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17 LONATI, S.P.A. and PAM TRADING
18 CORPORATION

19 UNITED STATES DISTRICT COURT
20 CENTRAL DISTRICT OF CALIFORNIA
21 WESTERN DIVISION

22 LONATI, S.P.A., an Italian corporation,
23 and PAM TRADING CORPORATION, a
24 North Carolina corporation,

25 Plaintiffs,

26 v.

27 SOXNET, INC., a California
28 corporation, and ZHEJIANG YEXIAO
KNITTING MACHINERY CO., LTD.,
a Chinese corporation.

Defendants.

Case No. 2:20-cv-05539

**COMPLAINT FOR PATENT
INFRINGEMENT**

DEMAND FOR JURY TRIAL

1 **COMPLAINT FOR PATENT INFRINGEMENT**

2 Plaintiffs PAM Trading Corporation (“PAM Trading”) and Lonati, S.p.A.
3
4 (“Lonati”) (collectively, “Plaintiffs”), for their Complaint against Defendants
5 Soxnet, Inc. (“Soxnet”) and Zhejiang Yexiao Knitting Machinery Co., Ltd.
6 (“Yexiao”) (collectively, “Defendants”) allege as follows:
7

8 **NATURE OF THE ACTION**

9 1. This is an action for patent infringement arising under the patent laws
10 of the United States.
11

12 **PARTIES**

13 2. Plaintiff Lonati is an Italian company with its principal place of
14 business at Via Francesco Lonati, 3, 25124, Brescia BS, Italy.
15

16 3. Plaintiff PAM Trading is a North Carolina corporation, with its
17 principal place of business at 1135 Snow Bridge Lane, Kernersville, North
18 Carolina 27284. Founded in 1983, PAM Trading is a full service equipment
19 supplier to the hosiery industry, which includes selling and distributing knitting
20 machines, providing technical support, installation and maintenance services, as
21 well as providing an extensive inventory of replacement parts. PAM Trading is the
22 exclusive distributor of Lonati brand circular knitting machines for socks in North
23 America.
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1 4. Upon information and belief, Defendant Yexiao is a corporation
2 formed under the law of the People's Republic of China with a principal place of
3 business at No. 318 Jiangbei Road Datang, Zhuji, China. Yexiao is in the business
4 of manufacturing and selling knitting equipment for the hosiery industry, including
5 automatic or computerized circular sock knitting machines with and without toe-
6 closing functionality.
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8
9 5. Upon information and belief, Defendant Soxnet is a company
10 incorporated under the laws of the State of California. Soxnet's address is 235
11 South 6th Avenue, La Puente, California 91746.¹ On information and belief,
12 Soxnet is in the business of manufacturing and selling hosiery products,
13 specifically socks. According to Soxnet's website, Soxnet was founded in 2002
14 and operates manufacturing facilities in the United States, China, and South Korea.
15 Approximately "90% of all Soxnet products produced" are made and/or destined
16 for the U.S. market, and Soxnet's "Private Label" business makes and sells custom
17 socks that are "made in the USA." *See* Exhibit 12.
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21 **JURISDICTION AND VENUE**
22

23 6. This is an action for patent infringement arising under the United
24 States Patent Act, 35 U.S.C. §§ 1 *et seq.*, including 35 U.S.C. § 271 *et seq.*
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26 ¹ On information and belief, Soxnet has at least two other affiliates and/or
27 subsidiaries: Zhejiang Soxnet USA Corporation and Soxnet Socks USA
28 Corporation – both incorporated in California with a place of business at 1770
 Vineyard Avenue, Ontario, California 91761.

1 7. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§
2 1331 and 1338(a).

3
4 8. This Court has personal jurisdiction over Soxnet because Soxnet is
5 incorporated in the State of California and maintains its headquarters and principal
6 place of business in this District.

7
8 9. This Court has personal jurisdiction over Yexiao under Federal Rule
9 of Civil Procedure 4(k)(2).

10 10. In addition, or in the alternative, on information and belief, this Court
11 also has personal jurisdiction over Yexiao pursuant to due process and/or the
12 California Long Arm Statute, Cal. Civ. Proc. Code § 410.10. As discussed further
13 below, Yexiao has substantial and/or continuous and systematic contacts with
14 California, including doing and continuing to do business in California. Further,
15 Yexiao has committed and continues to commit acts of infringement in the United
16 States and has purposefully directed such infringing activities to the State of
17 California and customers residing in California and in this judicial District. Yexiao
18 has purposefully directed and placed goods, including infringing goods, directly
19 into California's stream of commerce. As discussed below, on information and
20 belief, Yexiao has sold, offered for sale, and/or imported products, including
21 infringing products, into California, and has induced and/or contributed to the
22 commission of infringing acts by others in California.
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11. Venue is proper in this District pursuant to 28 U.S.C. §§ 1391 and 1400 because Soxnet is incorporated and thus resides in this judicial district. Venue is also proper in this District because a substantial part of the events giving rise to this infringement claim also occurred in this District. Further, because Yexiao is a foreign corporation and not a resident in the United States, venue is proper for Yexiao in this judicial district under 28 U.S.C. §1391(c)(3).

THE PATENTS-IN-SUIT

12. U.S. Patent No. 7,954,343 (the '343 patent), titled "Method And Apparatus For Closing A Tubular Knitted Article At One Of Its Axial Ends, At The End Of Its Production Cycle On A Circular Knitting Machine For Hosiery Or The Like," was duly and legally issued by the USPTO on June 7, 2011. A copy of the '343 patent is attached as Exhibit 1.

13. U.S. Patent No. 8,028,546 (the '546 patent), titled "Pick-Up Device For Picking Up A Tubular Knitted Article From A Circular Knitting Machine For Hosiery Or The Like And For Transferring It To A Unit Adapted To Perform Additional Work On The Article," was duly and legally issued by the USPTO on October 4, 2011. A copy of the '546 patent is attached as Exhibit 2.

14. U.S. Patent No. 8,631,751 (the '751 patent), titled "Sewing Or Looping Head, Particularly For Automated Closing Of Tubular Knitted Articles At An Axial End Thereof," was duly and legally issued by the United States Patent and Trademark Office (USPTO) on January 21, 2014. A copy of the '751 patent is

1 attached as Exhibit 3.

2 15. Lonati owns all rights, title, and interest in the '751 patent, '546
3 patent, and the '343 patent (collectively, the "Patents-in-Suit"), including the right
4 to sue and to recover damages for infringement, including past damages,
5 throughout the period of infringement complained of herein.
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7

8 **FACTUAL BACKGROUND**

9 **Lonati is a World-Leading Innovator**

10 16. Founded in 1946, Lonati is a world leading designer and manufacturer
11 of innovative machinery for the production of socks and hosiery. Lonati's circular
12 knitting machines for socks and hosiery are exported internationally to over sixty
13 countries, including the United States. Lonati's industrial site is located in Brescia,
14 Italy and stretches across 80,000 square meters. At its industrial site, Lonati
15 produces more than 8,000 machines a year and has production capacity in excess
16 of 10,000 machines.
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20 17. Lonati invests heavily in research, design, and development. Lonati's
21 Research and Development department is an 800 square meter "Experience
22 Department," where Lonati nurtures the expertise and ideas of its technicians,
23 engineers, and experts to create cutting edge instrumentation and equipment.
24

25 18. For Lonati, innovation in textiles, textile machinery and electronics is
26 the key to its success, and research and development for new inventions in textile,
27 textile machinery and electronics is rooted in Lonati's tradition. For example, in
28

1 1956, Lonati introduced the world's first double-feed machine to produce women's
2 hosiery, and in 1971, Lonati patented a new double-cylinder circular machine for
3 men's hosiery. By the 1980s, Lonati was producing approximately 90% of the
4 world's hosiery machinery. Today, Lonati remains the leading and world-
5 renowned manufacturer of knitting machines as demonstrated by Lonati's patents,
6 including the Patents-in-Suit, which have proven to be a game-changer for the
7 industry.
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10 **Lonati's Automatic Toe Closing or Linking Technology and Patents**

11
12 19. Conventional knitting machines were incapable of closing an open-
13 end of a tubular knitted article. Articles knitted on such machines required
14 additional manufacturing operations to close the open end. Such operations
15 included use of a separate knitting station or manual knitting whereby the open end
16 of the tubular article is knitted together. These additional manufacturing
17 operations presented a myriad of drawbacks, such as requiring additional handling
18 of high quality and fine fabrics, as well as excessive time and cost.
19
20

21 20. First developed over 20 years ago, Lonati's toe-closing technology
22 was a game-changer. It allowed for the production of socks or stockings to take
23 place on a single instrument or machine without the need for other extraneous or
24 manual operations to close the toe portion of the tubular knitted article.
25
26

27 21. And, as part of its tradition, Lonati continues to develop and refine its
28 toe-closing technology. On or about 2008, Lonati introduced what it refers to as its

“true linking” or stitch-by-stitch linking system. Lonati’s stitch-by-stitch toe-closing system, also termed “SbyS,” has also revolutionized the efficiency and quality of sock production.

22. Lonati makes and offers numerous knitting machine models, as showcased on its website (<https://www.lonati.com/en/prodotti>). Lonati machines are sold and in operation worldwide.

Picture of two Models of Lonati’s Circular Knitting Machines²



Lonati DC88X E1320X



Lonati DC88X E132HX

23. Lonati does not license its closed-toe or toe linking technology to competitors.

24. Lonati proudly and aggressively protects its patented technology against unauthorized users, infringers, and copycats. For example, in 2016, Lonati quickly and successfully moved to enjoin a Taiwanese company, Da Kong, for

² Lonati DC88X-E1320X, datasheet available at <https://www.lonati.com/en/prodotti/dc88x-e1320x> (last visited May 18, 2020); Lonati DC88X-E132HX, datasheet available at <https://www.lonati.com/en/prodotti/dc88x-e132hx> (last visited May 18, 2020).

1 making copycat and infringing closed-toe knitting machines. As a result, sanctions
2 were issued against the copycat infringer in the form of an inhibitory order and a
3 seizure order, which blocked Da Kong from any further attempts to commercialize
4 the infringing machines, and forced Da Kong and its affiliates to repurchase the
5 offensive machines that had already been sold. As discussed below, Plaintiffs have
6 also moved against defendants in North Carolina for their alleged sale of infringing
7 Yexiao-branded closed-toe sock knitting machines on behalf of and/or the benefit
8 of Yexiao.

11
12 25. The success of Lonati's brand is not only due to the quality of its
13 knitting machines, but also to its commitment to customer relationship and
14 goodwill. Lonati has an established sales and distribution network all over the
15 world that is designed to not only facilitate sales, but also to provide ongoing
16 logistics, customer service and support, maintenance, and the sale of spare parts to
17 customers. Indeed, customers often acquire multiple Lonati machines at a time
18 and maintain them for years, if not decades, before upgrading. Thus, the purchase
19 of a Lonati machine is an investment by customers in Lonati for years to come. It
20 is because of Lonati's high quality innovations and commitment to excellent
21 customer relationships that has given it an international market penetration of 60%
22 in the sock and hosiery industry. Thus, the loss of a sale is not merely a loss of that
23 particular sale, but also a loss of an entire channel for future business opportunities
24 as well as a loss of a customer relationship.

PAM Trading is Lonati's Exclusive Distributor in the United States Market

26. Lonati has developed a worldwide network of sales and distributors. In the United States, Lonati has two exclusive distributors for Lonati knitting machines and parts. Defendant PAM Trading Corporation, located in Kernersville, North Carolina is Lonati's exclusive distributor of knitting machines for making socks in North America. Henderson Machinery, Inc., located in Greensboro, North Carolina, distributes Lonati knitting machines for making sheer hosiery, such as pantyhose and stockings.

27. The sock manufacturing market in the United States is robust, occupied by small sock mills to larger sock mills that represent manufacturers and brands such as Hanes, Gildan, or Renfro. Smaller sock mills may have ten knitting machines in operation, and larger sock factories could have hundreds of knitting machines in operation.

28. As stated above, because of the longevity and general durability of these knitting machines, sock manufacturing mills keep their machines for five to ten years, and even up to 20 years with regular maintenance and servicing instead of replacing or upgrading to new models.

29. As Lonati's exclusive distributor, PAM Trading, for example, sells approximately 400 Lonati sock knitting machines in the North American market each year, and estimates that there are approximately 7,500 Lonati machines running in the United States today.

1 30. The United States market for closed-toe circular knitting machines is
2 limited and highly competitive. This “market has a limited set of customers,” and
3 “once a supplier is chosen to meet the needs of a new product line, the supplier’s
4 [product] is essentially designed into the [customer’s] product for its life cycle.”
5 *Broadcom Corp. v. Emulex Corp.*, 732 F.3d 1325, 1337 (Fed. Cir. 2013)
6 (describing a similar market). Each sale of a patented Lonati product represents a
7 protracted stream of revenue, future business, customer relationships, and goodwill
8 – benefits that takes years to build. Stated another way, every loss represents not
9 merely the loss of a sale, but losses for which money damages could not
10 compensate.
11

12 31. The unauthorized presence of infringing products also harms the
13 entire knitting industry. For instance, Yexiao offers for sale their infringing
14 copycat machines at cut rate prices, forcing Plaintiffs to reduce prices and/or offer
15 discounts to compete against their own patented technology. As another example,
16 is that the presence of these copycat Yexiao machines significantly depresses the
17 market value of Lonati machines. This would be particularly harmful to the resale
18 market and, specifically, to current Lonati customers as the existence of these
19 Yexiao machines would negatively impact their own ability to resell Lonati
20 machines and use those proceeds to upgrade their equipment, invest in their
21 business, and preserve and create jobs. The harm threatened by this market erosion
22 is irreparable.
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The Sale of Yexiao's Infringing Machines In the United States

32. Yexiao is a Chinese-based company that makes and sells knitting equipment for the hosiery industry.³ On information and belief, at least prior to 2015, Yexiao had only made and sold open-toe sock knitting machines.

33. On or about October 11, 2019, the Deputy General Manager of Yexiao, Mr. Xiaodong Gu gave a videotaped interview about Yexiao, which was published on the YouKu website (a Chinese version of YouTube). The videotaped interview also included video footage of a Yexiao closed-toe knitting machine in operation. The interview is available at https://v.youku.com/v_show/id_XNDM1NzU2MDQzMg==.html?spm=a2hbt.13141534.0.13141534 (last visited May 8, 2020). A certified English translation of the Yexiao Interview is attached to this Complaint at Exhibit 7 (the “Yexiao Interview.”)

34. On information and belief, in or about 2015, Yexiao started trying to develop closed-toe knitting machines, which Yexiao refers to as an “automatic intelligent hosiery machine” or an “integrated hosiery machine.” But, as Mr. Gu explains, Yexiao “was still facing great difficulties in making breakthroughs in the development of the intelligent integrated hosiery machine.” Exhibit 7 (Yexiao Interview). Mr. Gu states that Yexiao “experienced repeated failures” in these

³ Exhibit 8 (www.zjyexiao.com/en/index.php/about/about).

1 attempts, and described their development phase as one of “imitation.” *Id.* Indeed,
2 Mr. Gu explained that Yexiao “had to learn in other countries, purchased advanced
3 machines, then improved on them.” *Id.* In other words, Yexiao had to acquire and
4 examine closed-toe machines made by other companies outside of China and
5 allegedly “improved” on their operating systems. *Id.*
6
7

8 35. On information and belief, Yexiao acquired Lonati’s closed-toe
9 machines and copied them. Indeed, in the Yexiao Interview, Mr. Gu compared its
10 closed-toe machines to Lonati’s patented closed-toe machines, and goes so far as to
11 claim superiority in operation. *Id.* Yexiao described its closed-toe machines as
12 being more cost-effective, and further claims that the Yexiao Machines are
13 comparable or better in terms of ease of operation and production quality than the
14 Lonati toe-closing machine based on alleged “improvements” Yexiao made to the
15 Lonati design. *Id.*
16
17

18 36. Yexiao’s closed-toe machines are marketed and sold to U.S.
19 customers. For example, Yexiao offers its closed-toe machines for sale on
20 www.Alibaba.com, an online B2B trading platform. *See, e.g.,* Exhibit 9, Exhibit
21 10, Exhibit 11. On Alibaba.com, Yexiao describes its knitting machines as “China
22 technology sock machine with toe linking,” “seamless toe computerized sock
23 machine[s] [with] auto linking,” and machines for “sewing socks [] with auto
24 linking toe together.” *See id.* Yexiao was offering, and as of the filing of this
25 Complaint, continues to offer its closed-toe machines for sale at approximately
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1 \$12,500 to \$14,000, not including shipping costs. *Id.* As Yexiao's advertisement
2 explicitly states, Yexiao also ships directly to the United States. *Id.*
3

4 37. In fact, according to Mr. Gu, Yexiao has already sold its infringing
5 closed-toe machines in the United States, specifically to Los Angeles, California
6 and Charlotte, North Carolina. Exhibit 7 (Yexiao Interview).
7

8 38. On information and belief, Yexiao has sold and admitted to the sale of
9 closed-toe sock knitting machines to customers based in North Carolina. Indeed,
10 on May 19, 2020, Plaintiffs filed a patent infringement suit in the Western District
11 of North Carolina seeking to stop at least one distribution channel for Yexiao into
12 the United States by way of North Carolina. *See PAM Trading et al. v. Custom*
13 *Socks Ink, Inc. et al.*, No. 5:20-cv-00065-KDB-DCK, Dkt. 1 (W.D.N.C. May 19,
14 2020). In that case, Plaintiffs alleged that Yexiao had established a sales and
15 distribution channel with the aid of a North Carolina company, Custom Socks Ink
16 and its principal, Alton Rockett (the "North Carolina defendants"). *Id.* Plaintiffs
17 alleged that the North Carolina defendants sold, offered for sale and/or imported
18 infringing Yexiao machines and related parts on behalf of Yexiao. *Id.* Among the
19 companies in North Carolina Plaintiffs believed purchased and used infringing
20 Yexiao machines included Icone Technologies as well as Sports Solutions, Inc.
21 On June 18, 2020, after filing the North Carolina action, the North Carolina
22 defendants agreed to a Stipulation for Entry of Consent Judgment and Permanent
23 Injunction Order. *See PAM Trading*, No. 5:20-cv-00065-KDB-DCK, Dkt. 7.
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1 Pursuant to that stipulated judgment and permanent injunction order, the North
2 Carolina defendants are permanently enjoined from selling, offering to sell,
3 importing, advertising, or marketing in the United States any automated sock
4 knitting machines, or related parts and services that infringe the Patents-in-Suit,
5 specifically any Yexiao machines. **Id.**
6
7

8 **Soxnet's Use of Infringing Closed-Toe Sock Knitting Machines**

9 39. On information and belief, and as Yexiao has admitted, Yexiao has
10 also sold and continues to offer for sale closed-toe sock knitting machines to U.S.
11 customers based in Los Angeles. Yexiao's Deputy General Manager, Mr. Gu,
12 admitted in the Yexiao Interview that Yexiao has sold their machines to customers
13 based in Los Angeles, and further stated that Yexiao has received orders for
14 additional machines. *See* Exhibit 7. Additionally, U.S. Import Records show
15 imports of Yexiao-branded sock products and sock knitting machines, originating
16 from Yexiao and delivered to customers located in Los Angeles. *See* Exhibit 17.
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20 40. Specifically, Import Records indicate that Yexiao imported from
21 China to Soxnet a shipment(s) described as containing "SOCK KNITTING MACHINE
22 SOCKS YARN SOCKS TOE LINKING MACHINE." According to those Import Records,
23 the shipment size was approximately 13.34 metric tons and contained 824 units,
24 which included at least one (if not more) "toe linking machines" (which refers to a
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1 closed-toe sock knitting machine).⁴ *See* Exhibit 17.

2 41. As stated above, Soxnet is in the business of making, selling, and
3 distributing socks, legwear, and custom-made socks all over the United States. In
4 fact, “[o]ver 90% of all Soxnet products produced is for the United States market.”
5 *See* Exhibit 12 (www.soxnetinc.com/about-us/).
6

7 42. On information and belief, Soxnet’s design and merchandising team is
8 located in Los Angeles, as well as Soxnet’s sock manufacturing facility which
9 houses multiple sock knitting machines as reflected in the image from Soxnet’s
10 website (*see* Exhibit 12):
11
12

13 **Image of Soxnet’s Los Angeles Facility**



27 ⁴ Import records also show that in or about September 2019, Yexiao had imported
28 products to another company, Qichen Import, Inc., which, on information and
belief, is also located in Los Angeles County. *See* Exhibit 17.

1 43. On information and belief, the sock knitting machines shown in use at
2 Soxnet's manufacturing facilities include closed-toe sock knitting machines.
3
4 Those closed-toe sock knitting machines are not Lonati-branded machines; rather,
5 on information and belief, including Import Records reflecting Soxnet's
6 acquisition of Yexiao closed-toe knitting machines, the machines in use at
7 Soxnet's manufacturing facility appear to be Yexiao machines.

9 44. On information and belief, Soxnet conducts and transacts business and
10 has customers in California and nationwide, selling under multiple brands,
11 including but not limited to: Soxnet, Teehee Socks, and Olive Branch Legwear.
12 Also according to Soxnet's website, Soxnet partners with national retailers such as
13 Costco, Target, JC Penny, Zulily, Overstock.com, Gap, Khol's, and Puma. Soxnet
14 also offers its own line of fashion legwear on marketplaces such as Amazon, eBay,
15 Walmart, Groupon, Rakuten, and OpenSky. *See* Exhibit 12.

18 45. On information and belief, Yexiao knowingly and specifically
19 markets its closed-toe sock knitting machines to U.S. companies that make, sell,
20 and distribute products nationwide. Indeed, on information and belief, Yexiao is
21 attempting to break into, and has already started infiltrating the United States
22 market.

23
24
25 **The Accused Yexiao Machine**

26 46. On information and belief, Yexiao's closed-toe sock knitting
27 machines, including Yexiao's 3.75 inch cylinder model, infringe the Patents-in-
28

1 Suit. This is based on Plaintiffs' preliminary inspection and evaluation of Yexiao's
2 3.75 inch cylinder knitting machine which Plaintiffs were able to acquire directly
3 from Yexiao.
4

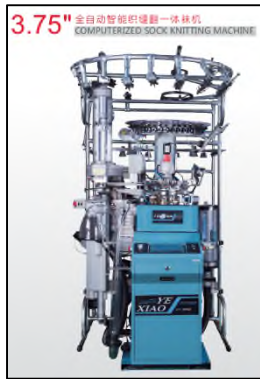
5 47. As stated above, Yexiao advertised and continues to advertise for sale
6 its closed-toe knitting machines on Alibaba.com. On or about October 15, 2019,
7 Plaintiffs' representative, Kelley Barker, contacted Yexiao via a messaging
8 application available through the Alibaba.com platform to request cost estimates
9 and specifications for a closed-toe sock knitting machine. Attached hereto as
10 Exhibit 13 are true and correct screenshots of the communication exchanged
11 between Yexiao's Amy Hou and Plaintiffs' consultants.
12
13

14 48. On October 16, 2019, Yexiao's representative, Ms. Amy Hou
15 responded and confirmed that Yexiao does sell a single machine with automatic
16 toe linking. Plaintiffs' representative informed Ms. Hou that he was located in
17 North Carolina and inquired whether Yexiao ships to the United States. Yexiao
18 confirmed that it not only ships to the U.S., but has already shipped closed-toe
19 knitting machines directly to the U.S. *See* Exhibit 13.
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21

22 49. During the messaging conversation, Yexiao's representative wrote
23 that Yexiao offers sock knitting machines with a 4.0 inch, 3.75 inch, and a 3.5 inch
24 cylinder, but for normal socks, a 3.75 inch cylinder with automatic toe linking
25 would be sufficient. Yexiao also gave the option of a 3.75 inch cylinder knitting
26 machine with 144 needle or a 168 needle count. *See* Exhibit 13.
27
28

1 50. Yexiao's representative then emailed Plaintiffs' representative an
 2 informational catalog describing, in both English and Chinese, the features of their
 3
 4 3.5 inch and 3.75 inch COMPUTERIZED SOCK KNITTING MACHINE – sock knitting
 5 machines equipped with toe linking or toe closing mechanisms. *See* Exhibit 14
 6 (Yexiao catalog). Reproduced below is an image of a Yexiao closed-toe machine,
 7
 8 as represented in Yexiao's catalog:

9
 10 **Image of Yexiao Closed-Toe Machine**



17
 18 51. Yexiao emailed Plaintiffs' representative a video demonstrating the
 19 Yexiao closed-toe knitting machines in operation. Exhibit 13.

20 52. Yexiao also confirmed that their Yexiao machines come with software
 21 available in English. *See* Exhibit 13.
 22

23 53. Yexiao also confirmed that Yexiao has – in the past – exported “many
 24 machine [sic] to united states.” *See* Exhibit 13.
 25

26 54. Yexiao also confirmed that Yexiao provides technical support to
 27 customers, including U.S. customers. In fact, Yexiao's representative described a
 28

1 policy in which Yexiao will provide technical support and send “technical people
2 free to [the customer’s] factory for assemble training” if Plaintiffs’ consultant
3 orders 15 machines or more. But if a customer ordered fewer than 15 sets, then
4 Yexiao would provide the same service but required the customer to pay for their
5 technical person’s airfare, food and lodgings to the U.S. *See* Exhibit 13.
6
7

8 55. Plaintiffs’ representative inquired about “the typical delivery time”
9 from China to the United States. Yexiao’s representative responded that it
10 normally takes Yexiao about 15 days to process the order, followed by an
11 additional 27 days to ship from China to the United States. *See* Exhibit 13.
12

13 56. On or about October 19, 2019, Plaintiffs’ representative was able to
14 purchase two of Yexiao’s closed-toe sock knitting machines having the following
15 description: **3.75 INCH 144 NEEDLE PLAIN TYPE, WITH AUTO TOE LINKING** (the
16 “Yexiao Machine”), priced at \$12,000 (USD) per unit for a total of \$24,000
17 (USD). *See* Exhibit 15 (Yexiao Performa Invoice).
18
19

20 57. The Yexiao Machines were to be shipped to North Carolina. *See*
21 Exhibit 15.
22

23 58. Furthermore, Yexiao provided a MACHINE WARRANTY TIME: 1 YEAR.
24 *See* Exhibit 15.

25 59. Yexiao also agreed to provide in-person technical service by sending a
26 technician from China to service Yexiao machines in the U.S.: AFTER SERVICE:
27
28 SUPPLIER SEND TECHNICIAN TO BUYER’S FACTORY FOR INSTALLATION, BUYER

1 WILL BEAR AIR RETURN TICKETS & ALL LOCAL CHARGES LIKE STAYING, FOOD,
2 ETC. *See* Exhibit 15.

3
4 60. On information and belief, Yexiao shipped the Yexiao Machines that
5 Plaintiffs purchased to the United States, and on or about January 4, 2020, the
6 Yexiao Machines arrived in North Carolina.

7
8 61. Plaintiffs evaluated and inspected the Yexiao Machines it purchased
9 directly from Yexiao. Below are photographs of the Yexiao Machines.

10
11 **Photos of Yexiao Closed-Toe Machine**



22
23 62. Additionally, Plaintiffs also examined various videos showing these
24 Yexiao Machines in operation. Video footage of the Yexiao Machines in operation
25 were not only provided directly to Plaintiffs' representative by Yexiao's sales
26 representative, Amy Hou, but Yexiao has also made such video footage publicly
27 available during its October 11, 2019 Yexiao Interview posted on YouKu.com as
28

1 well as on Yexiao's Alibaba.com sales page.

2 63. Based on Plaintiffs' preliminary inspection and evaluation of the
3 Yexiao Machines, as well as documentation, publications, and video footage, on
4 information and belief, the Yexiao Machines infringe the Patents-in-Suit. Further,
5 on information and belief, all other closed-toe sock knitting machines that Yexiao
6 makes and sells having, e.g., a different cylinder size or needle count, are
7 substantially similar to the Yexiao Machines that Plaintiffs purchased and
8 inspected (a 3.75 inch cylinder model). Thus, on information and belief, each and
9 every Yexiao closed-toe sock knitting machine model, including but not limited to
10 the Yexiao Machine infringe the Patents-in-Suit.
11

12 **Notice of Lonati's Patent Rights and the Patents-in-Suit**

13 64. On information and belief, prior to the filing of this lawsuit, Yexiao
14 has had actual knowledge of Lonati's intellectual property and patent rights in
15 closed-toe sock knitting technology, as well as the significant risk of infringement
16 of the Patents-in-Suit. And despite this knowledge, Yexiao continued to sell, offer
17 for sale, use and/or import infringing machines into the United States.
18

19 65. Based on pre-suit investigations of Yexiao's sales and distribution
20 channels in the United States, and on information and belief, Yexiao was not only
21 aware of the Patents-in-Suit prior to the filing of this Complaint but knew of
22 Lonati's U.S. patent rights when it sold and offered for sale the Yexiao Machines
23 to United States customers. For instance, prior to filing its North Carolina lawsuit
24

1 against Custom Socks Ink and Alton Rockett, Plaintiffs’ investigators attempted to
2 purchase a closed-toe Yexiao 3.75 inch closed-toe sock knitting machine from
3 Alton Rockett, the principal of Custom Socks Ink. As stated above, Plaintiffs
4 alleged the North Carolina defendants were acting as a U.S. sales agent for Yexiao.
5 Mr. Rockett explained that “[t]here are not a lot of toe closure machines in the
6 united states [sic] *because of patent issue with Lonati,*” and even acknowledged
7 the high risk of patent infringement liability arising from the purchase of a closed-
8 toe Yexiao Machine.⁵ See Exhibit 16 (Rockett Emails) (italics added). Thus, on
9 information and belief, Yexiao’s U.S. sales agent, specifically the North Carolina
10 defendants, not only knew about Lonati’s U.S. patent rights, including the Patents-
11 in-Suit, and that the Yexiao Machines suffered a substantial risk of infringement,
12 but that those sales agents received this knowledge directly from Yexiao. In other
13 words, Yexiao knew about Lonati’s patent rights, knew that its machines infringed
14 the Patents-in-Suit, and conveyed that knowledge to its U.S. sales agents and
15 instructed the sale regardless.

21 66. At a minimum, on information and belief, Yexiao became aware of
22 the Patents-in-Suit and of its infringement on May 19, 2020 when Plaintiffs filed
23 the North Carolina lawsuit against Custom Socks Ink. On information and belief,
24

26
27 ⁵ See *PAM Trading and Lonati v. Custom Socks Ink, Inc. et al.*, No. 5:20-cv-00065-
28 KDB-DCK, Dkt. 1 (W.D.N.C. May 19, 2020) (parties stipulated to the entry of a consent judgment and permanent injunction on June 18, 2020).

1 Yexiao received notice of its patent infringement.

2
3 **COUNT I**
4 **(Infringement of the '343 Patent against Defendants)**

5 67. Plaintiffs incorporate by reference the foregoing paragraphs.

6 68. As stated above, Plaintiff Lonati is the owner of all rights, title, and
7 interest in the '343 patent. A copy of the '343 patent is attached hereto as **Exhibit**

8 **1.** The '343 patent expires on February 20, 2029.

9
10 69. The '343 patent is valid and enforceable.

11 70. On information and belief, Defendants have been infringing and
12 continue to directly infringe the '343 patent by making, using, selling, offering for
13 sale, and/or importing into the United States, without authority, closed-toe sock
14 knitting machines that are covered by one or more claims of the '343 patent,
15 including but not limited to the Yexiao Machines. Defendants' unauthorized
16 activities are in violation of 35 U.S.C. §§ 271(a).

17
18 71. On information and belief, Defendants have been and continue to
19 indirectly infringe the '343 patent in connection with its manufacture, sale, offer
20 for sale, distribution, and/or importation of closed-toe sock knitting machines to
21 customers in the United States for use in practicing the patented inventions covered
22 by one or more claims of the '343 patent, including but not limited to the Yexiao
23 Machines. Defendants' unauthorized activities are in violation of 35 U.S.C. §§
24 271(b).

1 72. On information and belief, Yexiao's closed-toe sock knitting
2 machines, including the Yexiao Machines, infringe, either literally or under the
3 doctrine of equivalents, one or more claims of the '343 patent. As an example of
4 how the Yexiao Machines infringe the '343 patent follows, based on information
5 and analysis currently available to Plaintiffs. This example is not intended to limit
6 the scope of Plaintiffs' infringement claim in any way, and is intended to be
7 without prejudice to assert different or additional claims of the '343 patent against
8 Yexiao and/or to apply such claims to the accused product differently in view of
9 additional information that Plaintiffs may acquire during the course of litigation.
10
11
12

13 73. Claim 1 of the '343 patent recites as follows:
14

- 15 1. A method for closing a tubular knitted article at one of its axial
16 ends, at an end of a production cycle on a circular knitting machine
17 for a knitted article, comprising an initial step for producing the
18 article up to the formation of the last row of knitting, at the axial
19 end of the article that lies opposite the axial end at which knitting
20 began, by retaining the loops of knitting of said last row of knitting
21 in the head of the needles of the machine that formed them, further
22 comprising the following additional operating steps:
23 (a) a grip step for individually picking up the loops of knitting by
24 extracting said needles, with one of their portions starting from
25 the head, from the needle cylinder in which they are
26 accommodated, keeping the loops of knitting of the last row of
27 knitting in the head of the needles;
28 (b) arranging coaxially to the needle cylinder, around the region
occupied by the portion of said needles that is extracted from
the needle cylinder, the annular body of a pick-up device
provided with pick-up members arranged radially to the axis of
said body of the pick-up device, each provided with an end
directed toward the axis of said pick-up device that can engage

1 the stem of a needles in a region that is proximate to the latch of
2 the needle on the opposite side with respect to the head;

3 (c) engaging each of said pick-up members with the stem of the
4 corresponding needle;

5 (d) moving the loop of knitting, previously retained in the head of
6 the corresponding needle along the stem of the needle, until it is
7 brought beyond the corresponding latch and engaged with the
8 pick-up member in engagement against the stem of the
9 corresponding needle;

10 (e) a step for removing the article from the machine that produced
11 it, retaining each loop of knitting of the last formed row of
12 knitting by means of said pick-up members;

13 (f) a step for positioning the article at a sewing or looping station;

14 (g) a step for the individual passage of the loops of knitting from
15 said pick-up members to spikes of an annular handling device
16 composed of two semiannular elements, one of which can be
17 overturned with respect to the other about a diametrical axis;

18 (h) a step for turning the article retained by said handling device;

19 (i) a step for superimposing each of the loops of knitting of one
20 half-row of knitting on a corresponding loop of knitting of the
21 other half-row of said last row of knitting on a same spike of
22 said handling device by means of the overturning, through an
23 arc of substantially 180° about said diametrical axis, of one of
24 said two semiannular elements of the handling device with
25 respect to the other semiannular element;

26 (j) a step for sewing or looping the mutually superimposed pairs of
27 loops of knitting;

28 (k) a step for disengaging the article from said handling device.

'343 patent at col. 19, ln. 57 – col. 20 ln. 44 (Exhibit 1). On information and

belief, the Yexiao Machines satisfy each and every limitation of Claim 1. With

reference to the preamble of Claim 1 of the '343 patent, the Yexiao Machine

1 performs a method for closing a tubular knitted article at one of its axial ends, at an
2 end of a production cycle on a circular knitting machine for a knitted article.

3
4 Attached hereto as Exhibit 4 is a preliminary infringement chart identifying
5 specifically where and how each limitation of Claim 1 of the '343 patent is found
6 within the Yexiao Machines.

7
8 74. The element-by-element comparison presented in Exhibit 4 (Claim 1
9 of the '343 patent) demonstrates that the Yexiao Machines literally satisfy each
10 and every element of at least Claim 1 of the '343 patent, thus literally infringing
11 the patent. To the extent any element of Claim 1 is deemed not to be literally
12 satisfied, the Yexiao Machines would nevertheless still infringe under the doctrine
13 of equivalents because any differences between the claimed invention and the
14 method performed by the Yexiao Machines are insubstantial.
15

16
17 75. On information and belief, Yexiao makes, sells, offers to sell,
18 distributes and/or imports in the U.S., Yexiao Machines, and other infringing
19 closed-toe machine models, and replacement parts specifically designed for a
20 closed-toe knitting machine, to customers in the United States and in this state.
21

22
23 76. On information and belief, Soxnet uses, distributes and/or imports in
24 the U.S., Yexiao Machines, and other infringing closed-toe machine models, and
25 replacement parts specifically designed for a closed-toe knitting machine, to
26 customers in the United States and in this state.
27
28

1 77. As stated above, on information and belief, Defendants were and are
2 aware of the '343 patent, and at least had knowledge that its Yexiao Machines
3 infringe on Lonati's intellectual property. Accordingly, by making, selling,
4 offering to sell, using, importing and/or facilitating the sale and importation of
5 these infringing machines in the U.S, Yexiao is contributing to and/or inducing
6 infringement of the '343 patent by their customers.
7

9 78. Defendants' infringement of the '343 patent has caused Plaintiffs to
10 suffer monetary harm, including lost profits and price erosion relating to Plaintiffs'
11 sale of competing and related products, parts, and services in the same markets.
12

13 79. On information and belief, Defendants have been aware of their
14 infringement prior to the filing of this lawsuit or at least as of the filing of this
15 Complaint.
16

17 80. Defendants' infringement of the '343 patent has caused and will
18 continue to cause significant irreparable harm to Plaintiffs for which there is no
19 adequate remedy at law, including but not limited to lost market share, lost future
20 business, lost customer relationships and lost goodwill that Plaintiffs would
21 otherwise garner as being the inventor and innovator of the toe closing system as
22 well as the sole authorized source of supply for closed-toe knitting machines
23 designed and constructed to practice the claims covered by the '343 patent.
24

25 81. Furthermore, as discussed above, on information and belief,
26 Defendants' infringement is willful. *See Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136
27
28

1 S.Ct. 1923 (2016). On information and belief, Defendants were aware of the '343
2 patent; Yexiao informed not only its U.S. sales agents but also its customers, such
3 as Soxnet, of the "patent issue with Lonati" and the risk of infringement.

4 Accordingly, on information and belief, Defendants' infringement of the '343
5 patent has been willful, done deliberately and with full knowledge and disregard
6 that the sale, offer to sell, use and/or importation of the Yexiao Machines infringes
7 the '343 patent, and without any reasonable, good-faith belief that the '343 patent
8 is invalid and/or not infringed. Accordingly, enhanced damages in accordance
9 with 35 U.S.C. § 284 was warranted.
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13 82. Defendants' willful infringement of the '343 patent and sales
14 activities to avoid discovery renders this an exceptional case within the meaning of
15 35 U.S.C. § 285, justifying an award of reasonable attorney fees.
16

17 **COUNT II**
18 **(Infringement of the '546 Patent against Defendants)**

19 83. Plaintiffs incorporate by reference the foregoing paragraphs.
20

21 84. As stated above, Plaintiff Lonati is the owner of all rights, title, and
22 interest in the '546 patent. A copy of the '546 patent is attached hereto as Exhibit
23 2. The '546 patent expires on February 20, 2029.
24

25 85. The '546 patent is valid and enforceable.

26 86. On information and belief, Defendants have been infringing and
27 continue to directly infringe the '546 patent by making, using, selling, offering for
28

1 sale, and/or importing into the United States, without authority, closed-toe sock
2 knitting machines that are covered by one or more claims of the '546 patent,
3 including but not limited to the Yexiao Machines. Defendants' unauthorized
4 activities are in violation of 35 U.S.C. §§ 271(a).
5

6 87. On information and belief, Defendants have been and continue to
7 indirectly infringe the '546 patent in connection with its manufacture, sale, offer
8 for sale, distribution, and/or importation of closed-toe sock knitting machines to
9 customers in the United States for use in practicing the patented inventions covered
10 by one or more claims of the '546 patent, including but not limited to the Yexiao
11 Machines. Defendants' unauthorized activities are in violation of 35 U.S.C. §§
12 271(b).
13
14
15

16 88. On information and belief, Yexiao's closed-toe sock knitting
17 machines, including the Yexiao Machines, infringe, either literally or under the
18 doctrine of equivalents, one or more claims of the '546 patent. As an example of
19 how the Yexiao Machines infringe the '546 patent follows, based on information
20 and analysis currently available to Plaintiffs. This example is not intended to limit
21 the scope of Plaintiffs' infringement claim in any way, and is intended to be
22 without prejudice to assert different or additional claims of the '546 patent against
23 Yexiao and/or to apply such claims to the accused product differently in view of
24 additional information that Plaintiffs may acquire during the course of litigation.
25
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1 89. Claim 1 of the '546 patent recites as follows:

- 2
- 3 1. A pick-up device for picking up a tubular knitted article from a
- 4 circular knitting machine for hosiery and for transferring the article
- 5 to a unit adapted to perform additional work thereon, comprising:
- 6 (a) an annular pick-up body that supports pick-up members that
- 7 can slide with respect to said pick-up body along radial
- 8 directions,
- 9 (b) said pick-up body being arrangeable coaxially around a needle
- 10 cylinder of a circular knitting machine for hosiery so that each
- 11 one of said pick-up members faces laterally a needle of the
- 12 machine;
- 13 (c) actuation means being provided which act on said pick-up
- 14 members to move them toward or away from the axis of said
- 15 pick-up body, for the engagement or disengagement of each
- 16 pick-up member with the needle of the machine that it is made
- 17 to face,
- 18 (d) and each of said pick-up members being adapted to pick up the
- 19 loop of knitting retained on said needle,
- 20 (e) wherein the end of each one of said pick-up members that is
- 21 directed toward the axis of said pick-up body has a seat that can
- 22 engage a region of the stem of the needle that is arranged
- 23 proximate to the latch of the needle on the opposite side with
- 24 respect to the head of the needle,
- 25 (f) and in that said actuation means comprise elastic means that act
- 26 on said pick-up members for their sliding toward the axis of
- 27 said pick-up body and radial pushers that act on said pick-up
- 28 members for their sliding away from the axis of said pick-up
- body in contrast with the action of said elastic means.

'546 patent at col. 12, lns. 25-49 (Exhibit 2). On information and belief, the

Yexiao Machines satisfy each and every limitation of Claim 1. With reference to

the preamble of Claim 1 of the '546 patent, the Yexiao Machine is a pick-up

1 device that picks up a tubular knitted article from a circular knitting machine for
2 hosiery and transfers the article to a unit adapted to perform additional work
3 thereon. Attached hereto as Exhibit 5 is a preliminary infringement chart
4 identifying specifically where and how each limitation of Claim 1 of the '546
5 patent is found within the Yexiao Machines.
6

7
8 90. The element-by-element comparison presented in Exhibit 5 (Claim 1
9 of the '546 patent) demonstrates that the Yexiao Machines literally satisfy each
10 and every element of at least Claim 1 of the '546 patent, thus literally infringing
11 the patent. To the extent any element of Claim 1 is deemed not to be literally
12 satisfied, the Yexiao Machines would nevertheless still infringe under the doctrine
13 of equivalents because any differences between the claimed invention and the
14 method performed by the Yexiao Machines are insubstantial.
15

16
17 91. On information and belief, Yexiao makes, sells, offers to sell,
18 distributes and/or imports in the U.S., Yexiao Machines, and other infringing
19 closed-toe machine models, and replacement parts specifically designed for a
20 closed-toe knitting machine, to customers in the United States and in this state.
21

22
23 92. On information and belief, Soxnet uses, distributes and/or imports in
24 the U.S., Yexiao Machines, and other infringing closed-toe machine models, and
25 replacement parts specifically designed for a closed-toe knitting machine, to
26 customers in the United States and in this state.
27
28

1 93. As stated above, on information and belief, Defendants were and are
2 aware of the '546 patent, and at least had knowledge that its Yexiao Machines
3 infringe on Lonati's intellectual property. Accordingly, by making, selling, offer
4 to sell, using, importing and/or facilitating the sale and importation of these
5 infringing machines in the U.S, Yexiao is contributing to and/or inducing
6 infringement of the '546 patent by their customers.
7

9 94. Defendants' infringement of the '546 patent has caused Plaintiffs to
10 suffer monetary harm, including lost profits and price erosion relating to Plaintiffs'
11 sale of competing and related products, parts, and services in the same markets.
12

13 95. On information and belief, Defendants have been aware of their
14 infringement prior to the filing of this lawsuit or at least as of the filing of this
15 Complaint.
16

17 96. Defendants' infringement of the '546 patent has caused and will
18 continue to cause significant irreparable harm to Plaintiffs for which there is no
19 adequate remedy at law, including but not limited to lost market share, lost future
20 business, lost customer relationships and lost goodwill that Plaintiffs would
21 otherwise garner as being the inventor and innovator of the toe closing system as
22 well as the sole authorized source of supply for closed-toe knitting machines
23 designed and constructed to practice the claims covered by the '546 patent.
24

25 97. Furthermore, as discussed above, on information and belief,
26 Defendants' infringement is willful. *See Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136
27
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1 S.Ct. 1923 (2016). On information and belief, Defendants were aware of the '546
2 patent; Yexiao informed not only its U.S. sales agents but also its customers, such
3 as Soxnet, of the "patent issue with Lonati" and the risk of infringement.

4 Accordingly, on information and belief, Defendants' infringement of the '546
5 patent has been willful, done deliberately and with full knowledge and disregard
6 that the sale, offer to sell, use and/or importation of the Yexiao Machines infringes
7 the '546 patent, and without any reasonable, good-faith belief that the '546 patent
8 is invalid and/or not infringed. Accordingly, enhanced damages in accordance
9 with 35 U.S.C. § 284 was warranted.
10
11
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13 98. Defendants' willful infringement of the '546 patent and sales
14 activities to avoid discovery renders this an exceptional case within the meaning of
15 35 U.S.C. § 285, justifying an award of reasonable attorney fees.
16

17 **COUNT III**
18 **(Infringement of the '751 Patent against Defendants)**

19 99. Plaintiffs incorporate by reference the foregoing paragraphs.
20

21 100. As stated above, Plaintiff Lonati is the owner of all rights, title, and
22 interest in the '751 patent. A copy of the '751 patent is attached hereto as Exhibit
23 3. The '751 patent expires on October 23, 2030.
24

25 101. The '751 patent is valid and enforceable.

26 102. On information and belief, Defendants have been infringing and
27 continue to directly infringe the '751 patent by making, using, selling, offering for
28

1 sale, and/or importing into the United States, without authority, closed-toe sock
2 knitting machines that are covered by one or more claims of the '751 patent,
3 including but not limited to the Yexiao Machines. Defendants' unauthorized
4 activities are in violation of 35 U.S.C. §§ 271(a).
5

6 103. On information and belief, Defendants have been and continue to
7 indirectly infringe the '751 patent in connection with its manufacture, sale, offer
8 for sale, distribution, and/or importation of closed-toe sock knitting machines to
9 customers in the United States for use in practicing the patented inventions covered
10 by one or more claims of the '751 patent, including but not limited to the Yexiao
11 Machines. Defendants' unauthorized activities are in violation of 35 U.S.C. §§
12 271(b).
13
14
15

16 104. On information and belief, Yexiao's closed-toe sock knitting
17 machines, including the Yexiao Machines, infringe, either literally or under the
18 doctrine of equivalents, one or more claims of the '751 patent. As an example of
19 how the Yexiao Machines infringe the '751 patent follows, based on information
20 and analysis currently available to Plaintiffs. This example is not intended to limit
21 the scope of Plaintiffs' infringement claim in any way, and is intended to be
22 without prejudice to assert different or additional claims of the '751 patent against
23 Yexiao and/or to apply such claims to the accused product differently in view of
24 additional information that Plaintiffs may acquire during the course of litigation.
25
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28

1 105. Claim 1 of the '751 patent recites as follows:

- 2 1. A sewing or looping head, particularly for the automated closing of
- 3 tubular knitted articles at one of their axial ends, comprising
- 4 (a) a pair of sewing elements, which can move along
- 5 corresponding actuation paths and cooperate with each other in
- 6 forming a sewing chain stitch, and
- 7 (b) a cutting element, which can be actuated to cut the sewing chain
- 8 stitch, where said cutting element can engage the sewing chain
- 9 stitch proximate to the crossing point of the paths of said pair of
- 10 sewing elements or the point where the sewing chain stitch is
- 11 formed, and
- 12 (c) wherein said sewing elements comprise a needle and a crochet
- 13 which can move along corresponding actuation paths that cross
- 14 so as to form the sewing chain stitch,
- 15 (d) a hook being provided for supporting the sewing chain stitch
- 16 being formed,
- 17 (e) said hook being arranged proximate to the crossing point of
- 18 said actuation paths and being oriented so that its tip is directed
- 19 along the direction of advancement of the article being sewn or
- 20 looped,
- 21 (f) said cutting element being engageable with the sewing chain
- 22 stitch proximate to the tip of said supporting hook of the sewing
- 23 chain stitch.

24 '751 patent at col. 7, lns. 24-42 (Exhibit 3). On information and belief, the Yexiao

25 Machines satisfy each and every limitation of Claim 1. With reference to the

26 preamble of Claim 1 of the '751 patent, the Yexiao Machine is an apparatus with a

27 sewing or looping head that automatically closes an axial end of a tubular knitted

28 article. Attached hereto as Exhibit 6 is a preliminary infringement chart

 identifying specifically where and how each limitation of Claim 1 of the '751

1 patent is found within the Yexiao Machines.

2 106. The element-by-element comparison presented in Exhibit 6 (Claim 1
3 of the '751 patent) demonstrates that the Yexiao Machines literally satisfy each
4 and every element of at least Claim 1 of the '751 patent, thus literally infringing
5 the patent. To the extent any element of Claim 1 is deemed not to be literally
6 satisfied, the Yexiao Machines would nevertheless still infringe under the doctrine
7 of equivalents because any differences between the claimed invention and the
8 method performed by the Yexiao Machines are insubstantial.

9 107. On information and belief, Yexiao makes, sells, offers to sell,
10 distributes and/or imports in the U.S., Yexiao Machines, and other infringing
11 closed-toe machine models, and replacement parts specifically designed for a
12 closed-toe knitting machine, to customers in the United States and in this state.

13 108. On information and belief, Soxnet uses, distributes and/or imports in
14 the U.S., Yexiao Machines, and other infringing closed-toe machine models, and
15 replacement parts specifically designed for a closed-toe knitting machine, to
16 customers in the United States and in this state.

17 109. As stated above, on information and belief, Defendants were and are
18 aware of the '751 patent, and at least had knowledge that its Yexiao Machines
19 infringe on Lonati's intellectual property. Accordingly, by making, selling, offer
20 to sell, using, importing and/or facilitating the sale and importation of these
21 infringing machines in the U.S, Yexiao is contributing to and/or inducing

1 infringement of the '751 patent by their customers.

2 110. Defendants' infringement of the '751 patent has caused Plaintiffs to
3
4 suffer monetary harm, including lost profits and price erosion relating to Plaintiffs'
5 sale of competing and related products, parts, and services in the same markets.

6 111. On information and belief, Defendants have been aware of their
7
8 infringement prior to the filing of this lawsuit or at least as of the filing of this
9 Complaint.

10 112. Defendants' infringement of the '751 patent has caused and will
11
12 continue to cause significant irreparable harm to Plaintiffs for which there is no
13 adequate remedy at law, including but not limited to lost market share, lost future
14 business, lost customer relationships and lost goodwill that Plaintiffs would
15
16 otherwise garner as being the inventor and innovator of the toe closing system as
17 well as the sole authorized source of supply for closed-toe knitting machines
18 designed and constructed to practice the claims covered by the '751 patent.

19 113. Furthermore, as discussed above, on information and belief,
20
21 Defendants' infringement is willful. *See Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136
22 S.Ct. 1923 (2016). On information and belief, Defendants were aware of the '751
23 patent; Yexiao informed not only its U.S. sales agents but also its customers, such
24 as Soxnet, of the "patent issue with Lonati" and the risk of infringement.

25 Accordingly, on information and belief, Defendants' infringement of the '751
26
27 patent has been willful, done deliberately and with full knowledge and disregard
28

1 that the sale, offer to sell, use and/or importation of the Yexiao Machines infringes
2 the '751 patent, and without any reasonable, good-faith belief that the '751 patent
3 is invalid and/or not infringed. Accordingly, enhanced damages in accordance
4 with 35 U.S.C. § 284 was warranted.
5

6 114. Defendants' willful infringement of the '751 patent and sales
7 activities to avoid discovery renders this an exceptional case within the meaning of
8 35 U.S.C. § 285, justifying an award of reasonable attorney fees.
9

10 **PRAYER FOR RELIEF**

11
12 WHEREFORE, Plaintiffs Lonati and PAM Trading pray for a judgment
13 against Defendants Yexiao and Soxnet as follows:

- 14 A. That Defendants have and continue to directly and indirectly infringe
15 the '343 patent, the '546 patent, and the '751 patent;
16
17 B. That Defendants' infringement of the '343 patent, the '546 patent, and
18 the '751 patent is willful;
19
20 C. A permanent injunction barring Defendants, and all persons acting in
21 concert with and/or on behalf of Defendants, from further infringing
22 the '343 patent, the '546 patent, and the '751 patent;
23
24 D. An award of monetary damages pursuant to 35 U.S.C. § 284 in an
25 amount adequate to compensate Plaintiffs for the infringement that
26 has occurred pre-verdict and for damages that occur post-verdict,
27 together with pre-judgment interest and costs;
28

- 1 E. An award for all other damages permitted by 35 U.S.C. § 284,
2 including enhanced damages up to three times the amount of
3 compensatory damages found;
4
5 F. That this is an exceptional case, and an award to Plaintiffs of their
6 costs and reasonable attorneys' fees incurred in this action as provided
7 by 35 U.S.C. § 285; and
8
9 G. Such other relief, including equitable relief, as this Court deems just
10 and proper.
11

12 **DEMAND FOR JURY TRIAL**

13 Plaintiffs hereby demand trial by jury on all claims and issues so triable.
14
15

16 Dated: June 22, 2020

Respectfully Submitted,

17 POLSINELLI LLP
18

19
20 By: /s/ Eric Garcia
Eric R. Garcia

21 Attorneys for Plaintiffs
22 PAM TRADING CORPORATION
23 and LONATI, S.P.A
24
25
26
27
28