* Court’s other basis for the privilege, the “crucible” of cross-examination, was not available to purify the settlement letters, sent directly to unrepresented defendants out of court. Indeed, judicial scrutiny was precisely what Defendants’ settlement fraud sought to avoid. The threatening demand letters sent by the Moving Defendants to Plaintiff and others in the proposed Class should not qualify for the privilege, because they are not subject to the safeguards of judicial supervision. In *Hoar v. Wood*, describing the “latitude [that] must be allowed to the judgment and

discretion of” a party or its counsel, the Supreme Judicial Court of Massachusetts has noted that, if their

feelings sometimes manifest themselves in strong invectives or exaggerated expressions, beyond what the occasion would strictly justify, it is to be recollected that this is said to a judge who hears both sides, in whose mind the exaggerated statement may be at once controlled and met by evidence and arguments of a contrary tendency from the other party, and who, from the impartiality of his position, will naturally give to an exaggerated assertion, not warranted by the occasion, no more weight than it deserves.

44 Mass. at 197. But words spoken outside the context of a judicial hearing are less suited to the privilege, because they lack the controls of a formal proceeding that can prevent their harmful effect. See *Sullivan v. Birmingham*, 11 Mass. App. Ct. 359, 362 (1980) (no privilege for statements to news media, in which ““the important factor of judicial control is absent””) (quoting with approval *Asay v. Hallmark Cards, Inc.*, 594 F.2d 692, 698 (8th Cir. 1979)); *Milford Power Ltd. P’ship v. New England Power Co.*, 918 F. Supp. 471, 486 (D. Mass. 1996) (quoting *Sullivan*); *Fisher v. Lint*, 69 Mass. App. Ct. 360, 367 (2007) (“The availability of an absolute privilege to Lint depends on whether the procedural safeguards during the trial board proceedings adequately minimize the risk that defamation or other tortious conduct will occur.”) (citing *Butz v. Economou*, 438 U.S. 478, 512 (1978)). Accord *Auriemma v. Montgomery*, 860 F.2d 273, 278 (7th Cir. 1988) (applying immunity to attorneys’ “discovery under the rules of civil procedure,” but not to “pretrial investigations that occur outside the rules of discovery”). To similar effect, the First Circuit has explained why witness immunity is not available to warrant affiants:

unlike the criminal defendant, who enjoys the immediate right to set the record straight through cross-examination, or by submitting his own evidence, the subject of a warrant must hope that the magistrate can

discern inconsistencies in the affiant's story at an ex parte hearing. Given this relative lack of procedural safeguards, we think it desirable that officers should, in effect, be required to think twice about allegations in warrant affidavits.

*Krohn v. United States*, 742 F.2d 24, 31 (1st Cir. 1984).

The unsupervised nature of demand letters made them ripe for abuse of a privilege that is kept under check in open court. "A prelitigation privilege that is extended too far in advance of litigation could promote fraudulent misrepresentations made to head off a lawsuit, when the victims of such misrepresentations have fewer means to discover the fraud." *Edwards v. Centex Real Estate Corp.*, 53 Cal. App. 4th 15, 34 (Cal. Ct. App. 1997). For this reason, "even a threat to commence litigation will be insufficient to trigger application of the privilege if it is actually made as a means of inducing settlement of a claim, and not in good faith contemplation of a lawsuit. This is a question of fact that must be determined before the privilege is applied." *Id.* at 35 n. 10.

No judicial safeguards restrained the Moving Defendants' demand letters. They were not submitted in open court, and not subject to the immediate control or judgment of a judge or response by defense counsel, but sent directly to the proposed Class members. Nothing mediated the harmful effects of their false statements. The principle justifying the privilege does not pertain to them.

**D. Massachusetts' Litigation Privilege Does Not Protect the Full Course of Moving Defendants' Actions.**

Even the Massachusetts state privilege would not apply to the defendants' full course of action. The Massachusetts litigation privilege does not warrant dismissal of claims against attorneys who are implicated in a larger scheme than a legal proceeding.

See *Kurker v. Hill*, 44 Mass. App. Ct. 184, 192 & n. 8 (1998) (“Because the complaint implicated [attorney] Perry in the larger scheme of the assets purchase and freeze-out, and did not confine his involvement solely to statements or communications made in connection with the preliminary injunction proceedings, the privilege would not warrant dismissal of the claims against Perry at this early stage of the proceedings.”); see also *FMC Techs., Inc. v. Edwards*, 464 F. Supp. 2d 1063, 1070 (W.D. Wash. 2006) (where “[m]isrepresentations in litigation ... [were] used to effect a larger wrong,” refusing to apply state litigation privilege to fraudulent inducement of settlement claim).

Massachusetts courts apply the defamation privilege to an attorney’s statements only under certain circumstances: “[a]n attorney at law is absolutely privileged to publish false and defamatory matter of another in communications preliminary to a proposed judicial proceeding, or in the institution of, or *during the course and as a part of a judicial proceeding* in which he participates as counsel, *if it has some relation thereto.*” *Sriberg v. Raymond*, 370 Mass. 105, 108 (1976) (quoting Restatement of Torts § 586 (1938) (emphases added). Because the submission to the copyright office was not a stage in the judicial proceedings, it was not privileged. “The institution of a judicial proceeding includes all pleadings and affidavits necessary to set the judicial machinery in motion.” Restatement (Second) of Torts § 586 cmt. a. Absolute immunity for defamation may be invoked by an attorney only when the statement is connected with a judicial proceeding. *Id.* cmt. c. Such immunity is typically justified by courts’ power to regulate speech incident to judicial proceedings, as discussed above. Absent such regulation, the justification for the immunity is lost. “The availability of an absolute privilege ... depends

on whether the procedural safeguards during the ... proceedings adequately minimize the risk that defamation or other tortious conduct will occur.” *Fisher v. Lint*, 69 Mass. App. Ct. at 367 (citing *Butz v. Economou*, 438 U.S. at 512). The copyright registration lacked the safeguards of a judicial proceeding.

“Copyright registration under § 411(a) is a condition precedent to filing an infringement action.” *Quincy Cablesystems, Inc. v. Sully’s Bar, Inc.*, 650 F. Supp. 838, 850 (D. Mass. 1986) (citing 17 U.S.C. § 411(a)). But “registration, rather than being a prerequisite to federal jurisdiction, is a prerequisite to certain remedies — namely statutory damages and attorney’s fees.” *In re Literary Works in Electronic Databases Copyr. Litig.*, 509 F. 3d 116, 132 (2d Cir. 2007) (Walker, C.J., dissenting) (citing legislative history). Notably, Section 411(a) has an “explicit exception of foreign works from its reach.” *Id.* at 133. The Supreme Court has held that Section 411(a) is a mere claim-processing rule, and copyright registration is not a jurisdictional requirement for any work. *Reed Elsevier, Inc. v. Muchnick*, 130 S. Ct. 1237 (2010) (reversing *In re Literary Works*, noting Judge Walker’s dissent). For a United States work, or for a foreign work whose copyright owner seeks statutory damages, registration is required before bringing a claim. *Football Ass’n Premier League Ltd. v. YouTube, Inc.*, 633 F. Supp. 2d 159, 162-63 (S.D.N.Y. 2009); see also FAC ¶ 42 n. 7; SAC ¶ 43 n.7. But the owner of a foreign work, which is ineligible to support a suit for statutory damages, need not register the copyright before bringing suit to recover its actual damages. *Football Ass’n*, 633 F. Supp. 2d at 163; *Cosmetic Ideas, Inc. v. IAC/Interactivecorp*, 608 F. 3d 612, 619 n. 12 (9th Cir. 2010) (“As a result of the Berne Convention’s mandate that foreign works not be

subject to formalities, § 411's pre-suit registration requirement does not apply to non-U.S. works.”).

In short, the registration application that Dunlap submitted was not a requirement as far as any putative litigation was concerned. It was an administrative filing unrelated to any claim that could be brought against alleged infringers. As a result, the copyright application was not subject to a litigation privilege. See *Baravati v. Josephthal, Lyon & Ross, Inc.*, 28 F.3d 704, 708 (7<sup>th</sup> Cir. 1994) (U-5 form submitted to NASD was not a “stage[] in the association’s quasi-judicial regulatory process” and not subject to Illinois privilege from liability for defamation); *Glennon v. Dean Witter Reynolds, Inc.*, 83 F.3d 132, 137 (6<sup>th</sup> Cir. 1996) (citing *Bavarti*) (same under Tennessee law); *Mindys Cosmetics, Inc. v. Dakar*, 611 F.3d 590, 599-600 (9<sup>th</sup> Cir. 2010) (“trademark registration application was not filed in anticipation of litigation”; so not protected by litigation privilege).

**E. Massachusetts’ Litigation Privilege Does Not Extend to Pre-Litigation Statements Made When Litigation Is Not Seriously Considered in Good Faith, or to Statements Made in the Course of Litigation that Are Not Pertinent to the Litigation.**

Whether or not an absolute privilege applies to pre-litigation communications depends on a case-by-case, fact-specific analysis. *Fisher v. Lint*, 69 Mass. App. Ct. at 365-66. The application of the privilege in Massachusetts depends on whether the statements at issue were made prior to, or during, litigation. *Meltzer v. Grant*, 193 F. Supp. 2d 373 (D. Mass. 2002). Before litigation is underway, the privilege applies only

[w]here a communication to a prospective defendant relates to a proceeding which is contemplated in good faith and which is under serious consideration. This is subject to the provisions that such proceeding is not to be employed as a shield of immunity for defamation where there is not serious consideration of suit.

*Sriberg*, 370 Mass. at 108. However,

[w]hen the statements or communications are made in the course of litigation which has already commenced ... the issue is whether the statements are “pertinent” to the litigation ... or, in the words of the Restatement, if the statements have “some relation to the proceeding.”

*Meltzer*, at 378 (quoting *Blanchette v. Cataldo*, 734 F.2d 869, 877 (1st Cir. 1984) and Restatement (Second) of Torts § 586 (1976)). Defendants fail both tests.

**1. Massachusetts’ Litigation Privilege Does Not Apply to Statements Made by Defendants When Litigation Was Not Seriously Considered in Good Faith.**

When litigation is not under way, the Massachusetts litigation privilege is available only if judicial proceedings are under serious consideration and contemplated in good faith. The litigation privilege does not apply in full force to preliminary legal action. See *Stern v. Haddad Dealerships of the Berkshires, Inc.*, 477 F. Supp. 2d 318, 2006 U.S. Dist. LEXIS 95676 (D. Mass. Oct. 27, 2006) (declining to dismiss claims based on the litigation privilege; purportedly privileged statements had been raised only in MCAD proceedings that were “investigatory only”). “[I]n a case where the proceeding has not even been instituted, there would seem less reason for giving the privilege a broad scope.” *Sriberg v. Raymond*, 544 F.2d 15, 16 (1<sup>st</sup> Cir. 1976), *aff’g*, 414 F. Supp. 396 (D. Mass. 1976). “The bare possibility that the proceeding might be instituted is not to be used as a cloak to provide immunity for defamation when the possibility is not seriously considered.” Restatement (Second) of Torts § 587 cmt. e (1977); accord *Pratt v. Nelson*, 164 P.3d 366, 379 (Utah 2007) (endorsing this specific standard).

“The absolute privilege of an attorney to publish false and defamatory matter in communications preliminary to a proposed judicial proceeding applies only where the



proceeding is contemplated in good faith and is under serious consideration.” *Smith v. Suburban Restaurants, Inc.*, 374 Mass. 528, 531 (1978), citing *Sriberg*, 370 Mass. at 108-09. Where “from the face of the pleading it is not completely clear that the alleged defamatory statements were made in preparation for, or preliminary to, a proposed judicial proceeding ... the plaintiff has to be given the benefit of the doubt under rule 12 (b)(6) standards ...,” *Kipp v. Kueker*, 7 Mass. App. Ct. 206, 210 (1979). This condition is not satisfied even by filing a complaint, unless “the process was instituted under a probable belief that the matter alleged was true, and with the intention of pursuing it according to the course of the court.” *Kidder v. Parkhurst*, 3 Allen 393, 396 (Mass. 1862) (quoting *Hill v. Miles*, 9 N.H. 14). “[A] reasonable belief in the possibility that the claim may be held valid is sufficient to give probable cause for the initiation of civil proceedings.” *Hubbard v. Beatty & Hyde, Inc.*, 343 Mass. 258, 261 (1961) (quoting Restatement of Torts § 674 cmt. c). Conversely, “a civil action is wrongful if its initiator does not have probable cause to believe the suit will succeed, and is acting primarily for a purpose other than that of properly adjudicating his claims.” *G.S. Enters., Inc. v. Falmouth Marine, Inc.*, 410 Mass. 262, 273 (1991).

Attorneys are subject to liability for pre-suit communications to an opposing party made when litigation was not “contemplated in good faith and under serious consideration.” *Meltzer*, 193 F. Supp. 2d at 381; see generally Andrew F. Caplan, Massachusetts Attorneys Beware: “Absolute” Litigation Privilege May Not Be As Broad As You Think, 47 B.B.J. 6 (May/June 2003) (“*Meltzer* exposes attorneys to liability

whenever they send a demand letter or engage in other communication preliminary to litigation”).

As the Complaint explains, Defendants did not file suit to have their rights vindicated in court. They wanted protection money; settlements, not lawsuits, were under serious consideration. The Defendants filed claims with a potential recovery of less than \$27 apiece, Achte’s “actual damages” from the copyright infringement they alleged, but sent threats demanding thousands of dollars. As the Complaint alleges, “[u]pon information and belief, Defendants have never had a genuine intention of filing suit in any case where the relief available would be limited to actual damages.” FAC ¶ 153; SAC ¶ 152; see also ¶¶ FAC 154, 158; SAC ¶¶ 153, 157. Statutory damages are expressly forbidden for any infringements that commenced pre-registration. 17 U.S.C. § 412. This prohibition applies even as to infringements that continued after the registration. See SAC ¶ 149 n. 53, quoting *Bouchat v. Bon-Ton Dep’t Stores, Inc.*, 506 F.3d 315, 331 (4th Cir. 2007) and *Johnson v. Jones*, 149 F.3d 494, 506 (6th Cir. 1998). Dunlap himself has pointed out that copyright infringement litigation is not worth pursuing, absent an opportunity to claim for statutory damages: “until you have actually gone through the registration process ... the common law rights are practically worthless as the exercise of this [common law] protection often fails a cost benefit analysis....” FAC ¶ 70 & Exh. E; SAC ¶ 71 & Exh. E. “You can’t collect your attorney’s fees and statutory damages (of up to \$150,000 per incident!) if you have not registered.” FAC ¶ 69 & Exh. E; SAC ¶ 70 & Exh. E. Plaintiff alleges that actual damages suffered by Achte for any act of copyright infringement would be, at most, a fraction of the \$26.99 list price of the DVD, to

compensate for any lost profits. FAC ¶¶ 213-217; SAC ¶¶ 218-222. Dunlap's own words provide ample evidence that Defendants would not have pursued claims through the courts in hopes of such meager returns.

No litigation privilege should be attached to any communications made during Moving Defendants' extensive campaign to prolong their settlement window, to reap more payouts and avoid litigation. At those stages, as before, Defendants sought not to litigate or even settle legitimate claims, but to defraud and extort on the basis of false claims. See *Visnick v. Marriott Int'l, Inc.*, 22 Mass. L. Rep. 727, 2007 Mass. Super. LEXIS 311, \*16 (Mass. Super. Ct. Aug. 6, 2007) (quoting *Edwards v. Centex Real Estate Corp.*, 53 Cal. App. 4th 15, 36, 61 Cal. Rptr. 2d 518 (1997): “the privilege attaches at that point in time that imminent access to the courts is seriously proposed by a party in good faith for the purpose of resolving a dispute, and not when a threat of litigation is made merely as a means of obtaining settlement”), *rev'd in part on other grounds by Visnick v. Caulfield*, 73 Mass. App. Ct. 809 (2009). See generally *Kelly v. Palmer, Reifler & Assocs., Inc.*, 681 F. Supp. 2d 1356, 1369 (S.D. Fla. 2010) (finding plaintiffs had raised a question of fact regarding defendant's good faith in sending pretrial demand letters, in part based on the volume of demand letters sent and the few cases actually filed prior to the plaintiff's claim). The privilege does not support these purposes.

At the time of the Moving Defendants' communications to and concerning Plaintiff and the proposed Class, the only litigation pending was a discovery lawsuit filed in the United States District Court for the District of Columbia: the Achte action. In the Achte action, personal jurisdiction was lacking for the overwhelming majority of the

Class members, who were beyond the court’s geographic reach. The Moving Defendants knew, but did not disclose to the court, that almost none of the Class members were within its jurisdiction. They had reason to know it as soon as they gathered the Class members’ IP addresses, which are geo-coded, and disclose the home states (and usually, the home town) of the Class members. FAC ¶¶ 199-205; SAC ¶¶ 198-204. And they knew it to a certainty once the ISP’s revealed the actual street address of the Class members.<sup>4</sup> Nonetheless, they sent “settlement demand” letters far outside the jurisdiction to alleged infringers, threatening to add them to a suit within the jurisdiction of the District Court for the District of Columbia. This cannot have been a privileged act.

The speculative jurisdictional claims made in that case by Achte’s counsel bely any genuine good faith intent to apply jurisdiction to the John Doe defendants. See FAC ¶ 31 n. 2; SAC ¶¶ 32 n. 2. Befitting the hypothetical nature of Defendants’ jurisdictional claims, when ordered to name defendants reasonably believed to be subject to the Court’s jurisdiction, the number of targets Achte claimed shrank in scope from 4,577 to 1 named defendant, plus 139 others, many of whom are also are evidently outside the jurisdiction. FAC ¶¶ 206-207, 209 & 211; SAC ¶¶ 208-209, 211 & 213.

Because the District Court for the District of Columbia lacked jurisdiction over almost all of the proposed Class, there was no “judicial proceeding” to which the privilege could properly attach. “[I]f the court in which a case is filed has no jurisdiction, then the proceeding is not judicial and no absolute privilege attaches to statements made in the course of the proceeding, irrespective of the good faith of the party in filing the

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<sup>4</sup> For example, Plaintiff’s IP address is in Acton, as a cursory search discloses in a matter of seconds. So is his street address, to which Kurtz addressed his letter.

suit.” *Kent v. Conn. Bank & Trust Co., N.A.*, 386 So. 2d 902, 903 (Fla. Dist. Ct. App. 1980) (collecting cases); see also *Waters v. Ray*, 167 So. 2d 326, 329 (Fla. Dist. Ct. App. 1974) (judge liable for acts outside the court’s jurisdiction; “Immunity from, or liability for, acts done by a person while acting in a judicial capacity depends upon the existence or nonexistence of jurisdiction.”).

Thousands of Class members were dismissed from the mass Achte action, and less than 1% of the dismissed claims have been renewed as individual lawsuits in other jurisdictions. The wave of litigation threatened against the Class has not come to pass. This provides Plaintiff a basis to challenge whether the Moving Defendants’ communications threatening civil litigation satisfy the good faith standard. See *Meltzer*, 193 F. Supp. 2d at 381 (a letter threatening criminal prosecution “which, evidently, never materialized,” provided “a basis for challenging whether the other threatened action, civil litigation, was contemplated in good faith and/or was seriously considered”). The *Meltzer* court found that the law firm claiming the privilege had “not established that its act of drafting and sending the letter were privileged” on its motion to dismiss. *Id.* at 382. At best, a question of fact remains as to whether Defendants satisfied the standard. This alone prevents dismissal.

- 2. Massachusetts’ Litigation Privilege Does Not Warrant Application to Defendants’ Statements That Were Not Pertinent or Relevant to Their Client’s Claims.**
  - a. Massachusetts’ Litigation Privilege Retains the Common Law Requirement that Statements Be Pertinent or Relevant to Litigation to Merit Protection.**

At common law, while Massachusetts and other states provided statements in the context of judicial proceedings a privilege against defamation claims, other torts, and

statements made in other contexts, remained actionable. Notably, unlike in the English courts, “[t]he general rule in America ... as to parties, counsel and witnesses is generally qualified to the extent that the defamatory words must be applicable, pertinent or relevant. And when not material or pertinent to the issue they are not privileged, and an action will lie upon them.” M. Newell, *Slander and Libel* p. 393 (4th ed. 1924). “If any such participant in judicial proceedings should take advantage of his position to utter something having no relation to the cause or subject matter of inquiry, he is altogether outside the character or sphere of a participant, and no public policy requires that his defamatory statements should be absolutely protected.” Veeder, at 490. See generally *Briscoe*, 460 U.S. at 331 n. 11 (collecting nineteenth-century cases).

This pertinence requirement was introduced by the American courts; it was not part of English common law. See *Rice v. Coolidge*, 121 Mass. 393, 394 (1876) (“The [English] doctrine is generally held in the American courts, with the qualification, as to parties, counsel and witnesses, that, in order to be privileged, their statements made in the course of an action must be pertinent and material to the case.”); *Hoar v. Wood*, 44 Mass. at 198 (“words spoken in the course of judicial proceedings ... are not actionable if they are applicable and pertinent to the subject of inquiry”); *Wright v. Lothrop*, 149 Mass. 385, 389 (1889) (“a witness ought not to be permitted with impunity to volunteer defamatory statements which are irrelevant to the matter of inquiry, and which he does not believe to be relevant”). “The qualification of the English rule is adopted in order that the protection given to individuals in the interest of an efficient administration of justice may not be abused as a cloak from beneath which to gratify private malice.” *McLaughlin v. Cowley*,

127 Mass. 316, 319 (1879). “The requirement of pertinence eliminates protection for statements made needlessly and wholly in bad faith.” *McGranahan v. Dahar*, 119 N.H. 758, 763 (1979) (citing *McLaughlin*).

Massachusetts has significantly expanded the scope of the privilege from its common law roots, applying it to torts other than defamation and to certain pretrial communications, generally without concomitant expansions in the common-law protections against its abuse. But it has retained the requirement of pertinence. The phrase “‘pertinent to the proceedings’ [is] not to be read narrowly ... ‘The privilege, however, cannot be exploited as an opportunity to defame with immunity, because it is available only when the challenged remarks are relevant or pertinent to the judicial proceedings.’” *Meltzer*, at 378 (quoting *Sullivan v. Birmingham*, 11 Mass. App. Ct. at 362). Accord *Blanchette v. Cataldo*, 734 F.2d 869, 877 (1st Cir. 1984) (pertinence requirement “is to be broadly construed”).

**b. The Massachusetts Test for Pertinence Focuses on the Legal Interest of the Person to Whom the Communication Is Made.**

In *Blanchette*, with then-Judge Breyer writing, the First Circuit applied this broad construction by focusing on whether the communication was pertinent to the legal interest of its recipient.<sup>5</sup> “By effectively focusing his analysis on nonparty Penn Central’s interest in the Santa Fe settlement discussions, and concluding that the communication was pertinent to those discussions, Judge Breyer gave form to his instruction regarding broad construal of the pertinence standard.” *Loomis v. Tulip, Inc.*, 9 F. Supp. 2d 22, 26

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<sup>5</sup> While the pertinence of a statement under this standard does not depend on the speaker’s state of mind, “it would seem appropriate for courts to judge some participants by a stricter view of pertinence than others. For example, a lawyer may know that a comment would be irrelevant when a layman would not.” *Developments in the Law: Defamation*, 69 Harv. L. Rev. 875, 923 (1956).

(D. Mass. 1998) (interpreting and applying the *Blanchette* test). “The requirement that the communication be limited to a proposed defendant suggests that it must have some intended purpose of affecting the defendant’s conduct, or, at least, of acquainting him with *a matter in which he has an interest.*” *Sriberg*, 544 F.2d at 16 (emphasis added).

Thus, this test for pertinence is conditioned on both relevance to a legal interest of the recipient, and a litigation-based purpose of the speaker. Put another way, communications whose intended purpose is not *in furtherance of* the litigation do not warrant the privilege. This principle is also recognized under other state litigation privileges, including in California’s statutory privilege, Cal. Civ. Code § 47(b)(2). See, e.g., *Silberg v. Anderson*, 50 Cal. 3d 205, 220 (Cal. 1990) (“The [statutory] requirement that the communication be in furtherance of the objects of the litigation is, in essence, simply part of the requirement that the communication be connected with, or have some logical relation to, the action, i.e., that it not be extraneous to the action.”); *Rodriguez v. Panayiotou*, 314 F.3d 979, 988 (9th Cir. 2002) (for the privilege to apply, “a communication must have a *functional* connection to litigation, meaning that the communicative act ‘must function as a necessary or useful step in the litigation process and must serve its purposes.’”) (quoting *Rothman v. Jackson*, 49 Cal. App. 4th 1134, 57 Cal. Rptr. 2d 284, 292 (Cal. Ct. App. 1996)); accord *Russell v. Clark*, 620 S.W.2d 865, 868 (Tex. Civ. App. Ct. 1981) (“this absolute privilege must not be extended to an attorney carte blanche. The act to which the privilege applies must bear some relationship to a judicial proceeding in which the attorney is employed, and must be in furtherance of that representation.”).



**c. Moving Defendants' Contested Communications Do Not Satisfy the Pertinence Requirement for the Massachusetts Privilege.**

Applying this test, the pertinence of the Moving Defendants' misleading statements should be assessed according to the legal interest of those addressed (Plaintiff and the proposed Class) and whether the statements were made to affect their conduct with relation to the litigation. Judged by the interest of Plaintiff and the proposed Class in the Moving Defendants' communications, which sought to achieve something other than the legitimate ends of the litigation, the privilege should not apply.

Those accused of infringements, for which the remedy is limited to actual damages, have no reason to be interested in exaggerated claims for statutory damages and attorney's fees. Those remedies, which were inapplicable as a matter of law, nonetheless formed a recurring motif of foreboding in the Moving Defendants' communications with the proposed Class, through letters, public websites, and the complaint.<sup>6</sup>

Threats by the Moving Defendants, intimating forms of liability expressly barred due to the flaws in Achte's copyright registration, could not be relevant, pertinent, or material to any litigation against Class members. They were "statements made needlessly and wholly in bad faith," *McGranahan*, 119 N.H. at 763, which are not protected under the pertinence requirement. If anything, Defendants' threats served to obfuscate the issues and confuse their readers as to the true, limited merits of Achte's claims. The demand letters' extensive references to statutory damages and attorney's fees only illustrated

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<sup>6</sup> The complaint in the Achte action was filed in the District Court for the District of Columbia, and posted to a USCG settlement processing website. As Plaintiff alleges, upon receiving contact information for members of the proposed Class through third-party discovery, the Moving Defendants did not properly serve the complaint on the proposed Class members, but sent letters that among other things directed them to view the complaint at the settlement website. FAC ¶¶ 186-189; SAC ¶¶ 185-188.

claims for which the Class members *could not be sued*. See FAC ¶¶ 170-181; 213-222; SAC¶¶ 169-180; 218-227. Such awards are barred by Section 412 of the Copyright Act, and therefore not pertinent to any infringement of Achte's copyright. Actual damages are Achte's sole remedy. See FAC ¶¶ 126-129; SAC ¶¶ 127-130, 148-151. References to awards that cannot be obtained in litigation cannot be privileged because they have no pertinence to litigation.

Nonetheless, even before the letters went out, Defendants had made the same false claims in court filings, beginning with the complaints filed by Defendants (see FAC ¶¶ 143-152; SAC ¶¶ 142-151) and in websites established by DGW through its front company USCG (see FAC ¶¶ 186-195; SAC ¶¶ 185-194) that displayed the complaint. See *Foster v. D.B.S. Collection Agency*, 463 F. Supp. 2d 783, 802 (S.D. Ohio 2006) (prayer for relief in complaint, seeking attorney's fees which were barred by statute, constituted false representation). Defendants made further false claims in filings with the Copyright Office regarding the publication date of the copyrighted work, and in court filings regarding the validity of the resulting registration. None of those claims merit the privilege.

Moreover, Plaintiff alleges that Defendants willfully obscured the Copyright Act's limitations on its claims. Defendants' communications to that end were in furtherance of fraud, not of the objects of the litigation. Defendants' statements in the demand letters do not satisfy the pertinence requirement, and so are not eligible for the privilege.

**F. Specific Counts for which Moving Defendants Request Dismissal under the Litigation Privilege are not Subject to the Privilege.**

As discussed above, under the Supremacy Clause, federal causes of action cannot be defeated by a state litigation privilege. Therefore, Plaintiff's RICO claims must survive the motion to dismiss; as should all pendent claims. Moreover, other specific counts that Moving Defendants seek dismissal pursuant to their claimed privilege overcome such challenges.

The privilege cannot have the scope claimed by the Moving Defendants. “[N]ot every event bearing any relation to litigation is protected by the privilege because ... if the litigation privilege applied to all actions preliminary to or during judicial proceedings, an abuse of process claim would never exist, nor would a claim for malicious prosecution.” *N. Star Capital Acquisitions, LLC v. Krig*, 611 F .Supp. 2d 1324, 1330 (M.D. Fla. 2009) (citation omitted).

Massachusetts courts have recognized that the litigation privilege does not apply to abuse of process claims. See, e.g., *MHA Fin. Corp. v. Varenko Invs. Ltd.*, 583 F. Supp. 2d 173 (D. Mass. 2008) (denying motion to dismiss on abuse of process claim where statements were unreasonably published to parties outside the litigation); *Eberle v. Diviacchi*, 95-0055-B, 5 Mass. L. Rep. 213, 1996 Mass. Super. LEXIS 433, \*3-4 (Mass. Super. Ct. Mar. 29, 1996) (lawsuit brought by attorney purportedly on behalf of client in bankruptcy, whose trustee in bankruptcy had not authorized suit, was an unauthorized nullity; complaint in that case “constituted a malicious abuse of process as to which no ‘litigation privilege’ could apply (there having been no actual, but only a pretextual, litigation)”).

In *Sullivan v. Birmingham*, 11 Mass. App. Ct. at 367-68 n. 8, the court stated, “there is sound logic for refusing to recognize the absolute privilege as barring an action for malicious prosecution...” See also *Beecy v. Pucciarelli*, 387 Mass. 589, 593 (1982), and *Hayes v. Zaleznik*, 2001 Mass. App. Div. 107, 111 (2001) (quoting Restatement (Second) of Torts § 674, cmt. d: “If ... the attorney acts without probable cause for belief in the possibility that the claim will succeed, and for an improper purpose, ... he is subject to the same liability as any other person.”). See also MBA Ethics Op. No. 76-15 (distinguishing *Sriberg*, 370 Mass. 105 (1976), in which a litigation privilege applied, from a case where attorneys made statements “improper under DR 7-102(A) as harassment, malicious injury, or presentation of an unwarranted claim or defense”).

Defendants seek a privilege to commit fraud. The litigation privilege does not reach so far. *New Webster Nursing Home, Inc. v. Roy*, 3 Mass. L. Rptr. 688, 93-1909B, 1995 Mass. Super. LEXIS 685, \*13-14 (Mass. Super. Ct. May 30, 1995); see also *Lucas v. Newton-Wellesley Hosp.*, 13 Mass. L. Rep. 352, Civ. A. No. 01-0635, 2001 Mass. Super. LEXIS 329, \*11 n.7 (Mass. Super. Ct. July 20, 2001) (lawyer’s liability to third parties for fraudulent advice and assistance to client survives, though “narrowed by the expansion of the absolute litigation privilege”). “Misrepresentation is not part of proper legal assistance; vigorous argument often is. Thus, lawyers are civilly liable to clients and nonclients for fraudulent misrepresentation....” Restatement (Third) of the Law Governing Lawyers § 56 cmt. f. By this principle, the counts for fraudulent misrepresentation and fraudulent omissions/nondisclosure survive.

Moving Defendants also claim a privilege as to Plaintiff's conspiracy claims. Reviewing claims against defendant attorneys in *Kurker v. Hill*, 44 Mass. App. Ct. 184 (1998), the court reversed the dismissal of counts of civil conspiracy and interference with advantageous business relations, specifically denying the application of the litigation privilege to the latter. And the Supreme Court has described the common-law limitations on the privilege, which would not reach a conspiracy by an attorney. See *Kimes*, 84 F.3d at 1128 ("under the common law, a privately retained lawyer would not 'have enjoyed immunity from tort liability for intentional misconduct'")<sup>7</sup> (quoting *Tower v. Glover*, 467 U.S. at 921).

In toto, these many exceptions to, qualifications of, and limitations on the privilege call into question whether its application in privilege to torts other than defamation can be described properly as absolute. In any event, it may not be used to justify dismissal of Plaintiff's claims.

**IV. Plaintiff Has Not Pleaded Mail Fraud, Wire Fraud, or Extortion, or Conspiracy to Commit Such Acts, as Private Causes of Action, but as Elements of Plaintiff's RICO claim.**

Moving Defendants take issue with Plaintiff's pleas for mail fraud, wire fraud, and extortion, and conspiracy to commit such acts. But Plaintiff never pleaded these as "private causes of action. Rather, these are predicate acts pleaded within Plaintiff's RICO claim. Plaintiff has amended the complaint to clarify this structure. Moreover, Plaintiff also amended the complaint to plead civil conspiracy, and withdrew claims for

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<sup>7</sup> The Moving Defendants contend that, "although an attorney may be accused of defrauding opposing parties, knowingly committing discovery abuses, lying to the court, or purposely and maliciously defaming another individual, if it takes place during the course of litigation, the conduct simply is not actionable." MTD p. 9. This bracing statement, which claims impunity for lawyers' intentional torts, is wrong as a statement of the law and appalling as a statement of public policy.

common-law extortion and conspiracy to commit the same. Moving Defendants concerns are thus mooted.

**VI. Fraud on the Court, Fraud on the Copyright Office, and Copyright Misuse are Recognized Causes of Action.**

**A. Plaintiff's Claim for Fraud on the Court Is a Recognized Cause of Action.**

“A “fraud on the court” occurs where it can be demonstrated, clearly and convincingly, that a party has sentiently set in motion some unconscionable scheme calculated to interfere with the judicial system’s ability impartially to adjudicate a matter by improperly influencing the trier or unfairly hampering the presentation of the opposing party’s claim or defense.

*Aoude v. Mobil Oil Corp.*, 892 F.2d 1115, 1118 (1st Cir. 1989); *Rockdale Mgmt. Co. v. Shawmut Bank, N.A.*, 418 Mass. 596, 598 (1994) (approving and following the *Aoude* court’s definition of fraud on the court). The complaint properly alleges that Defendants, including the Moving Defendants, have done just that. In so doing, they committed fraud on the court, which is a recognized cause of action under federal common law.

Addressing the former argument, plaintiffs correctly note that, “[F]raud on the court is not recognized as an independent cause of action in Massachusetts.” *National Engineering Service v. Galello*, 1995 WL 859241 at \* 2 (Mass.Super. May 9, 1995). Fraud on the court, however, has its genesis in the federal court’s inherent power to regulate and control abusive litigation tactics effecting the institutional integrity of the court. *See Aoude v. Mobil Oil Corporation*, 892 F.2d 1115, 1117-1118 (1st Cir.1989). Accordingly, it is not an issue of state law. **Logically, the equitable power to dismiss a case because of a fraud on the federal court is governed by federal common law.** Not only did the First Circuit in *Aoude* rely exclusively on federal case law in limning the doctrine [21] but the Second Circuit in *JC’s East, Inc. v. Traub*, 92 F.3d 26 (2d Cir. 1996), expressly views fraud on the court as an issue of federal law. *JC’s East, Inc. v. Traub*, 92 F.3d at 26 (further describing New York contract law as “irrelevant”).

*Davidson v. Cao*, 211 F. Supp. 2d 264, 276-77 (D. Mass. 2002) (emphasis added). The Moving Defendants' motion misleadingly extracts from the above paragraph in *Davidson* only the passage it quotes from *National Engineering Service*: “[F]raud on the court is not recognized as an independent cause of action in Massachusetts.” MTD at 21. The federal district court expressly recognized its power to hear a claim of fraud on the court in *Davidson*, but their motion to dismiss wrongly implies the opposite.

Common to cases where a fraud on the court is found “is the notion that judges have the authority to fashion remedies that will protect the integrity of the courts, and that will discourage the public from attempting to use the courts to perpetuate fraudulent schemes.” *Comm’r of Probation v. Adams*, 65 Mass. App. Ct. 725, 731 (2006). “The judge has broad discretion to fashion a judicial response warranted by the fraudulent conduct. Dismissal of claims or of an entire action may be warranted by the fraud ... as may be the entry of a default judgment.” *Rockdale Mgmt. Co. v. Shawmut Bank, N.A.*, 418 Mass. 596, 598 (1994) (citing *Aoude and Eppes v. Snowden*, 656 F. Supp. 1267, 1279 (E.D. Ky. 1986). “When courts invoke their inherent authority to fashion remedies to respond to fraud on the court, lack of statutory authorization is immaterial. Such power exists without statutory authorization and cannot be restricted or abolished by the Legislature.” *Comm’r of Probation v. Adams*, 65 Mass. App. Ct. at 731 (internal quotations omitted).

In light of the court’s broad discretion to limit frauds that strike at the integrity of the judicial process, it should be immaterial whether a claim for fraud on the court is brought as an independent cause of action. (Indeed, because Plaintiff did not voluntarily

subject himself to the proceedings in the Achte action—where Achte’s pretense of jurisdiction over Plaintiff, and thousands of others, was so implausible that Achte moved to dismiss the claims against them under court order—only an independent cause of action in this Court, where jurisdiction over Plaintiff is proper, can appropriately remedy this aspect of Defendants’ fraud.) The motion to dismiss on this basis must be denied.

**B. Plaintiff’s Claim for Copyright Misuse Is a Recognized Cause of Action.**

A claim of copyright misuse is generally “an equitable defense to an infringement action.” *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970, 978 (4th Cir. 1990). It is based on the public policy that “forbids the use of the copyright to secure an exclusive right or limited monopoly not granted by the Copyright Office and which it is contrary to public policy to grant.” *Id.* at 977 (internal quotation and parentheses omitted). “When a copyright holder attempts to use legal proceedings to protect an improper extension of a copyright, the court may refuse to enforce the copyright.” *Qad Inc. v. ALN Assocs., Inc.*, 770 F. Supp. 1261, 1266-67 (N. D. Ill. 1991) (noting that this “equitable principle [which] was stated in the patent context ... applied in copyright infringement cases as well”; citing *Morton Salt Co. v. G.S. Suppiger Co.*, 314 U.S. 488 (1942) and *Lasercomb*). “The equitable maxim of unclean hands is applicable in determining the enforceability of copyright registrations; and it has been held, in a suit challenging the copyright of a brochure, to be inequitable conduct not to inform the Copyright Office of earlier publications.” *Vogue Ring Creations, Inc. v. Hardman*, 410 F. Supp. 609, 614 (D.R.I. 1976) (citing *Int’l Biotical Corp. v. Associated Mills, Inc.*, 239 F. Supp. 511 (N.D. Ill. 1964)). In *Vogue Ring*, a finding of copyright misuse was supported by the copyright



owner's inequitable conduct in making misrepresentations as to the penalties for infringement, including a misrepresentation as to the alleged infringer's liability for attorney's fees and statutory damages.

Moving Defendants incorrectly assert that copyright misuse "may only be asserted as an affirmative defense in a copyright infringement action." MTD p. 23. In an appropriate declaratory judgment action, such as this one, the defense may be pleaded affirmatively by the plaintiff. "In the typical federal trademark or patent declaratory judgment action, a potential infringer seeks a declaration that the defendant's *federal* rights will not be infringed by the plaintiff's actions, or that the defendant's patent or mark is invalid. ... Such declaratory judgment actions clearly are permissible." *Colonial Penn. Grp., Inc. v. Colonial Deposit Co.*, 834 F.2d 229, 235 (1st Cir. 1987) (emphasis in original).

Copyright misuse has been recognized as a legitimate basis for asserting an affirmative claim. See generally *Shloss v. Sweeney*, 515 F. Supp. 2d 1068 (N. D. Cal. 2007). "[B]ecause the Complaint seeks declaratory judgment, the plaintiff may assert copyright misuse as an affirmative claim." *Midwest Tape, LLC v. Recorded Books, LLC*, Case No. 3:09-cv-2176, 2010 U.S. Dist. LEXIS 29718, \*2-3 (N.D. Ohio Mar. 26, 2010). See also *id.* at \*3 ("As a general proposition, most matters of defense can be raised affirmatively in a declaratory judgment action, so long as there is an actual controversy.") (quotation omitted).

In one case cited by Moving Defendants,<sup>8</sup> *Altera Corp. v. Clear Logic, Inc.*, 424 F.3d 1079 (9th Cir. 2005), see MTD p. 23, the court emphasized that copyright misuse is typically and logically a defense, on the grounds that “[w]hen copyright misuse applies, we do not allow enforcement of the copyright for the period of misuse. ... Because the remedy for copyright misuse is equitable, it makes little sense to allow [a defendant] to proceed on an independent claim for copyright misuse *when there has been no allegation of copyright infringement.*” *Id.* at 1090 (emphasis added). That case provides no support for Defendants, as we have exactly that circumstance. Defendants have already employed the resulting registration in a lawsuit against the 4,577 proposed Class members in the Achte action, including Plaintiff, then moved to dismiss their claims against all but 140. Since that dismissal, Defendants have renewed their claims against a few of the original defendants in other courts, and absent relief from the Court, they are likely to continue. At this point, the existence of a controversy between Plaintiff and Defendants is incontrovertible.<sup>9</sup> Defendants brought a federal copyright infringement lawsuit against Plaintiff and each member of the proposed Class, based on fraudulent claims. An appropriate remedy is sought in this action: a judgment declaring that Defendants committed copyright misuse; that Achte’s copyright is invalid; that its registration does

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<sup>8</sup> Moving Defendants claim that another case, *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 269 F.2d 1213 (C.D. Cal. 2003), “not[es] that misuse is not even properly alleged as a declaratory judgment claim.” MTD p. 23. That is misleading. In that case, a defendant claimed copyright misuse as both an affirmative defense and a counterclaim for declaratory judgment. As the “counterclaim seem[ed] redundant” in those circumstances, *id.* at 1225, the court dismissed it in the interests of judicial economy. *Id.* at 1226-27. Such redundancy is not at risk in this Court, as Achte has no litigation pending against Plaintiff (or against the overwhelming majority of proposed Class members) in which the copyright misuse could be raised as an affirmative defense.

<sup>9</sup> While the case before this Court arises from a direct conflict between the parties in prior litigation, such a conflict is not a requirement for a copyright misuse claim. “Even if (1) Defendants never misused their copyrights vis-à-vis Plaintiff or (2) Defendants have ceased to misuse their copyrights vis-à-vis Plaintiff, Plaintiff could still assert a copyright misuse defense based on Defendants’ actions vis-à-vis third parties.” *Shloss v. Sweeney*, 515 F. Supp. 2d 1068, 1081 (N.D. Cal. 2007).

not warrant a presumption of validity; and that it may not proceed against the proposed Class for statutory damages or attorney's fees on the basis of its registration. This count must survive the motion to dismiss.

**C. Plaintiff's Claim for Fraud on the Copyright Office Is a Recognized Cause of Action.**

The Prioritizing Resources and Organization for Intellectual Property Act ("PRO-IP Act"), Pub. L. No. 110-403, 122 Stat. 4256 (2008), amended Section 411 of the Copyright Act codifying the doctrine of fraud on the Copyright Office in the registration process. A certificate of registration becomes actionable where it contains inaccurate information that was included on the application "with the knowledge that it was inaccurate," and "the inaccuracy of the information, if known, would have caused the Register of Copyrights to refuse registration." 17 U.S.C. § 411(b)(1)(A) & (B). "If the claimant willfully misstates or fails to state a fact that, if known, might have caused the Copyright Office to reject the application, then the registration may be ruled invalid." Melville Nimmer & David B. Nimmer, 2 Nimmer on Copyright § 7.20[B][1] at 7-212.4 (2010).

Plaintiff has described, with sufficient specificity to survive a motion to dismiss, a knowing, material error in the copyright registration application Dunlap submitted on behalf of Achte. As for the question of whether the Register of Copyrights would have refused registration, the appropriate inquiry is "what the Register of Copyrights would have likely done if all of the relevant facts were presented at the time of the registration." *Raquel v. Educ. Mgmt. Corp.*, 196 F.3d 171, 177 n. 2 (3d Cir. 1999). All of the relevant facts—prior publication in another nation, Dunlap's awareness of Section 412's

requirements, the DGW/USCG campaign to demand statutory damages even from members of the proposed Class whose alleged dates of infringement preceded registration—were not presented to at the time of registration. Plaintiff presents a facially plausible claim that the Register would have denied registration.

“[O]missions or misrepresentations in a copyright application can render the registration invalid” where there “has been intentional or purposeful concealment of relevant information,” i.e. scienter. *Original Appalachian Artworks, Inc. v. Toy Loft*, 684 F.2d 821, 828 (11th Cir. 1982). Material misrepresentations may include, inter alia, misstating the date of first publication. *St. Luke’s Cataract & Laser Inst. v. Sanderson*, 573 F.3d 1186, 1202 (11th Cir. 2009). Disclosing such information is required under 17 U.S.C. § 409(8). (See FAC ¶¶ 11 & 48 n. 17; SAC ¶¶ 11 & 49 n. 17.) “Registrations [cannot] be saved even when they entirely omit key information required by § 409.” *Bean v. Houghton Mifflin Harcourt Publ’g Co.*, No. CV10-8034-PCT-DGC, 2010 U.S. Dist. LEXIS 83676, \*11, Copy. L. Rep. (CCH) P29,980 (D. Ariz. Aug. 10. 2010). Failing to disclose an underlying work that was published and sold prior to the alleged infringement also constitutes a failure to satisfy the registration requirements. *I.M.S. Inquiry Mgmt. Sys. v. Berkshire Info. Sys., Inc.*, 307 F. Supp. 2d 521, 527-30 (S.D.N.Y. 2004).

Plaintiff has pointed to the copyright office’s own regulations to demonstrate that, had it “known that the claimed date was invalid, [it] would have refused to issue a registration showing the false date.” FAC ¶¶ 22, 48-53 & nn. 17-22; SAC ¶¶ 22, 49-54 & nn. 17-22. Because the Copyright Office would have refused registration if informed of the prior foreign publication, “it is at least arguable that there was a purposeful failure to

disclose [prior foreign] publication in order to avoid this initial rejection by the Copyright Office.” *Ross Prods., Inc. v. N.Y. Merch. Co.*, 242 F. Supp. 878, 880 (S.D.N.Y. 1965) (prior Japanese publication lacked copyright notice required under the pre-1978 Copyright Act, and was not mentioned on U.S. copyright registration application).

Plaintiff’s allegation of fraud on the copyright office is well pleaded. Regardless, Moving Defendants claim that there is no cause of action for fraud on the Copyright Office, and that “this theory may be used only as an affirmative defense to a claim of infringement.” MTD pp. 22-23. This is not so. First, while fraud on the Copyright Office typically arises as a defense to enforcement of a copyright, *Lennon v. Seaman*, 84 F. Supp. 2d 522, 525 (S.D.N.Y. 2000), it may also be raised by counterclaim. See, e.g., *Automated Solutions Corp. v. Paragon Data Sys.*, Case No. 1:05-cv-1519, 2006 U.S. Dist. LEXIS 98050, \*35 (N.D. Ohio July 5, 2006) (defendant’s counterclaim “is sufficient to plead a cause of action for fraud on the copyright office”); *Galiano v. Harrah’s Operating Co.*, Civ. A. No. 00-0071, 71 U.S.P.Q. 2d (BNA) 1265, 2004 U.S. Dist. LEXIS 8265 (E.D. La. May 11, 2004) (denying plaintiff’s motion for partial summary judgment on defendant’s fraud on the copyright office counterclaim). Either form is a natural response to a copyright infringement plaintiff’s burden to prove ownership of a valid copyright, which requires proof of compliance “with the requisite statutory formalities.” *Saenger Org. Inc. v. Nationwide Ins. Licensing Assoc., Inc.*, 119 F. 3d 55, 59 (1st Cir. 1997). A copyright registration made within five years of publication creates a presumption of validity under 17 U.S.C. § 410, but a finding of fraud on the Copyright Office can rebut that presumption. See, e.g., *Syntek Semiconductor Co., Ltd. v.*

*Microchip Tech. Inc.*, 307 F.3d 775 (9th Cir. 2002) (declaratory judgment action challenging validity of defendant's copyright registration); *Wilson v. Brennan*, 666 F. Supp. 2d 1242 (D.N.M. 2009) (granting counterclaims for declaratory judgment that plaintiff's copyrights were invalid).

But the cause of action may be asserted by a plaintiff in a declaratory judgment action, as is true of copyright misuse. See, e.g., *Crew Knitwear, Inc. v. U.S. Textile Printing, Inc.*, Case No. CV 07-7658 ODW (SSx), 2009 U.S. Dist. LEXIS 12180 (C.D. Cal. Feb. 6, 2009), *King Records, Inc. v. Daily*, No. 3:00-0300, 2003 U.S. Dist. LEXIS 27285 (M.D. Tenn. Sept. 22, 2003) and *Lambert v. Pem-America, Inc.*, No. 03 C 3330, 2004 U.S. Dist. LEXIS 1821 (N. D. Ill. Feb. 12, 2004), three declaratory judgment actions that included counts alleging their defendants committed fraud on the Copyright Office. In each case, the courts reached the merits of the cause of action, assessing whether the elements were satisfied. See *Lennon v. Seaman*, 84 F. Supp. 2d at 526 (plaintiff's claim for declaratory judgment of fraud on Copyright Office not ripe prior to Copyright Office's determination on defendant's registration application); *Crew Knitwear*, at \*5 (plaintiff's claim was ripe where "the Copyright Office has taken action by affirmatively approving Defendants' applications, relying upon the veracity of the contents made therein").

Plaintiff has standing to plead this claim. In *Too, Inc. v. Kohl's Dep't Stores, Inc.*, 210 F. Supp. 2d 402 (S.D.N.Y. 2002), *abrogated in part on other grounds by Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003), the court denied defendant's motion to dismiss a claim for unfair competition and fraud on the Copyright

Office on standing and preemption grounds, noting that the criminal provision of 17 U.S.C. § 506 would not confer standing on plaintiff, but 17 U.S.C. § 410 would, even if the plaintiff “pled the fraudulent misrepresentation to the Copyright Office component of its unfair competition action as a free-standing claim.” *Id.* at 405. Moreover, 17 U.S.C. § 411 has arguably created a separate implied right of action for fraud on the Copyright Office, to fulfill the purposes of the PRO-IP Act. “[I]t is the duty of the courts to be alert to provide such remedies as are necessary to make effective the Congressional purpose.” *J.I. Case Co. v. Borak*, 377 U.S. 426, 433 (1963) (implied right of action under Securities Exchange Act of 1934 for the issuance of misleading proxy solicitations).

Moving Defendants also assert that Plaintiff would have “no cause of action against Achte’s attorneys for allegedly attaining [the copyright registration] by fraud, because they owed no duty of care to the plaintiff.” MTD p. 23. This is a canard. To show fraud on the Copyright Office, Plaintiff need only show that the Copyright Office relied on the application’s factual inaccuracies or omissions, not that Plaintiff relied on them. *Lennon*, 84 F. Supp. 2d at 525; *Crew Knitwear*, at \*5 (reliance by Copyright Office). Moving Defendants’ citation to cases whose plaintiffs brought common law fraud claims is inapposite. See *Chivalry Film Prods., v. NBC Universal, Inc.*, 05 Civ. 5627 (GEL), 2006 U.S. Dist. LEXIS 1177, \*11 (S.D.N.Y. Jan. 11, 2006) (“Count Four alleges common-law fraud, claiming that defendants committed a fraud on the Copyright Office.”); *Barnhart v. Federated Dep’t Stores, Inc.*, 04 Civ. 3668 (JGK), 2005 U.S. Dist. LEXIS 3631, \*22 (S.D.N.Y. Mar. 8, 2005) (“Each of the plaintiff’s causes of action alleges common law fraud.”). See MTD p. 22.

Moreover, Moving Defendants seem to misapprehend the purpose of copyright registration. The duty owed by a copyright registrant is to not to any potential subsequent defendant, but to the general public itself. “Copyright registration is intended to make a public record of the basic facts of a particular copyright.” U.S. Copyright Office, Compendium II: Copyright Office Practices § 602. As one leading copyright treatise describes:

The primary purpose of our registration system is to create an accurate public record of claims to copyright. This public record enables authors and other copyright owners to inform the world of the existence of their claim. It also enables persons who wish to use copyrighted materials to obtain important information, such as the existence of and basis for the claim of copyright, the nature of the claim (new work or derivative work), the duration of the copyright, and who owns the work. ...

Registration therefore functions to create an official public record of the basis for and nature of claims to copyright. While private parties do benefit from the registration system in the form of incentives to register, the system is directed toward the larger public benefit.

William F. Patry, 5 Patry on Copyright § 17:122, at 17–326-27 (2007). Further:

Material errors impair the public record: the public, litigants, and the courts are likely to be misled to their detriment by such errors, a problem compounded by the prima facie status certificates are accorded pursuant to Section 410(c). Unless a registration containing material errors is invalidated and canceled, the public record will fail of its essential purpose: providing a reliable, accurate source for information about claims to copyright.

*Id.* § 17:124, at 17–328-29. When fraud is committed on the Copyright Office, the public as a whole was damaged. “[T]he applicant has obtained significant benefits from the government based upon the applicant’s own statements, statements that the government cannot independently verify. Permitting the applicant to retain those benefits even when the representations are false is contrary to public policy.” *Id.* § 17:126, at 17-337.



Plaintiff has properly and sufficiently pled that Defendants (including Moving Defendants DGW and Dunlap) committed fraud on the copyright office, the motion to dismiss must be denied as to this count.

**VI. Plaintiff Has Sufficiently Pleaded Its Claims of Computer Fraud and Abuse Act Violations, RICO Violations, Negligent Representations and Omissions, Consumer Protection Act Violations, and Abuse of Process.**

Plaintiff's complaint has specifically and plausibly alleged, with sufficient specificity, violations of the Computer Fraud and Abuse Act, the Racketeer Influenced and Corrupt Organizations Act, and Chapter 93A, as well as claims for abuse of process and negligent representations and omissions.

**A. Plaintiff Sufficiently Pleaded Violations of the Computer Fraud and Abuse Act by Defendants.**

Moving Defendants' contention that the Computer Fraud and Abuse Act, 18 U.S.C. § 1030 ("CFAA") does not apply to them is premised upon their misreading of the statute. It is not premised upon case law (they cite only a single case, on the issue of damages), nor on any secondary sources. Indeed, Defendants entirely overlook the three controlling CFAA cases: *EF Cultural Travel BV v. Explorica, Inc.*, 274 F.3d 577 (1st Cir. 2001); *Theofel v. Farey-Jones*, 341 F.3d 978 (9th Cir. 2003); and *Shurgard Storage Ctrs. v. Safeguard Self Storage, Inc.*, 119 F. Supp. 2d 1121(W.D. Wa. 2000). Nonetheless content with their inquiry, Defendants proceed to lay out three arguments against application of the CFAA:

1. Civil liability under the CFAA is limited to very particular situations;
2. Moving Defendants are not liable, since "[t]here is no allegation that defendant attorneys actually participated in accessing, monitoring, obtaining information from, or in any way damaging, the plaintiff" (MTD p. 14); and

3. There was no damage to Plaintiff.

The CFAA provides seven distinct bases for civil actions. 18 U.S.C. § 1030(g) states that “any person who suffers damage or loss ... may maintain a civil action ... for compensatory damages and injunctive relief or other equitable relief.”<sup>10</sup> Plaintiff sufficiently pleaded that Defendants knowingly, and with intent to defraud, accessed the secure, protected computers of the Class members’ Internet Service Providers (“ISPs”), or other protected computers, or caused others<sup>11</sup> to access those or other protected computers, without authorization or in excess of their authorized access, and in furtherance of the intended fraud obtained confidential information and/or other valuable information which has a value exceeding \$5,000 in a one-year period, in violation of 18 U.S.C. § 1030(a)(4).

The subpoenas obtained by Defendants in the underlying *Achte* action were directed to the ISPs of the Class members. The Ninth Circuit in *Theofel* held that individuals other than the owner of a computer may be harmed by unauthorized access to that computer. See also *Nexans Wires S.A. v. Sark-USA, Inc.*, 319 F.Supp.2d 468

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<sup>10</sup> 18 U.S.C.A. § 1030(g). See *EF Cultural Travel BV v. Explorica, Inc.*, 274 F.3d 577 (1st Cir. 2001); *Register.Com, Inc. v. Verio, Inc.*, 356 F.3d 393, 69 U.S.P.Q.2d 1545 (2d Cir. 2004) (lower court granted injunction against continued access based on CFAA, trespass, contract, and other grounds; affirmed based on trespass and contract claims, stating that there was no reason to review the other grounds given its result). See also *Theofel v. Farey Jones*, 341 F.3d 978 (9th Cir. 2003), opinion amended and superseded on other grounds on denial of reh’g, 359 F.3d 1066 (9th Cir. 2004), *cert. denied*, 125 S. Ct. 48, 160 L. Ed. 2d 17 (2004) (lower court erred “by reading an ownership or control requirement into the Act”; appellate court noted that the CFAA civil remedy extends to “[a]ny person who suffers damage or loss by reason of a violation of this section,” including plaintiffs, who did not own the accessed computer); *P.C. Yonkers, Inc. v. Celebrations the Party and Seasonal Superstore, LLC.*, 428 F.3d 504 (3d Cir. 2005) (claim for knowingly accessing a protected computer without authorization and with intent to defraud was actionable under civil remedy provision; statutory language limiting recovery to economic damages for a violation solely involving conduct described in one subsection did not preclude relief for violations brought under other subsections, provided that the claim involved one of the five enumerated results in 18 U.S.C.A. § 1030(a)(5)(B)(i-v), (g) (2005)).

<sup>11</sup> *United States v. Willis*, 476 F.3d 1121 (10th Cir. 2007), *cert. denied*, 127 S. Ct. 3025 (2007) (aiding and abetting is a violation of the CFAA).

(S.D.N.Y. 2004), *aff'd*, No. 05-3820-cv, 166 Fed. Appx. 559, 2006 U.S. App. LEXIS 3619 (2d Cir. Feb. 13, 2006) (citing *Theofel*) (finding that the CFAA does not require that a plaintiff own the protected computer at issue to bring suit under the statute).

In deciding to authorize the subpoenas requested by Defendants, the Court in the *Achte* action reasonably and justifiably relied on the intentional and fraudulent misrepresentations Defendants made in the complaint and the motion requesting subpoena power.<sup>12</sup> The falsely procured subpoenas were part of the Defendants' Copyright Scheme and essential to obtaining the contact information of the Class members. Using that information, Defendants did, and continue to, make further fraudulent claims and extortionate threats directly to the Class members.

"Obtaining information" in the context of the Act includes mere observation of the data.<sup>13</sup> By merely viewing the identities and contact information of the Class members, without or in excess of authorization, the Defendants violated the Act.

Since the Defendants obtained access to the computers in unintended ways—specifically through fraudulently obtained subpoenas obtained for the purposes not

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<sup>12</sup> *Shurgard Storage*, 119 F. Supp. 2d at 1125-26 ("CFAA's use of 'fraud' simply means wrongdoing and not proof of the common law elements of fraud"); see *Carpenter v. United States*, 484 U.S. 19, 27 (1987) ("As we observed last Term in *McNally*, the words 'to defraud' in the mail fraud statute have the 'common understanding' of 'wronging one in his property rights by dishonest methods or schemes,' and 'usually signify the deprivation of something of value by trick, deceit, chicane or overreaching.' ... The concept of 'fraud' includes the act of embezzlement, which is 'the fraudulent appropriation to one's own use of the money or goods entrusted to one's care by another.'" (quoting *Grin v. Shine*, 187 U.S. 181, 189 (1902)). See also S. Rep. No. 99-432, at 9 (1986), as reprinted in 1986 U.S.C.C.A.N. 2479, 2483-87 (subsection (a) (4) was intended to "penalize thefts of property via computer that occur as part of a scheme to defraud").

<sup>13</sup> 18 U.S.C. § 1030(a)(2)(C); see S. Rep. No. 99-432, at 6-7 (1986), as reprinted in 1986 U.S.C.C.A.N. 2479, 2484.

related to their intended function—they were operating “without authorization.”<sup>14</sup> Even if the subpoenas had been valid, extortion and/or fraud are not an “intended function” of their issuance, so Defendants “exceeded” their authorized access under the Act.

All computers used by Defendants without authorization or in excess of authorized access, were at all relevant times used in interstate commerce and are protected computers pursuant to 18 U.S.C. § 1030(e).

Defendants themselves ascribed varying value ranges on the information they obtained, including \$1,500 to \$2,500 in the event of settlement, and \$30,000 to \$150,000 in the event of litigation. Defendants, through their actions in violation of 18 U.S.C. §§ 1030(a)(2), (a)(4), and (a)(5)(C), have caused Class members to incur losses in responding to and investigating Defendants’ misconduct, including settlement payments and costs associated with retaining counsel, exceeding \$5,000 during a one-year period in violation of 18 U.S.C. §§ 1030(g) and (c)(4)(A)(i)(I). The Defendants have caused Plaintiff and other proposed Class members to suffer losses<sup>15</sup> in aggregate far greater than

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<sup>14</sup> *United States v. Morris*, 928 F.2d 504, 510 (2d Cir. 1991). (Court applied the test by reasoning that since the defendant obtained access to the computers in “unintended ways” that were not “related to their intended function,” he was operating “without authorization.”). See also *EF Cultural Travel BV v. Explorica, Inc.*, 274 F.3d 577 (1st Cir. 2001).

<sup>15</sup> *In re DoubleClick Inc. Privacy Litigation*, 154 F. Supp. 2d 497, 521 (SD.N.Y. 2001) (legislative history makes “clear that Congress intended the term ‘loss’ to target remedial expenses borne by victims that could not properly be considered direct damage caused by a computer hacker”). See also *EF Cultural Travel BV v. Explorica, Inc.*, 274 F.3d 577, 584-585 (1st Cir. 2001); *United States v. Middleton*, 231 F.3d 1207 (9th Cir. 2000) (recognizing “natural and foreseeable” damages); *Creative Computing v. Getloaded.com LLC*, 386 F.3d 930 (9th Cir. 2004) (finding that CFAA’s \$5,000 threshold relates to total damage or loss to the victim over a one-year period, not damages from a particular intrusion).

the \$5,000 statutory threshold,<sup>16</sup> that stem from the same act: the issuance of the subpoenas, or alternatively, the Copyright Scheme as a whole.

A plaintiff under 18 U.S.C. § 1030(g) is required only to show damages *or* loss, not damages *and* loss. Factors under § 1030(c)(4)(A)(i) describe harms recognized by civil action rather than pleading requirements.<sup>17</sup>

Moving Defendants contend that proposed Class members' expenses in responding to their fraud, even if casually related, is not a compensable loss under the act, citing for this proposition *Wilson v. Moreau*, 440 F. Supp. 2d 81, 109-110 (D.R.I. 2006).<sup>18</sup> But they misread the case. *Wilson* does not say that costs and expenses of litigation are never compensable; it says that the costs and expenses in that case were too far removed from the actual violation.<sup>19</sup> Nowhere in the statute does it limit costs to the restrictive reading that Defendants urge. Furthermore:

The CFAA defines "loss" in terms of "any reasonable cost." [18 U.S.C.A. § 1030(e)(11).] "Cost" ordinarily means an "amount paid or charged for something; price or expenditure." The CFAA's "loss" definition goes on to list costs that are similar in that they are all directly associated with, or with addressing, an unauthorized computer access event. Among those costs are: "any revenue lost, cost incurred, or other consequential damages

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<sup>16</sup> In the ordinary case, a private cause of action will lie only if there was loss in an aggregate amount of \$5,000, or there was personal injury. *Creative Computing v. Getloaded.com LLC*, 386 F.3d 930 (9th Cir. 2004) (the \$5,000 damage requirement refers to aggregated loss, rather than loss from any single intrusion; goodwill and similar losses are countable as economic loss for purposes of this provision). See also CFAA's legislative history: "Certain types of malicious mischief may cause smaller amounts of damage to numerous individuals, and thereby collectively create a loss of more than \$ 1,000. By using 'one or more others,' the Committee intends to make clear that losses caused by the same act may be aggregated for purposes of meeting the \$ 1,000 threshold." S. Rep. No. 99-474, at 6 (1986), as reprinted in 1986 U.S.C.A.N. 2479, 2482-83, quoted in *In re Am. Online, Inc. Version 5.0 Software Litig.*, 168 F. Supp. 2d 1359, 1373-74 (S.D. Fla. 2001).

<sup>17</sup> *SKF USA, Inc. v. Bjerkness*, 636 F. Supp. 2d 696 (ND Ill. 2009).

<sup>18</sup> Compare *Wentworth-Douglas Hosp. v. Young & Novis Prof'l Assoc.*, Civ. No. 10-cv-120-SM, 2010 U.S. Dist. LEXIS 76401, \*12 (D.N.H. July 28, 2010) (distinguishing *Wilson*).

<sup>19</sup> This is clear in the passage quoted by Moving Defendants. See MTD p.15 n.4.

incurred *because of interruption of service.*” By use of the term “cost” and its listing potential injuries directly associated with, or with addressing, an unauthorized-computer-access event, the CFAA plainly enumerates a narrow grouping of “loss” distinct from-and thus excluding-the far greater range of losses that could flow from a violation of the CFAA. ResDev’s position, that “loss” can cover a trade secret’s exclusivity value, disregards the ordinary meaning of statutory terms, fails to account for surrounding context, and runs counter to the “*expression unius . . .*” canon of construction, which translates as “the expression of one implies the exclusion of others.” Furthermore, to the extent ResDev asserts that sufficient “damage” or “loss” can open the door to a broader class of damages, ResDev’s position both ignores subsection (g)’s wording: “[a]ny person *who suffers damage or loss* by reason of a violation of this section may maintain a civil action against the violator to obtain *compensatory damages,*” and also ignores the selection of actors listed in subsection (a) (5)(B).

*Resdev, LLC v. Lot Builders Ass’n, Inc.*, Case No. 6:04-cv-1374-Orl-31DAB, 2005 U.S. Dist. LEXIS 19099, \*10-12 (M.D. Fla. 2005) (emphasis in original) (citations omitted).

The proposed Class members, including Plaintiff, suffered loss as a direct and proximate cause of Defendants’ deliberate misconduct. As described above, consistent with an abundance of case law and legislative history, Plaintiff and the proposed Class have standing under the CFAA.

**B. Plaintiff Sufficiently Pleaded Violations of the RICO Act by Defendants.**

Moving Defendants contend that Plaintiff, and therefore the Class, does not have standing to assert a claim under the Racketeer Influenced and Corrupt Organizations Act (“RICO”), 18 U.S.C. §§ 1961 *et al.*, because he has not suffered an injury. In the operative First Amended Complaint, Plaintiff’s RICO claim was pled with even greater particularity, which should suffice to show sufficient injury to survive the motion to dismiss. Plaintiff discusses three predicate RICO acts: mail fraud (18 U.S.C.S. § 1341), wire fraud (18 U.S.C.S. § 1343) and extortion and/or attempted extortion (18 U.S.C.S. §

1951) (“Hobbs Act”). To establish a pattern of racketeering under RICO, a plaintiff must show at least *two* predicate acts of “racketeering activity” as the statute defines such activity, and must establish that predicates are related and that they amount to or pose a threat of continued criminal activity. *McEvoy Travel Bureau v. Heritage Travel, Inc.*, 904 F.2d 786 (1st. Cir.), *cert. denied*, 498 U.S. 992 (1990). Of the three predicate acts pleaded, Defendants only contest the claim of extortion/attempted extortion under the Hobbs Act. As a result, *even if Defendants’ argument were correct*, it would leave two predicate counts standing and would not justify dismissal. But Defendants’ argument is not correct. Specifically, Defendants claim that (1) Plaintiff lacks standing because he suffered no ‘injury whatsoever’ as a result of the extortion, and (2) that there is no civil RICO claim for attempted extortion. Defendants are wrong, and misinterpret three cases in support of their faulty contentions.

With regard to the first contention, Defendants’ interpretation of *Camelio v. Am. Fed’n.*, 137 F.3d 666 (1st Cir. 1998), is that “because the defendants’ alleged attempted extortion was not successful and thus did not cause the plaintiff’s injuries, his RICO claim must be dismissed.” MTD p. 18. In *Camelio* the defendant’s acts, while the direct cause of plaintiff’s injuries, were not the proximate cause and such conduct could not be a violation of the Hobbs Act, or serve as a predicate for a RICO offense. *Id.* at 670-71. But in the present case, Plaintiff’s injury was a direct *and* proximate result of Defendants’ acts as plead in the Complaints.

In determining the sufficiency of Plaintiff’s injury,

[T]he statute requires no more than this. Where the plaintiff alleges each element of the violation, the compensable injury necessarily is the harm

caused by predicate acts sufficiently related to constitute a pattern, for the essence of the violation is the commission of those acts in connection with the conduct of the enterprise. Those acts are, when committed in the circumstances delineated in § 1962(c), ‘an activity which RICO was designed to deter.’ Any recoverable damages occurring by reason of a violation of § 1962(c) will flow from the commission of the predicate acts.

*Sedima, S.P.R.L. v. Imrex Co.*, 473 U.S. 479 (1985).

Incurring costs, such as those incurred by the Plaintiff and others in the Class, in investigating and defending litigation alleged to be an instrument of racketeering activity, is a sufficient injury necessary to state a RICO claim. For example, in *Lemelson v. Wang Laboratories, Inc.*, 874 F. Supp. 430 (D. Mass. 1994), allegations that a patentee and his attorneys had extorted millions of dollars in settlement monies through a pattern of litigation involving infringement claims based on fraudulently obtained patents, and that predicate acts were enterprise’s repeated and continued use of U.S. mails and use of telephone wires to further that extortionate scheme, were sufficient to allege a pattern of racketeering activity necessary to state a RICO claim. See also *Eagle Inv. Sys. Corp. v. Tamm*, 146 F. Supp. 2d 105 (D. Mass. 2001).

To support their contention that attempted extortion is not a cause of action for civil RICO, Defendants cite two cases, *Dermesropian v. Dental Experts, LLC*, 718 F. Supp. 2d 143, 154 (D. Mass. 2010), and *Libertad v. Welch*, 53 F.3d 428, 437 (1st Cir. 1995). Both are inapposite. In *Dermesropian*, the court did not suggest that attempted extortion was not a basis for civil RICO, but that the plaintiff had no standing because he had not been subjected to an extortionate act to begin with. Similarly in *Libertad*, the thrust of the opinion as it related to certain women plaintiffs (a minority of the plaintiffs in that case) was that the court “adduced sufficient evidence of an “enterprise” among



certain appellees, but not others, to defeat summary judgment as to those appellants involved in the enterprise for purposes of RICO. *Id.* at 442, 444.

Nothing in the Hobbs Act supports a reading that attempted extortion is not a civil RICO cause of action. Courts routinely reach the merits of the issue. See *Sanchez v. Triple-S Mgmt. Corp.*, 492 F.3d 1, 31 (1st Cir. 2007); *Gillmor v. Thomas*, 490 F.3d 791, 798 (10th Cir. 2007).

For the reasons set forth above, in the Complaint and the Amended Complaints, Plaintiff has suffered an injury under RICO. The motion to dismiss this claim must be denied.

**C. Plaintiff Sufficiently Pleaded Negligent Misrepresentations and Omissions by Moving Defendants.**

Plaintiff has properly stated and pleaded a claim for negligent representations and omissions against the Moving Defendants. To evade directly addressing the claim, Moving Defendants willfully ignore Plaintiffs' allegations and repeatedly attempt to recast themselves as acting in their capacity as attorneys to escape liability. But Plaintiff has pleaded facts sufficient to show that the Moving Defendants were not acting in their professional capacity as attorneys, but as a business. In that capacity, they remain liable for their negligent representations and omissions.

As Plaintiff detailed in his pleadings, DGW operated a Copyright Scheme in part under the alias USCG. FAC ¶ 72; SAC ¶ 73. USCG is a business venture, not a law firm. Benjamin Perino, a managing partner at GuardiaLey, is also a managing partner at USCG. FAC ¶ 72 n. 33; SAC ¶ 73 n. 33. Perino's involvement with USCG/DGW raises questions

as to fee-sharing.<sup>20</sup> USCG and DGW share the same address (FAC ¶¶ 33-34; SAC ¶¶ 34-35); some of the same partners (including Dunlap); and some of the same clients (including Achte and other film companies). An overlap of other resources is likely. Whether DGW and its attorneys were functioning in their capacity as attorneys while operating as USCG and engaging in the Copyright Scheme is a question of fact to be decided by a jury, and not grounds for a 12(b)(6) dismissal.

Even if the attorney Defendants were found to be acting in their professional capacity, the law of misrepresentation still applies to lawyers.<sup>21</sup> A misrepresentation can occur through a direct statement or through the affirmation of a misrepresentation of another, as when a lawyer knowingly affirms a client's false or misleading statement.<sup>22</sup>

Similar facts arose in the case of *Florida Bar v. James*.

A lawyer agreed to act as attorney for an incorporated debt collection agency. Both parties set up operations in the same building and shared the services of a secretary/receptionist. The agency's manager evaluated the clients' claims against debtors and referred those he thought merited legal action to the lawyer. The lawyer maintained a separate office, but the manager had access to it and to the lawyer's files. In addition the manager sometimes dealt with clients or debtors who were trying to reach the lawyer.

The court found that a lack of communication between the manager and lawyer resulted in “unwarranted legal actions and judgments by the courts on debts for which satisfaction had been obtained and given.” It also found that there existed a conflict of interest between the corporation and lawyer on the one hand and their clients on the other, because the corporation's

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<sup>20</sup> *Daynard v. Ness, Motley, Loadholt, Richardson & Poole, PA*, 178 F. Supp. 2d 9, 25-26 (D.Mass. 2001).

<sup>21</sup> See generally Restatement (Second) of Contracts § 159 *et al.* and Restatement (Second) of Torts § 525 *et al.*

<sup>22</sup> *Cheswell, Inc. v. Westfield Const. Co., Inc.*, 319 F. Supp. 2d 144 (D. Mass 2004), subsequent determination in *Cheswell, Inc. v. Premier Homes and Land Corp.*, 326 F. Supp. 2d 201 (D. Mass 2004); *Norman v. Brown, Todd & Heyburn*, 693 F. Supp. 1259 (D. Mass 1988). See generally Restatement (Second) of Agency §§ 343, 348.

and lawyer's compensation depended upon their extracting from the debtors additional payments above the debt due.

The court criticized the arrangement between the lawyer and the collection agency. In disciplining the lawyer, it observed: "The record in these cases documents the disastrous results that occur when a practicing member of the Bar enters into a profit-making enterprise with a commercial business which subordinates the practice of law to the activities of the commercial business."

*Florida Bar v. James*, 478 So. 2d 27, 28 (Fla. 1985).

The potential harm in allowing a non-lawyer to have a financial stake (as partner or shareholder) in a lawyer's practice imperils the lawyer's ability to exercise independent professional judgment. A business corporation is treated as a non-lawyer and may never be used to practice law. Although non-lawyers may be owners of ancillary businesses, they may not be partners or shareholders of the law firms that are affiliated with ancillary business.<sup>23</sup> It is well established under Massachusetts law that an attorney can be liable to a non-client, *even an adversary*, in litigation for fraud or deceit.<sup>24</sup> Negligent misrepresentation claims against attorneys have been recognized upon the rationale that an attorney should be subject to the same tort rules and liabilities as an ordinary person.<sup>25</sup>

Moving Defendants partially parse Exhibit N of the pleadings, the demand letter Defendants sent to Plaintiff (and, in virtually identical form, to others in the proposed Class), and seek to deflect their responsibility by claiming they advised recipients of the

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<sup>23</sup> ABA Model Rule 5.7.

<sup>24</sup> *Gannett v. Shulman*, 74 Mass. App. Ct. 606 (2009).

<sup>25</sup> *Kirkland Construction Co., v. James et al.*, 39 Mass. App. Ct. 559, 563 (1995); *Nova Assignments, Inc. v. Kunian*, 77 Mass. App. Ct. 34 (2010); *Orlando v. Cole*, 09-P-404, 2010 Mass. App. Unpub. LEXIS 136 (Mass. App. Ct. Feb. 12, 2010); *DeLuca v. Jordan*, 57 Mass. App. Ct. 126 (2003).

demand letter to seek counsel. MTD p. 21. But as Plaintiff noted, DGW also advised demand letter recipients: “You should also visit the Frequently Asked Questions web we have posted at [www.farcry-settlement.com](http://www.farcry-settlement.com) which will provide additional information and hopefully answer many of the questions you may have.” FAC ¶ 188 & Exh. N; SAC ¶ 187 & Exh. N. Once on [www.farcry-settlement.com](http://www.farcry-settlement.com), a USCG website, Defendants instructed Plaintiff and others in the proposed Class: “The legal fees incurred in defending a copyright infringement claim will almost always exceed the settlement amount demanded by our client.” FAC ¶ 190 & Exh. P; SAC ¶ 189 & Exh. P. While there is no obligation to suggest that an unrepresented person hire a lawyer, a lawyer should *never* suggest that an unrepresented person not hire counsel. *W.T. Grant Co. v. Haines*, 531 F.2d 671 (2d Cir. 1976). In ignoring that principle, Defendants (including Moving Defendants) sought to ensure that their claims would go unexamined by opposing counsel. Moving Defendants expressly stated to their non-clients that the costs of defending against their spurious claims would exceed their demand price. Thus, not only was it reasonably foreseeable that the Plaintiff class would rely on the statements of the Moving Defendants; the Defendants apparently sought to induce such reliance by suggesting that defense counsel would be cost-prohibitive.

Worse, having diverted the proposed Class members from seeking representation, the Moving Defendants provided a stream of half-truths and falsehoods about their claims and the potential liability at issue. It was then reasonably foreseeable that members of the Class would settle claims, or retain counsel, on the basis of Defendants’ several false representations. Members of the Class who settled and/or retained counsel did so upon

foreseeable reliance on the Moving Defendants' threats, exaggerations, and affirmative misrepresentations of law and fact. It was reasonably foreseeable that Plaintiff and others would rely on the Moving Defendants' exaggerated representations to the extent that they warranted paying to settle and/or retaining legal counsel. The Defendants' fraudulently and/or negligently misrepresented the damages available to Achte, implying that the charges were of sufficient gravity to warrant the expense.

"A lawyer communicating with a non-client on behalf of a client is not privileged to make a material misrepresentation of fact or law to the non-client." Restatement (Third) of the Law Governing Lawyers § 98 cmt. b. (1998). Having elected to speak to the proposed Class, the Moving Defendants were obligated to speak the truth. *Austin v. Bradley, Barry & Tarrow, PC*, 836 F. Supp. 36, 39 (D. Mass. 1993) (citing *Ackerman v. Schwartz*, 947 F.2d 841 (7<sup>th</sup> Cir. 1991)); *Jacobs v. Pierce*, 208 B.R. 261, 280 (D. Mass. 1997) ("A lawyer is prohibited from making a false statement of material fact, even to a non-client.") (citing language in Restatement of the Law: The Law Governing Lawyers, Tentative Draft No. 8 § 157 (Mar. 21, 1997), which was later adopted in Restatement (Third) of the Law Governing Lawyers § 98 (1998)). The scope of reliance induced by the Moving Defendants remains an issue of fact. Moving Defendants' negligent misrepresentations and omissions, made to Plaintiff and the proposed Class, do not warrant dismissal of this claim.

**D. Plaintiff Sufficiently Pleaded Violations of Chapter 93A by Moving Defendants.**

Moving Defendants fault Plaintiff for not filing a demand letter prior to stating a claim under Chapter 93A in his Complaint. Massachusetts General Laws c. 93A, § 9(3)

("Chapter 93A"), in pertinent part, states that the demand letter requirements shall not apply if the claim is asserted by way of a counterclaim, or if the prospective respondent does not maintain a place of business or does not keep assets within the commonwealth. Because Defendants improperly filed suit against the Class in the United States District Court for the District of Columbia, the Class action against Defendants may be properly construed as a counterclaim. Alternatively, and to the best of Plaintiff's knowledge, Defendants neither maintain a place of business or keep assets within the commonwealth. Either way, the exemptions noted in the statute apply.<sup>26</sup>

Moving Defendants' motion to dismiss this claim again seeks a cloak of privilege afforded to attorneys, despite their actions outside of this capacity in their operation as a business. Even if Defendants were found to be acting in their capacity as attorneys, Chapter 93A liability still applies, and the Class has standing.

"Attorneys are not immune from this liability [under Chapter 93A]. ... Bar membership provides no cloak of immunity for an attorney's false representations. Rather it imposes a high duty of ethical conduct in the practice of our shared profession." *Nova Assignments, Inc. v. Kunian*, 77 Mass. App. Ct. 34, 38 (2010), further app. rev. denied, 458 Mass. 1006 (2010). A lawyer's liability under Chapter 93A arises where he makes communications "in a business context"; this context can be shown where a lawyer "works closely with and knowingly aids and abets a party in undertaking unfair and deceptive business practices." *Id.* at 44 n. 7. The Complaint sufficiently documents such behavior by the Defendants. The firm and its attorneys far surpassed mere representation

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<sup>26</sup> Plaintiff has withdrawn his claims under the consumer protection acts of Washington, D.C. and Virginia in the Second Amended Complaint.

of its clients; rather, they became business partners in a settlement model designed to avoid litigating its claims, legitimate or otherwise. And the Complaint alleges that at least Dunlap and DGW, knew of the unfairness of threatening to sue for forms of damages excluded by statute. The Defendants may be found liable on “a claim of detrimental reliance on a false representation.” *Nova*, at 38 (citing *Kirkland*). “Such action if proven would not be insulated from liability because it was undertaken by a lawyer. It would be particularly harmful because it was.” *Id.*, at 43-44.

Thus, in *Schaeffer v. Cohen, Rosenthal, Price, Mirkin, Jennings & Berg, P.C.*, 405 Mass. 506, 514 (1989), the court found that a non-party to an attorney-client relationship could plead that the attorney’s acts — services performed for someone else — were “unfair or deceptive acts or practices” under the statute. Similarly, a law firm may be liable to a client’s adversary under Chapter 93A for joining “its client in marketplace communications to the adversary rather than merely relay[ing] its client’s positions; and if those marketplace communications knowingly or carelessly turn out to be false, misleading, and harmful.” *Coggins v. Mooney*, 8 Mass. L. Rep. 259, 94-0844, 1998 Mass. Super. LEXIS 320 (Mass. Super. Ct. Apr. 3, 1998), *aff’d sub nom. Miller v. Mooney*, 431 Mass. 57 (2000).

The First Circuit has recognized that bringing a lawsuit, in spite of evidence showing that a claim is frivolous, can support a claim for unfair and deceptive practices under Chapter 93A. *Tsagaroulis v. Fed. Home Loan, Mortg. Corp.*, Civ. A. No. 99-11349-JGD, 2001 U.S. Dist. LEXIS 18235 (D. Mass. Oct. 23, 2001); *e.g.*, *Refuse & Env’tl. Sys., Inc. v. Indus. Servs. of America, Inc.* 932 F.2d 37, 43 (1st Cir. 1991) (“bringing [a] lawsuit

in spite of the evidence” can be a 93A violation). See *Quaker State Oil Ref. Corp. v. Garrity Oil Co.*, 884 F.2d 1510, 1513-14 (1st Cir. 1989) (a party may bring a claim under c. 93A against another party which willfully filed a baseless lawsuit). In this case, Plaintiff has plausibly alleged that Achte and Moving Defendants filed suit against the Class despite the knowledge that their copyright registration (a requirement before filing claims for statutory damages or attorney’s fees) had been fraudulently obtained; that certain remedies they claimed— again, statutory damages and attorney’s fees—were barred; that the Court lacked jurisdiction over the Class members; and that Defendants did not intend to fully litigate most, if not all, of their claims.

Defendants filed suit as part of the overall Copyright Scheme, with the ulterior motive of forcing “settlements” from the Class members, not litigating the merits. *Northeast Data Sys., Inc. v. McDonnell Douglas Computer Sys. Co.*, 986 F.2d 607, 611 (1st Cir. 1993); *Cohen v. Hurley*, 20 Mass. App. Ct. 439, 442 (1985); *Quaker* at 1514. Defendants then used the complaint as leverage against the Class’ ignorance as to their potential defenses. The filing of a legal claim “which proves baseless” is not, however, in itself an unfair trade practice, the claim must have been brought with an “ulterior motive.” Plaintiff has pleaded facts sufficient to show such a motive, and such baselessness.

Furthermore, Defendants practice of intentionally filing suit in inconvenient distant courts, with the purpose and effect of securing default judgments and gaining unfair advantage, states a claim for relief under 93A. *Schubach v. Household Finance Corp.*, 375 Mass. 133 (1978).



Because Class' rights were affected by Defendants' unfair claim settlement practices described above, the Class has right of action under 93A. *Transamerica Ins. Group v. Turner Constr. Co.* (1992) 33 Mass App Ct. 446 (1992). Lack of privity between plaintiff and defendant does not bar recovery. *Computer Systems Engineering, Inc. v. Oantel Corp.*, 571 F. Supp. 1365, 1377-78 (D. Mass. 1983), *aff'd*, 740 F. 2d 59 (1st Cir. 1984). The proper measure of damages which the Class suffered were foreseeable by the Defendants and are casually connected to their unfair and deceptive acts. *Haddad v. Gonzalez*, 410 Mass 855 (1991); *Multi Technology, Inc. v. Mitchell Management Systems, Inc.*, 25 Mass. App. Ct. 333 (1988).

Plaintiff's claim under Chapter 93A is properly pleaded, and Moving Defendants' motion to dismiss this count must be denied.

**E. Plaintiff Sufficiently Pleaded Abuse of Process by Moving Defendants.**

Moving Defendants assert that Plaintiff has not pled facts which would establish an abuse of process claim. MTD p. 23. Even if Plaintiff's original complaint did not establish the claim, Plaintiff's complaint as amended does.

To state a claim of abuse of process in Massachusetts, Plaintiff must allege that the defendants used process for an ulterior or illegitimate purpose, resulting in damage to Plaintiff. *Keystone Freight Corp. v. Bartlett Consol., Inc.*, 77 Mass. App. Ct. 304, 312-13 (2010). Liability arises "where there is a 'form of coercion to obtain a collateral advantage, not properly involved in the proceeding itself, such as the surrender of property or the payment of money, by use of the process as a threat or a club. There is, in

other words, a form of extortion ....” *Cohen v. Hurley*, 20 Mass. App. Ct. 439, 442 (1985) (quoting Prosser & Keeton, Torts § 121, at 898 (1984)).

Plaintiff has thoroughly pleaded allegations that satisfy the elements of abuse of process. First, Plaintiff alleges that Defendants used process, in the form of the complaint used to initiate the Achte action.<sup>27</sup> “[I]n the context of abuse of process, ‘process’ refers to the papers issued by a court to bring a party or property within its jurisdiction.” *Jones v. Brockton Public Markets, Inc.*, 369 Mass. 387, 390 (1975). Second, Plaintiff’s complaint directly addresses Defendants’ ulterior purpose:<sup>28</sup>

The Letters’ frequent misleading references to statutory damages, including their multiple citations to the statutory maximums and uncorrected references to unconstitutionally excessive jury awards, were irrelevant to any claims Defendants could have brought in the Achte action. However, they were directly relevant to Defendants’ implicit purpose: frightening and intimidating Letter recipients into hasty settlements under false pretenses.

FAC ¶ 179; see also FAC ¶¶ 153-154, 157-158; SAC ¶¶ 152-153, 156-167, 178. Third, Plaintiff pleaded damages that Defendants’ abuse of process caused to Plaintiff and other members of the proposed Class. FAC ¶ 347; SAC ¶ 365. The Complaint sufficiently pleads the abuse of process claim, and does not warrant dismissal on this count.

**VII. The Complaint sufficiently alleges claims of conspiracy by Defendants, and of Moving Defendants’ participation in, and/or aiding and abetting of fraud, pursuant to that conspiracy.**

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<sup>27</sup> Plaintiff’s claim for abuse of process, as initially pleaded, referenced the subpoenas that Defendants employed improperly. Complaint ¶ 400; see MTD p. 24. In the Second Amended Complaint, Plaintiff’s claim instead addresses Achte’s complaint as the process abused by Defendants.

<sup>28</sup> Plaintiff has further pleaded facts in the Second Amended Complaint showing how Defendants abused the process by employing it in a fashion tailored to serve that ulterior purpose. By using a USCG website to display the complaint to the proposed Class members without providing service, Defendants forestalled litigation while enabling extortion. SAC ¶ 358.

Plaintiff has properly pleaded a claim of civil conspiracy in his amended complaints. FAC ¶¶ 377-383; SAC ¶¶ 384-390. In addition, Plaintiff properly pleaded a claim of aiding and abetting fraud. FAC ¶¶ 281-285; SAC ¶¶ 293-296. Moving Defendants state that such claims must fall if the underlying counts all fall. While this is a true statement of law, its truth is vacuous in this context, where the underlying claims have merit and sustain the motion to dismiss. The reverse is true as well: as the underlying claims stand, so do the claims for conspiracy and aiding and abetting.

**VIII. The class claims should not be dismissed.**

Moving Defendants put forth a similarly empty proposition, that class claims should be dismissed if the named plaintiff's claims are. But the named Plaintiff's claims should not be dismissed, so neither should the class claims.

**CONCLUSION**

For all the above reasons, Plaintiff respectfully requests that the Court deny Moving Defendants' motion to dismiss in its entirety, and award attorney's fees and expenses to Plaintiff, and such other further relief that the Court deems just and proper.

Respectfully submitted,

Dmitriy Shirokov

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*Co-Counsel for Plaintiff and Proposed Class*

## CERTIFICATE OF SERVICE

I hereby certify that on February 24, 2011, I electronically filed the foregoing Motion Pursuant to Fed. R. Civ. P. 6(b) for Extension of Time to File Responses to Defendants Dunlap, Grubb & Weaver, PLLC, Thomas Dunlap, and Nicholas Kurtz's Motion to Dismiss and Motion for Sanctions, and the attached Affidavit of Daniel G. Booth, by using the ECF system.

I hereby certify that a true copy of the aforementioned documents will be served upon counsel of record for Defendants Dunlap, Grubb & Weaver, PLLC, Thomas Dunlap, and Nicholas Kurtz by Notice of Electronic Filing through the ECF system.

I further certify that true copies of the aforementioned documents will be served upon Defendants US Copyright Group, Guardaley, Limited, and Achte/Neunte Boll Kino Beteiligungs Gmbh & Co KG by mail sent on February 25, 2011.

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