

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

LAKESOUTH HOLDINGS, LLC,

Plaintiff,

v.

**WAL-MART STORES, INC. and
WAL-MART STORES TEXAS, LLC,**

Defendants.

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Civil Action No. 3:14-cv-1877-N

Demand for Jury Trial

FIRST AMENDED COMPLAINT

Plaintiff LakeSouth Holdings, LLC (“LakeSouth”) files this First Amended Complaint for patent infringement against Wal-Mart Stores, Inc. (“Wal-Mart Stores”) and Wal-Mart Stores Texas, LLC (“Wal-Mart Stores Texas”) (collectively “Wal-Mart” or “Defendants”) and alleges the following:

The Parties

1. LakeSouth is a Delaware limited liability company with its principal place of business located at 1460 Main Street, Suite 244, Southlake, Texas 76092.

2. Upon information and belief, Defendant Wal-Mart Stores, Inc. is a Delaware corporation with its principal place of business at 702 SW 8th Street, Bentonville, Arkansas 72716. Wal-Mart Stores is registered to do business in Texas and it may be served with process by delivering a summons and a true and correct copy of this Complaint to its registered agent for receipt of service of process, CT Corporation System at 350 N St. Paul St., Suite 2900, Dallas, Texas 75201-4234.

3. Upon information and belief, Defendant Wal-Mart Stores Texas, LLC is a limited liability company organized and existing under the laws of the State of Delaware with its principal place of business at 702 SW 8th Street, Bentonville, Arkansas 72716. Wal-Mart Stores Texas is registered to do business in Texas and it may be served with process by delivering a summons and a true and correct copy of this Complaint to its registered agent for receipt of service of process, CT Corporation System at 350 N St. Paul St., Suite 2900, Dallas, Texas 75201-4234.

Jurisdiction and Venue

4. This action arises under the patent laws of the United States, 35 U.S.C. § 101 *et seq.*

5. This Court has subject matter jurisdiction under 28 U.S.C. §§ 1331 and 1338(a).

6. Venue is proper in this judicial district under 28 U.S.C. §§ 1391 and 1400(b).

7. Upon information and belief, Wal-Mart has and continues to conduct business within the State of Texas and within the Northern District of Texas.

8. This Court has personal jurisdiction over Wal-Mart.

9. Upon information and belief, Wal-Mart has infringed LakeSouth's patent within the State of Texas and within the Northern District of Texas.

The '713 Patent

10. Mr. Gregory G. Kuelbs is a Texas resident and a prolific inventor. Mr. Kuelbs is a named inventor on over 40 U.S. patents.

11. Mr. Kuelbs is the sole inventor of U.S. Patent No. 6,612,713 ("the '713 Patent") entitled "Umbrella Apparatus."

12. On September 2, 2003, the U.S. Patent and Trademark Office (“USPTO”) duly and legally issued the ’713 Patent.

13. On June 13, 2005, World Factory, Inc. sued Southern Sales & Marketing Group, Inc. (“Southern Sales”) for infringing the ’713 Patent in the United States District Court for the Northern District of Texas in a case styled *World Factory, Inc. v. Southern Sales & Marketing Group, Inc.*, Civil Action No. 4:05-cv-00373.

14. In response, Southern Sales challenged the validity of claims 1-5 of the ’713 Patent by filing a request for *inter partes* reexamination with the USPTO on August 12, 2005.

15. The USPTO then instituted *inter partes* reexamination no. 95/000,104 to reexamine the ’713 Patent.

16. In its request for *inter partes* reexamination, Southern Sales identified five different prior art references in an attempt to invalidate claims 1-5.

17. Complying with its duty of disclosure, World Factory also disclosed all of the potentially relevant prior art references that World Factory was aware of to the USPTO to ensure that the patent examiner had all of the necessary information to fully reexamine the ’713 Patent.

18. On January 12, 2011, the examiner found that many of the pending claims were indeed patentable.

19. Southern Sales then appealed the examiner’s decision to the Patent Trial and Appeal Board (“PTAB”).

20. In a decision dated January 10, 2013, the PTAB affirmed the examiner, holding that none of Southern Sales’ arguments had merit.

21. After an extensive and thorough *inter partes* reexamination proceeding, the USPTO issued a reexamination certificate on September 23, 2013.

22. A copy of the '713 Patent is attached as Exhibit A and is incorporated by reference, and a copy of the reexamination certificate is attached as Exhibit B and is incorporated by reference.

23. LakeSouth holds all substantial rights to the '713 Patent.

Wal-Mart's Accused Umbrellas

24. Upon information and belief, Wal-Mart makes, uses, offers to sell, sells, and/or imports various patio and outdoor umbrellas.

25. Wal-Mart's umbrellas are sold online through www.walmart.com and at Wal-Mart stores, including Wal-Mart stores in the Northern District of Texas.

26. Wal-Mart uses, offers to sell, sells, and/or imports solar powered umbrellas that include lights and a solar panel and infringe one or more claims of the '713 Patent ("the Accused Umbrellas"). For example, Wal-Mart offers for sale and sells Accused Umbrellas described as "9 Foot Solar Umbrella" under the Better Homes and Gardens label and identified as Art# BH-13-092-599-02.

27. Further discovery may reveal additional infringing products and/or models.

28. Upon information and belief, Wal-Mart's Accused Umbrellas are offered for sale and sold within the Northern District of Texas.

29. Wal-Mart has infringed and is still infringing the '713 Patent by using, offering to sell, selling, and/or importing the Accused Umbrellas.

30. Wal-Mart's customers have infringed and are still infringing the '713 Patent by using the Accused Umbrellas purchased from Wal-Mart.

31. For example, Wal-Mart's customers infringe the '713 Patent by using the Accused Umbrellas in combination with another component, such as a base and/or table, to

support the Accused Umbrellas in an upright position. The Accused Umbrellas constitute a material part of the combination, and Wal-Mart has known and still knows its Accused Umbrellas are especially designed, made and/or adapted for use in a way that infringes one or more claims of the '713 Patent.

32. Further, Wal-Mart's Accused Umbrellas are not a staple article or commodity of commerce suitable for substantial noninfringing uses. For example, the Accused Umbrellas are umbrellas, designed to be used as umbrellas, and have no substantial noninfringing use as something other than an umbrella. Wal-Mart has not advertised the Accused Umbrellas as having any use other than as umbrellas.

33. Wal-Mart was aware that its actions would cause infringement of the '713 Patent and acted with intent to encourage direct infringement of the '713 Patent.

34. Wal-Mart's infringement of the '713 Patent has been willful. Upon information and belief, Wal-Mart has known of the '713 Patent since at least 2006. Despite its knowledge of the '713 Patent, Wal-Mart has used, sold, offered for sale, and/or imported into the United States products covered by one or more claims of the '713 Patent, including the Accused Umbrellas. Wal-Mart's infringement the '713 Patent has been willful and intentional because it has continued its acts of infringement with knowledge of the '713 Patent and despite an objectively high likelihood its actions constituted infringement of a valid patent.

35. Wal-Mart's infringement has harmed and will continue to harm LakeSouth.

36. Wal-Mart will continue to infringe the '713 Patent unless enjoined by this Court.

The '882 and '521 Patents

37. Mr. Kuelbs is the sole inventor of U.S. Patent Nos. 6,901,882 ("the '882 Patent") and 7,017,521 ("the '521 Patent"), each entitled "Solar Powered Bird Feeder."

38. On June 7, 2005, the USPTO duly and legally issued the '882 Patent.
39. A copy of the '882 Patent is attached as Exhibit C.
40. On March 28, 2006, the USPTO duly and legally issued the '521 Patent.
41. A copy of the '521 Patent is attached as Exhibit D.
42. LakeSouth holds all substantial rights to the '882 and '521 Patents.

Wal-Mart's Accused Bird Feeders

43. Upon information and belief, Wal-Mart makes, uses, offers to sell, sells, and/or imports various outdoor bird feeders.

44. Wal-Mart's bird feeders are sold online through www.walmart.com and at Wal-Mart stores, including Wal-Mart stores in the Northern District of Texas.

45. Wal-Mart uses, offers to sell, sells, and/or imports solar powered bird feeders that include a lighting subsystem and a solar panel and infringe one or more claims of the '882 Patent and the '521 Patent ("the Accused Bird Feeders"). For example, Wal-Mart offers for sale and sells an Accused Bird Feeder described as "Evergreen Flag & Garden Hummingbird Flutter Solar Bird Feeder," which is sold through www.walmart.com.

46. Further discovery may reveal additional infringing products and/or models.

47. Upon information and belief, Wal-Mart's Accused Bird Feeders are offered for sale and sold within the Northern District of Texas.

48. Wal-Mart has infringed and is still infringing the '882 Patent and the '521 Patent by using, offering to sell, selling, and/or importing the Accused Bird Feeders.

49. Wal-Mart's customers have infringed and are still infringing the '882 Patent and the '521 Patent by using the Accused Bird Feeders purchased from Wal-Mart.

50. For example, Wal-Mart's customers infringe the '882 Patent and the '521 Patent by using the Accused Bird Feeders in combination with another component, such as a cable, hanger, or bracket, to hang the Accused Bird Feeders for birds to feed. The Accused Bird Feeders constitute a material part of the combination, and Wal-Mart has known and still knows its Accused Bird Feeders are especially designed, made and/or adapted for use in a way that infringes one or more claims of the '882 Patent and the '521 Patent.

51. Further, Wal-Mart's Accused Bird Feeders are not a staple article or commodity of commerce suitable for substantial noninfringing uses. For example, the Accused Bird Feeders are bird feeders, designed to be used as bird feeders, and have no substantial noninfringing use as something other than a bird feeder. Wal-Mart has not advertised the Accused Bird Feeders as having any use other than as a bird feeder.

52. Wal-Mart was aware that its actions would cause infringement of the '882 Patent and the '521 Patent and acted with intent to encourage direct infringement of the '882 Patent and the '521 Patent.

53. Wal-Mart's infringement of the '882 Patent and the '521 Patent has been willful. On information and belief, Wal-Mart has known of the '882 Patent and the '521 Patent since at least 2007. Despite its knowledge of the '882 Patent and the '521 Patent, Wal-Mart has used, sold, offered for sale, and/or imported into the United States products covered by one or more claims of the '882 Patent and the '521 Patent, including the Accused Bird Feeders. Wal-Mart's infringement the '882 Patent and the '521 Patent has been willful and intentional because it has continued its acts of infringement with knowledge of the '882 Patent and the '521 Patent and despite an objectively high likelihood its actions constituted infringement of valid patents.

54. Wal-Mart's infringement has harmed and will continue to harm LakeSouth.

55. Wal-Mart will continue to infringe the '882 Patent and the '521 Patent unless enjoined by this Court.

Wal-Mart's Infringement Also Is Harming LakeSouth's Licensee

56. LakeSouth has provided World Factory, Inc. ("World Factory") a non-exclusive license to a number of patents, including the '713 Patent, the '882 Patent, and the '521 Patent.

57. World Factory is a Texas corporation with its principal place of business located in the Northern District of Texas at 542 Silicon Drive, Suite 101, Southlake, Texas.

58. World Factory sells a variety of products, including outdoor furnishings, lawn decorations, outdoor recreation products, bird feeders, and solar-powered umbrellas, throughout the United States and within the Northern District of Texas. For example, World Factory's products are available at Home Depot and Ace Hardware stores.

59. Wal-Mart's infringement is not only harming LakeSouth, but is also harming LakeSouth's licensee, World Factory.

60. Wal-Mart's infringement has harmed and will continue to harm World Factory unless enjoined by this Court.

Count I - Infringement Of The '713 Patent

61. LakeSouth repeats and realleges the allegations in the preceding paragraphs as though fully set forth herein.

62. Wal-Mart has infringed and is now directly infringing the '713 Patent in violation of 35 U.S.C. § 271(a) by using, offering for sale, selling, and/or importing into the United States products that are covered by one or more claims of the '713 Patent including the Accused Umbrellas.

63. In addition, Wal-Mart has been and is now indirectly infringing the '713 Patent in violation of 35 U.S.C. § 271(b) by inducing its customers to directly infringe the '713 Patent. For example, Wal-Mart sells the Accused Umbrellas to its customers for the express purpose of having its customers use the Accused Umbrellas in violation of 35 U.S.C. § 271(a).

64. In addition to and/or in the alternative, Wal-Mart has been and is now contributorily infringing the '713 Patent in violation of 35 U.S.C. § 271(c) by offering to sell, selling, and/or importing into the United States the Accused Umbrellas, which are a component of a patented machine, manufacture, combination, or composition, the Accused Umbrellas constituting a material part of the invention, and Wal-Mart knowing the same to be especially made or especially adapted for use in an a manner that infringes one or more claims of the '713 Patent. Further, the Accused Umbrellas are not a staple article or commodity of commerce suitable for substantial noninfringing use.

65. Upon information and belief, Wal-Mart has known about the '713 Patent since at least 2006. Wal-Mart acted despite an objectively high likelihood its actions constituted infringement of a valid patent. Wal-Mart was aware that its actions would cause infringement of the '713 Patent and acted with intent to encourage direct infringement of the '713 Patent.

66. Wal-Mart's infringement of the '713 Patent has damaged and will continue to damage LakeSouth.

67. Wal-Mart's infringement of the '713 Patent has damaged and will continue to damage LakeSouth's licensee World Factory.

Count II - Infringement Of The '882 Patent

68. LakeSouth repeats and realleges the allegations in the preceding paragraphs as though fully set forth herein.

69. Wal-Mart has infringed and is now directly infringing the '882 Patent in violation of 35 U.S.C. § 271(a) by using, offering for sale, selling, and/or importing into the United States products that are covered by one or more claims of the '882 Patent including the Accused Bird Feeders.

70. In addition, Wal-Mart has been and is indirectly infringing the '882 Patent in violation of 35 U.S.C. § 271(b) by inducing its customers to directly infringe the '882 Patent. For example, Wal-Mart sells the Accused Bird Feeders to its customers for the express purpose of having its customers use the Accused Bird Feeders in violation of 35 U.S.C. § 271(a).

71. In addition to and/or in the alternative, Wal-Mart has been and is now contributorily infringing the '882 Patent in violation of 35 U.S.C. § 271(c) by offering to sell, selling, and/or importing into the United States the Accused Bird Feeders, which are a component of a patented machine, manufacture, combination, or composition, the Accused Bird Feeders constituting a material part of the invention, and Wal-Mart knowing the same to be especially made or especially adapted for use in an a manner that infringes one or more claims of the '882 Patent. Further, the Accused Bird Feeders are not a staple article or commodity of commerce suitable for substantial noninfringing use.

72. Upon information and belief, Wal-Mart has known about the '882 Patent since at least 2007. Wal-Mart acted despite an objectively high likelihood its actions constituted infringement of a valid patent. Wal-Mart was aware that its actions would cause infringement of the '882 Patent and acted with intent to encourage direct infringement of the '882 Patent.

73. Wal-Mart's infringement of the '882 Patent has damaged and will continue to damage LakeSouth.

74. Wal-Mart's infringement of the '882 Patent has damaged and will continue to damage LakeSouth's licensee World Factory.

Count III - Infringement Of The '521 Patent

75. LakeSouth repeats and realleges the allegations in the preceding paragraphs as though fully set forth herein.

76. Wal-Mart has infringed and is now directly infringing the '521 Patent in violation of 35 U.S.C. § 271(a) by using, offering for sale, selling, and/or importing into the United States products that are covered by one or more claims of the '521 Patent including the Accused Bird Feeders.

77. In addition, Wal-Mart has been and is indirectly infringing the '521 Patent in violation of 35 U.S.C. § 271(b) by inducing its customers to directly infringe the '521 Patent. For example, Wal-Mart sells the Accused Bird Feeders to its customers for the express purpose of having its customers use the Accused Bird Feeders in violation of 35 U.S.C. § 271(a).

78. In addition to and/or in the alternative, Wal-Mart has been and is now contributorily infringing the '521 Patent in violation of 35 U.S.C. § 271(c) by offering to sell, selling, and/or importing into the United States the Accused Bird Feeders, which are a component of a patented machine, manufacture, combination, or composition, the Accused Bird Feeders constituting a material part of the invention, and Wal-Mart knowing the same to be especially made or especially adapted for use in an a manner that infringes one or more claims of the '521 Patent. Further, the Accused Bird Feeders are not a staple article or commodity of commerce suitable for substantial noninfringing use.

79. Upon information and belief, Wal-Mart has known about the '521 Patent since at least 2007. Wal-Mart acted despite an objectively high likelihood its actions constituted

infringement of a valid patent. Wal-Mart was aware that its actions would cause infringement of the '521 Patent and acted with intent to encourage direct infringement of the '521 Patent.

80. Wal-Mart's infringement of the '521 Patent has damaged and will continue to damage LakeSouth.

81. Wal-Mart's infringement of the '521 Patent has damaged and will continue to damage LakeSouth's licensee World Factory.

DEMAND FOR JURY TRIAL

82. LakeSouth hereby demands a jury for all issues so triable.

PRAYER FOR RELIEF

LakeSouth respectfully requests that this Court enter judgment in its favor and grant the following relief:

- (a) Adjudge that Wal-Mart infringes the '713 Patent, the '882 Patent, and the '521 Patent;
- (b) Adjudge that Wal-Mart's infringement of the '713 Patent, the '882 Patent, and the '521 Patent was and is willful;
- (c) Award LakeSouth damages in an amount adequate to compensate LakeSouth for Wal-Mart's infringement of the '713 Patent, the '882 Patent, and the '521 Patent, but in no event less than a reasonable royalty under 35 U.S.C. § 284;
- (d) Award enhanced damages by reason of Wal-Mart's willful infringement of the '713 Patent, the '882 Patent, and the '521 Patent, pursuant to 35 U.S.C. § 284;
- (e) Award LakeSouth pre-judgment and post-judgment interest to the full extent allowed under the law, as well as its costs;
- (f) Enter an order finding that this is an exceptional case and awarding LakeSouth its reasonable attorneys' fees pursuant to 35 U.S.C. § 285;
- (g) Enjoin Wal-Mart and all others in active concert with Wal-Mart from further infringement of the '713 Patent, the '882 Patent, and the '521 Patent; and
- (h) Award such other relief as the Court may deem appropriate and just under the circumstances.

Dated: August 4, 2014

Respectfully submitted,

KLEMCHUK KUBASTA LLP

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ATTORNEYS FOR PLAINTIFF

LAKE SOUTH HOLDINGS, LLC

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on August 4, 2014, a true and correct copy of the foregoing document has been served on all counsel of record in accordance with the Federal Rules of Civil Procedure via the Court's ECF system.

/s/ Casey L. Griffith

Casey L. Griffith