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9 FOX FACTORY, INC.

10 UNITED STATES DISTRICT COURT
11 NORTHERN DISTRICT OF CALIFORNIA
12 SAN FRANCISCO DIVISION
13

14 FOX FACTORY, INC.,

15 Plaintiff,

16 v.

17 SRAM, LLC, a Delaware limited liability
18 company; and SANDLEFORD LIMITED
19 TAIWAN BRANCH (IRELAND), a Taiwanese
limited liability company,

20 Defendants.
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Case No. 3:16-cv-00506-WHO

**FIRST AMENDED COMPLAINT FOR
PATENT INFRINGEMENT**

DEMAND FOR JURY TRIAL

COMES NOW Plaintiff FOX Factory, Inc. (“FOX Factory”), by and through its attorneys, and for its First Amended Complaint against SRAM, LLC, and SANDLEFORD LIMITED TAIWAN BRANCH (IRELAND) (together referred to as “the SRAM Defendants”), alleges as follows:

NATURE OF THE ACTION

1. This Complaint seeks judgment that the SRAM Defendants have infringed and continue to infringe FOX Factory’s U.S. Patent No. 6,135,434 (“the ’434 patent”). The ’434 patent is titled “Shock Absorber with Positive and Negative Gas Spring Chambers.” A true and accurate copy of the ’434 patent is attached hereto as Exhibit A.

THE PARTIES

2. Plaintiff FOX Factory is a corporation organized and existing under the laws of California, and has its principle place of business at 915 Disc Drive, Scotts Valley, California 95066.

3. On information and belief, Defendant SRAM, LLC is a limited liability company organized and existing under the laws of Delaware and has its principal place of business at 1000 West Fulton, Chicago, Illinois 60607. On its website, SRAM, LLC refers to itself and its offices in Chicago as the “World Headquarters” for SRAM.

4. On information and belief, Defendant Sandleford Limited Taiwan Branch (Ireland) is a limited liability company organized and existing under the laws of Taiwan and has its principal place of business at 1598-8, Chung Shan Rd., Taichung City, 42955 Taiwan R.O.C. On its website, SRAM refers to its offices and operations at that location as its “Asian Headquarters.” Sandleford Limited Taiwan Branch (Ireland) is a wholly owned subsidiary of Sandleford Limited, which is a wholly owned subsidiary of Defendant SRAM, LLC.

JURISDICTION

5. This Court has subject matter jurisdiction over this Complaint pursuant to 28 U.S.C. §§ 1331 and 1338(a), and under the patent laws of the United States, 35 U.S.C. § 1, *et seq.*

6. A substantial part of the events giving rise to FOX Factory’s claims occurred in California and in this judicial district. The SRAM Defendants’ infringement of the ’434 patent have

1 caused foreseeable harm and injury to FOX Factory, a California Corporation headquartered in this
2 district.

3 7. This Court has personal jurisdiction over SRAM, LLC by virtue of, *inter alia*, its
4 systematic and continuous contacts with California and because SRAM, LLC infringes the '434
5 patent in California and in this judicial district. On information and belief, directly and/or through
6 customers, dealers, intermediaries, and agents, Defendant SRAM, LLC offers for sale, sells, and
7 distributes bicycle components and accessories in California and in this judicial district, including
8 the products accused of infringement herein.

9 8. On information and belief, the SRAM Defendants do business under the name
10 RockShox[®], a trademark registered to SRAM, LLC, and sell products under that brand. On
11 information and belief, SRAM, LLC maintains a website, www.sram.com/rockshox/, through which
12 it advertises and promotes infringing RockShox[®] branded products, including the RockShox[®] rear
13 air shock products accused of infringing the '434 patent herein, to customers in California and in this
14 judicial district.

15 9. SRAM, LLC's website also identifies distributors and dealers of RockShox[®]
16 products, including the products accused of infringing the '434 patent herein, in California and in
17 this judicial district. On information and belief, SRAM, LLC has entered into one or more contracts
18 with its distributors and dealers located and operating in California and in this judicial district for the
19 promotion, offer for sale, sale, and distribution of SRAM's products, including the products accused
20 of infringing the '434 patent herein, to customers/end users in California and in this judicial district.
21 Additionally, on information and belief, RockShox[®] products, including the products accused of
22 infringing the '434 patent herein, are offered for sale and sold through the retailer website
23 www.amazon.com to purchasers in California and in this judicial district.

24 10. On information and belief, SRAM's bicycle components, including the products
25 accused of infringement in this Complaint, operate in the manner and possess the structure shown
26 and advertised on SRAM LLC's website and described in SRAM's product documentation,
27 including, *inter alia*, in SRAM's Product Service Manuals, User Specifications and Standards, and
28 Spare Parts Catalogs.

1 right, title, and interest in and to the '434 patent and has the full and exclusive right to bring suit and
2 enforce the '434 patent and to collect damages for infringement.

3 15. On information and belief, RockShox sold rear air shock products branded SID
4 between 2000 and 2002. On information and belief, the SID air shock products had two separate air
5 chambers, each separately pressurized by its own Schrader valve, and did not include a bypass
6 channel. The SID air shock products had no bypass channel and did not practice the asserted claims
7 of the '434 patent. On information and belief, in 2002, RockShox was reportedly struggling
8 financially as a result of poor product sales and was acquired by SRAM. On information and belief,
9 SRAM continued to offer the SID shocks until approximately 2004, when they were discontinued.

10 16. The dual Schrader valve design of the SID products required a rider to separately and
11 correctly pressurize each air spring, which could be bothersome and problematic. FOX devised a
12 simpler and better design that, among other things, achieves pressurization of the negative air spring
13 chamber by a small, strategically placed bypass channel. FOX's improved design also eliminates the
14 need to separately and correctly pressurize the positive and negative air spring chambers. This
15 design is claimed in the '434 patent. Starting in 1999 FOX Factory began selling bicycle rear air
16 shock products that practice the invention claimed in the '434 patent (generally identified as "Float"
17 bicycle air shock products), having two air chambers that are charged via a single Schrader valve
18 and a bypass channel.

19 17. A 2009 issue of *Decline* magazine identified the '434 patent as one of "the most
20 significant patents in mountain bike history" and reported that "FOX's bypass chamber design made
21 air shock setup up much easier for the consumer while offering the benefits of a pressurized negative
22 air chamber." See Dkt. 60-4 at 6.

23 18. SRAM, LLC has had actual knowledge of the '434 patent since as early as December
24 9, 2005. On information and belief, in approximately 2004, SRAM ceased selling its SID air shock
25 design, and in approximately 2008, SRAM began selling its Monarch line of air shock products
26 despite having knowledge of FOX Factory's '434 patent. SRAM's Monarch air shock products
27 infringe the '434 patent. On information and belief, at least some of the SRAM employees involved
28 designing the Monarch products were aware of the '434 patent when they designed them. On

1 information and belief, at least some of the SRAM employees involved in developing the Accused
 2 SRAM Air Shock Products (identified below) were aware of the '434 patent when they designed
 3 them. All of the Accused SRAM Air Shock Products infringe '434 patent. SRAM continues to sell
 4 the Monarch line of products, and, on information and belief, all of SRAM's current air shock
 5 products infringe the '434 patent.

6 19. On information and belief, Sandleford Limited Taiwan Branch (Ireland) has also had
 7 knowledge of the '434 patent as the fully owned subsidiary of SRAM, LLC, based on SRAM, LLC's
 8 control over Sandleford Limited Taiwan Branch (Ireland) (Stanley R. Day is Sandleford Limited
 9 Taiwan Branch (Ireland)'s Division Head Executive and General Manager, and he is also the Chief
 10 Executive Officer of SRAM, LLC), the substantial and continuing relationship between the SRAM
 11 Defendants with respect to their infringement of the '434 patent and the making and selling of the
 12 Accused SRAM Rear Air Shock products, and due to the privity the SRAM Defendants. For these
 13 and additional reasons, SRAM, LLC's knowledge of the '434 patent is imputed on its wholly-owned
 14 subsidiary Sandleford Limited Taiwan Branch (Ireland).

15 **A. The Accused SRAM Rear Air Shock Products**

16 20. On information and belief, the SRAM Defendants are engaged in the business of
 17 designing, developing, offering for sale, selling, and importing into the United States, bicycle rear air
 18 shocks including the "Monarch R," "Monarch RL," "Monarch RT," "Monarch RT3,"
 19 "Monarch XX," "Monarch Plus R," "Monarch Plus RC3," "Vivid Air RC2," "Deluxe R," "Deluxe
 20 RT," "Deluxe RL," "Deluxe RT3," "Deluxe RL Remote," "Super Deluxe R," "Super Deluxe RC3,"
 21 "Super Deluxe RT Remote," "Super Deluxe RCT," and "Super Deluxe RC World Cup"
 22 (collectively, "Accused SRAM Air Shock Products"). On information and belief, the SRAM
 23 Defendants are engaged in the business of designing, developing, offering for sale, selling, and
 24 importing into the United States, the "DebonAir Upgrade Kit."

25 21. On information and belief, SRAM, LLC participates in and sets world-wide prices for
 26 the Accused SRAM Air Shock Products, and controls and participates in the manufacturing and
 27 production of those products by Sandleford Limited Taiwan Branch (Ireland), and there is a
 28 substantial and continuing relationship between the two SRAM entities with respect to their

1 infringement of the '434 patent and the manufacturing and sales of the Accused SRAM Air Shock
2 Products. For example, on information and belief, some employees of SRAM, LLC communicate
3 and resolve conflicts and problems that arise during manufacturing by Sandleford Limited Taiwan
4 Branch (Ireland) involving schedule, costing, and resources. On information and belief, some
5 employees of SRAM, LLC also spend substantial portions of their time working at the facilities of
6 Sandleford Limited Taiwan Branch (Ireland), including during production start-up and at other times
7 in the project life cycle. On information and belief, some SRAM, LLC employees also contribute to
8 the development of manufacturing processes and equipment used by Sandleford Limited Taiwan
9 Branch (Ireland) for manufacturing products. On information and belief, SRAM, LLC's wholly
10 owned subsidiaries, including Sandleford Limited Taiwan Branch (Ireland), act as its agents in the
11 manufacture and/or sale of the Accused SRAM Air Shock Products. On information and belief,
12 under SRAM, LLC's control, the SRAM Defendants act in a coordinated effort and in conjunction
13 with one another to make and/or sell the Accused SRAM Air Shock Products. Indeed, on
14 information and belief, all of SRAM, LLC's wholly owned subsidiaries, under SRAM, LLC's
15 leadership, direction, and control, act in a coordinated effort and in conjunction with one another to
16 make and/or sell SRAM's products.

17 22. Each of the Accused SRAM Air Shock Products is a bicycle shock absorber. The
18 Accused SRAM Air Shock Products infringe claims 2 and 9 of the '434 patent. Use of the
19 "DebonAir Upgrade Kit" in conjunction with compatible Accused SRAM Air Shock Products (in
20 accordance with SRAM's design and instructions) also infringes claims 2 and 9 of the '434 patent.

21 23. The Accused SRAM Air Shock Products have a gas cylinder with first and second
22 gas cylinder ends and the first gas cylinder end is closed. Said gas cylinder has a pressurization port.

23 24. The Accused SRAM Air Shock Products have a damping unit. The damping unit has
24 a damping fluid cylinder with an outer surface and first and second damping cylinder ends. The
25 damping unit has a movement damping element movably mounted within the damping fluid
26 cylinder. The second end of the damping fluid cylinder is telescopically housed within the gas
27 cylinder.
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25. The Accused SRAM Air Shock Products have a shaft connecting the movement damping element and the gas cylinder unit.

26. The Accused SRAM Air Shock Products have a first sliding seal carried by the gas cylinder unit and in sliding fluid-sealing contact with the outer surface of the damping fluid cylinder creating a sealed gas chamber within the gas cylinder.

27. The Accused SRAM Air Shock Products have a second sliding seal carried by the damping unit in fluid-sealing contact with the inner surface of the gas cylinder that divides the gas chamber into first and second gas chamber portions. The first gas chamber portion is defined between the second sliding seal and the first end of the gas cylinder and the second gas chamber portion is defined between the first and second sliding seals.

28. The second gas chamber portion in the Accused SRAM Air Shock Products acts as an air negative spring that automatically balances the force on the damping unit when the gas pressure within the gas chamber is above an ambient pressure so that the shock absorber is in an equilibrium condition.

29. The Accused SRAM Air Shock Products have a bypass channel in the gas cylinder that permits fluid to bypass the second sliding seal when the second sliding seal is at a chosen position along the gas cylinder.

30. On information and belief, SRAM also sells and offers for sale in the United States, and imports into the United States, products for use in conjunction with the Accused SRAM Air Shock Products, including at least the “DebonAir Upgrade Kit.” On information and belief, customers who purchase such kits and install them in the United States following SRAM’s instructions assemble a shock absorber that directly infringes claims 2 and 9 of the ’434 patent.

COUNT I

Infringement of U.S. Patent No. 6,135,434

31. FOX Factory incorporates by reference each and every allegation set forth in the foregoing paragraphs 1 through 30 of this Complaint as if fully set forth and restated herein.

32. On information and belief, SRAM, LLC and Sandleford Limited Taiwan Branch (Ireland), without the authority or consent of FOX Factory, have individually and together been and

1 continue to offer to sell and sell in the United States, and import into the United States, the Accused
2 SRAM Air Shock Products. The Accused SRAM Air Shock Products infringe claims 2 and 9 of the
3 '434 patent. Thus, SRAM, LLC and Sandleford Limited Taiwan Branch (Ireland) have directly
4 infringed and continue to directly infringe the '434 patent.

5 33. SRAM, LLC has had knowledge of the '434 patent since as early as December 9,
6 2005, and on information and belief and due at least to its relationship and privity with SRAM, LLC,
7 Sandleford Limited Taiwan Branch (Ireland) has also had knowledge of the '434 patent since the
8 same date.

9 34. On information and belief, SRAM, LLC has intentionally taken action that has
10 actually induced and continues to induce infringement of the '434 patent by Sandleford Limited
11 Taiwan Branch (Ireland) by participating in the manufacturing of products, and encouraging and
12 directing Sandleford Limited Taiwan Branch (Ireland) to make and sell the Accused SRAM Air
13 Shock Products, which SRAM, LLC knows infringe, or has been willfully blind to its infringement.
14 Additionally, on information and belief SRAM, LLC and Sandleford Limited Taiwan Branch
15 (Ireland), individually and together, have intentionally taken action that has actually induced and
16 continues to induce direct infringement by manufacturers, distributors, dealers, and customers
17 (including OEMs), and have known that the acts have been and are causing infringement of the '434
18 patent. These acts include, for example, providing Accused SRAM Air Shock Products to bicycle
19 customers and OEMs overseas, such as Giant, knowing that Giant and other bicycles that include the
20 infringing products will be imported into and sold in the United States. These acts also include, but
21 are not limited to, (1) SRAM posting product documentation on its website and including it with its
22 products, including, *inter alia*, SRAM's Product Service Manuals, User Specifications and
23 Standards, and Spare Parts Catalogs, (2) on information and belief, SRAM distributing OEM
24 documents and manuals, and entering into agreements with OEMs, and (3) SRAM contracting and
25 entering into agreements with customers, distributors and dealers for the promotion, offers to sell,
26 and sales of the Accused SRAM Air Shock Products and the "DebonAir Upgrade Kit."

27 35. On information and belief, SRAM, LLC and Sandleford Limited Taiwan Branch
28 (Ireland), individually and together, have contributed to and continue to contribute to direct

1 infringement of the '434 patent by supplying an important (material) component of the infringing
 2 products (as well as instructions for same) to customers, the "DebonAir Upgrade Kit," which is not a
 3 common component suitable for non-infringing use. On information and belief, SRAM, LLC, and
 4 Sandleford Limited Taiwan Branch (Ireland) have supplied the "DebonAir Upgrade Kit" with
 5 knowledge of the '434 patent and knowledge that the "DebonAir Upgrade Kit" was especially made
 6 or adapted for use in an infringing manner, or has been willfully blind to the infringement, and that
 7 distributors, dealers, and customers directly infringe the '434 patent in the United States when using
 8 the "DebonAir Upgrade Kit" with SRAM's Accused Air Shock Products in accordance with
 9 SRAM's design and instructions.

10 36. On information and belief, SRAM, LLC and Sandleford Limited Taiwan Branch
 11 (Ireland) have infringed the '434 patent in an egregious and willful manner and with knowledge of
 12 the '434 patent, or were willfully blind to that patent.

13 37. SRAM's infringement of the '434 patent has caused and continues to cause damages
 14 and irreparable harm to FOX Factory. FOX Factory is entitled to damages (1) from the period from
 15 January 29, 2010 (six years prior to the date that FOX Factory filed the Original Complaint in this
 16 action (Dkt. 1)) to March 30, 2012, because FOX complied with 35 U.S.C. § 287 during that period
 17 and beforehand, and (2) from the period beginning on January 29, 2016 and continuing until
 18 SRAM's infringement ceases or until the '434 patent expires.

19 **PRAYER**

20 WHEREFORE, FOX Factory respectfully prays that the Court enter judgment in its favor
 21 and award the following relief against SRAM:

22 A. Enter a judgment in favor of FOX Factory that SRAM, LLC and Sandleford Limited
 23 Taiwan Branch (Ireland) have infringed, individually and together, and through wholly owned
 24 subsidiaries, directly, contributorily, and by inducement, claims 2 and 9 of the '434 patent;

25 B. Preliminary and permanently enjoin SRAM, LLC and Sandleford Limited Taiwan
 26 Branch (Ireland) and their officers, directors, employees, agents, licensees, representatives, affiliates,
 27 subsidiary companies, related companies, servants, successors and assigns, and any and all persons
 28 acting in privity or in concert with any of them, from further infringing the '434 patent;

1 C. Order that SRAM, LLC and Sandleford Limited Taiwan Branch (Ireland) deliver up
2 for destruction all infringing products in their possession;

3 D. Award FOX Factory actual damages adequate to compensate for infringement by
4 SRAM, LLC, Sandleford Limited Taiwan Branch (Ireland), individually and together, and through
5 wholly owned subsidiaries, pursuant to 35 U.S.C. § 284, in an amount to be determined at trial, as a
6 result of infringement of the '434 patent by those entities;

7 E. Award Fox Factory pre- and post-judgment interest on all damages awarded, as well
8 as supplemental damages;

9 F. Find this to be an exceptional case and award FOX Factory its costs and attorney's
10 fees under 35 U.S.C. § 285;

11 G. Find that the infringement by SRAM, LLC and Sandleford Limited Taiwan Branch
12 (Ireland) has been and continues to be egregious and willful misconduct, and award FOX Factory
13 enhanced damages for willful patent infringement under 35 U.S.C. § 284; and

14 H. Award and grant FOX Factory such other and further relief as the Court deems just
15 and proper under the circumstances.

16 **DEMAND FOR TRIAL BY JURY**

17 Fox demands a jury trial on all matters triable to a jury.

18
19 Dated: July 21, 2017

FINNEGAN, HENDERSON, FARABOW,
GARRETT & DUNNER, LLP

20
21 By: /s/ Jeffrey D. Smyth
Jeffrey D. Smyth
22 Attorneys for Plaintiff
FOX Factory, Inc.
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