

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF OREGON
EUGENE DIVISION

JAMES LAKE; FETCH
INDUSTRIES, LLC,

Civ. No. 6:20-cv-00850-AA

Plaintiffs,

OPINION & ORDER

v.

PRESTON A. SCHEIDT;
GREEN GOAT LABS, LLC;
FURLONG FAMILY, LLC;
KEYSTONE REAL ESTATE
HOME, INC.; MARCH
SCIENTIFIC, INC.; ADAM
REID; JOHN DOES 1-5;
XYZ CORPORATIONS 1-5,

Defendants.

AIKEN, District Judge.

This case comes before the Court on a Motion to Dismiss filed by Plaintiffs James Lake and Fetch Industries, LLC. ECF No. 61. Plaintiffs seek to dismiss the counterclaim for fraud upon the court alleged by Defendants Preston Scheidt and Green Goat Labs LLC in their Answer. ECF No. 55. Because “fraud upon the court” is a basis for rescission or relief from a final judgment or order, rather than an independent cause of action for damages, the Motion is GRANTED.

BACKGROUND

This case arises out of a failed business relationship between Plaintiff James Lake and Defendant Preston Scheidt. Plaintiffs filed the original Complaint, ECF No. 1, on May 28, 2020, along with a motion for a temporary restraining order (“TRO”). ECF No. 2.

The Court granted the TRO on June 2, 2020. ECF No. 12. The Court held an initial preliminary injunction hearing on June 11, 2020, which was continued to allow other named parties to file appearances. By agreement of the appearing parties, the Court continued the TRO on July 9, 2020 to maintain the status quo while the parties pursued settlement. ECF No. 33. On February 5, 2021, the Court dissolved the interim injunction and denied Plaintiffs’ motion for a preliminary injunction. ECF No. 85.

Plaintiffs filed the operative Amended Complaint on August 3, 2020. ECF No. 39. In relevant part, Plaintiffs bring claims for conversion, trespass to chattel, tortious interference with contract, intentional interference with prospective economic advantage, tortious interference with contract, fraud in the inducement, intentional misrepresentation, negligent misrepresentation, breach of contract, breach of the duty of good faith and fair dealing, unjust enrichment, trespass to land, injurious falsehood, libel *per se*, slander *per se*, and intentional infliction of emotional distress against Scheidt and Green Goat Labs. Am. Comp. ¶ 93.

On September 23, 2020, Scheidt and Green Goat Lab filed their Answer. ECF No. 55. In their Answer, Scheidt and Green Goat Lab asserted a counterclaim against Plaintiffs for fraud upon the court.

LEGAL STANDARD

To survive a motion to dismiss under the federal pleading standards, the complaint must include a short and plain statement of the claim and “contain sufficient factual matter, accepted as true, to ‘state a claim for relief that is plausible on its face.’” *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (quoting *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007)). “A claim has facial plausibility when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged. The plausibility standard . . . asks for more than a sheer possibility that a defendant has acted unlawfully.” *Id.* The court is not required to accept legal conclusions, unsupported by alleged facts, as true. *Id.*

DISCUSSION

In their counterclaim, Scheidt and Green Goat Labs allege that Plaintiffs have committed “Fraud Upon the Court by submitting false allegations in the Amended Complaint, along with a false declaration, submitted under penalty of perjury.” Ans. ¶ 29. The counterclaim is subdivided into “counts” alleging conversion, trespass to land and chattel, tortious interference with contract, intentional interference with prospective economic advantage, and punitive damages. In their Response to Plaintiffs’ Motion, Scheidt and Green Goat Labs clarify that the counts “detail the

effects of the fraud,” and are not intended as individually-pleaded counterclaims. *See, e.g.,* Ans. ¶ 47 (alleging that Plaintiffs interfered with Scheidt and Green Goat Labs’ prospective economic advantage through fraud on the court); ¶ 44 (alleging that Plaintiffs have tortiously interfered with contracts through their misrepresentations to the Court). Plaintiffs move to dismiss Scheidt and Green Goat Labs’ counterclaim for failure to state a claim.

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 the presentation of the opposing party’s claim or defense.” *Aoude v. Mobil Oil Corp.*, 892 F.2d 1115, 1118 (1st Cir. 1989) (citing *Alexander v. Robertson*, 882 F.2d 421, 424 (9th Cir. 1989)). However, there is no private right of action for damages resulting from fraud on the court. *Montez v. Chase Home Fin. LLC*, Case No. 3:18-cv-02899-BEN-LL, 2019 WL 1950388, at *3 (S.D. Cal. May 1, 2019). “Instead, it is a theory pursuant to which a party may seek relief from a judgment or court order induced based on the opposing party’s fraud.” *Id.*; *see also United States v. Estate of Stonehill*, 660 F.3d 415, 443-44 (9th Cir. 2011) (“We exercise the power to vacate judgments for fraud on the court with restraint and discretion, and only when the fraud is established by clear and convincing evidence.” (internal quotation marks and citations omitted)); Fed. R. Civ. P. 60(b)(3) (authorizing relief from a final judgment or order in cases of fraud on the court).

To the extent that Scheidt and Green Goat Labs seek an award of damages for fraud on the court, they fail to state a claim because no such private right of action exists and Plaintiffs' Motion to Dismiss the Counterclaim is GRANTED. Scheidt and Green Goat Labs shall be given leave to file an amended answer should they wish to restate their counterclaim on some other basis.

CONCLUSION

Plaintiffs' Motion to Dismiss, ECF No. 61 is GRANTED. The counterclaim asserted by Defendants Preston Scheidt and Green Goat Labs LLC in their Answer, ECF No. 55, is DISMISSED. Defendants Preston Scheidt and Green Goat Labs LLC shall have fourteen (14) days from the date of this Order in which to file an amended answer.

It is so ORDERED and DATED this 11th day of August 2021.

/s/Ann Aiken
ANN AIKEN
United States District Judge