IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

JODI A. SCHWENDIMANN, f/k/a JODI A. DALVEY, an Individual and NUCOAT, Inc., a Minnesota corporation, Plaintiffs v. SISER NORTH AMERICA, INC., a Delaware corporation, Defendant.	Civil Action No. 1:19-cv-362-LPS **FIRST AMENDED COMPLAINT (PATENT INFRINGEMENT)** **JURY TRIAL DEMANDED**

FIRST AMENDED COMPLAINT

Plaintiffs Jodi A. Schwendimann, f/k/a Jodi A. Dalvey ("Schwendimann") and NuCoat, Inc. ("NuCoat," collectively with Schwendimann, "Plaintiffs"), by and through undersigned counsel Berger Harris LLP, bring this action for patent infringement against Defendant Siser North America, Inc., and in support thereof allege as follows:

SUMMARY OF THE ACTION

1. Defendant Siser North America, Inc. ("Defendant" or "Siser") has engaged in the business of producing, selling and/or distributing image transfer papers or sheets in and outside the United States, including the allegedly infringing products accused in this lawsuit. As a result of Defendant's patent infringement, Defendant has caused Plaintiffs monetary damages in excess of $75,000.00.

THE PARTIES

2. Plaintiff Jodi A. Schwendimann is an individual and a resident of Hennepin County, Minnesota.

3. Plaintiff NuCoat is a Minnesota corporation with its principal place of business at

13055 15th Ave. N., Plymouth, Minnesota, 55441. NuCoat is in the business of manufacturing and selling specialty paper products, including products that enable its customers to transfer images to T-shirts, sweatshirts, and other garments.

4. Siser is a corporation organized under the laws of the State of Delaware with headquarters located at 201 W. Big Beaver Road, Suite 500 in Troy, Michigan. Siser may be served with process via its registered agent: The Corporation Trust Company, Corporation Trust Center, 1209 Orange St., Wilmington, Delaware 19801.

JURISDICTION AND VENUE

5. This is an action for patent infringement arising under the Patent Act of the United States, 35 U.S.C. § 1 *et seq.*

6. This Court has original and exclusive jurisdiction of this action under 28 U.S.C. §§ 1331 and 1338(a). This Court also has original jurisdiction under 28 U.S.C. § 1332 because the amount in controversy exceeds $75,000, and this action is between citizens of different states.

7. This Court may exercise personal jurisdiction over Defendant for at least the following reasons: (1) Defendant is incorporated and organized under the laws of the State of Delaware; (2) Defendant has manufactured, offered for sale, and/or sold products within the State of Delaware that infringe patents owned by Schwendimann; and (3) Defendant has purposefully established systematic and continuous contacts with this District and should reasonably expect to be brought into court here. Defendant is therefore subject to the jurisdiction of this Court.

8. Venue is proper in this district under 28 U.S.C. § 1391 (b) and (c), at least because a substantial part of the events giving rise to the claim occurred in this district and under 28 U.S.C. § 1400(b) because Defendant "reside[s]" in Delaware. Venue is also proper because Defendant is incorporated and organized under the laws of the State of Delaware and is subject to personal jurisdiction in this district.

FACTUAL ALLEGATIONS

I. THE FABRIC TRANSFER INDUSTRY.

9. Printed T-shirts, sweatshirts, hats, and other garments are an important part of everyday life. Printed clothing fills modern closets, and printed clothing likewise fills the shelves at national retailers. Consumers buy printed T-shirts and sweatshirts to show support for their hometown football and baseball teams, their high schools and colleges, and their hobbies and interests.

10. There is a large retail market for selling transfer products to "do it yourself" ("DIY") hobbyists that print images using inkjet or laser printers and transfer the images using household irons. Because the transfers allow for customization, crafters use iron-on transfers in a variety of ways. For example, crafters may transfer a family name onto a pillow, transfer a school logo onto a baseball cap, or transfer artwork onto a tote bag.

11. The same chemistry is used when a retailer like Target orders thousands of shirts with the logo of the local NFL, MLB, or NBA team. The ***transfer paper***, which has the special chemicals that bond the image to the fabric, simply comes on larger rolls, instead of being sold in single sheets. Household printers are replaced by commercial wide-format printers.

II. CHALLENGES WITH TRANSFERRING IMAGES ONTO DARK FABRICS.

12. Prior to the launch of desk top digital printers, most images were applied to customizing apparel and other fabric using screen printing. The launch of digital printing sparked the innovation of technology that allowed users to digitally print images onto coated paper and then transfer those images onto fabric using an iron. The part of the transfer sheet that was ironed onto the fabric was transparent, such that only the printed image would be visible after transfer.

13. The earliest transfers were best suited for transferring images onto light-colored

fabrics.[1] This is because, although these same transfers could be used to transfer images onto dark fabrics, there were problems with using them to transfer images onto dark fabric. One problem was that the early digital printers and the home desk top digital printers did not print white ink; thus, it was impossible to get the color white to appear on the dark fabric. In addition, the colors of the printed image would blend into the dark fabric, making the image less clear.

14. To solve these issues associated with transferring images onto dark fabric, both clothing manufacturers and at-home users would use a two-step process to transfer images onto dark fabric. First, they would transfer a plain, white background onto the dark T-shirt. Second, they would transfer the desired artwork onto that white background. That approach, however, created both manufacturing problems and product quality problems.

15. Using the two-step approach, the manufacturer would first transfer a white background onto the fabric and would then transfer the decorative image onto that white background. The white background could be a simple white rectangle, or it could be cut into the shape of the final image.

16. There were five problems with this two-step approach to transferring images on dark fabric. First, the use of two sheets was not aesthetically pleasing to the consumer. There were alignment problems, giving the finished garment a low-quality appearance.

17. Second, the two-step process required extra labor. Manufacturers and at-home users could transfer an image onto light T-shirts by transferring the artwork in a single step, but transferring images onto dark T-shirts required the extra step of first transferring the plain white background and then transferring the image.

[1] The term "light fabric" means white and near-white fabrics. The term "dark fabric" means all fabric colors except for white and near-white fabrics.

18. Third, the images appearing on dark fabrics were not as sharp and clear as images appearing on light fabrics.

19. Fourth, the white layer made the shirts and other garments rigid and inflexible, causing them to be uncomfortable.

20. Fifth, the white background substrate did not bond to the fabric very well, so pieces of that substrate would start to peel off after a few washings.

21. The technology at issue in this litigation solves the unique problems of transferring images onto dark fabric.

III. ENTREPRENEUR JODI SCHWENDIMANN

22. Plaintiff Jodi Schwendimann grew up in Wisconsin. She began learning about business and accounting at a young age through her family trucking business, which she began helping with at age eight. She earned her high school diploma. After high school, she began working at a community bank, where she learned about small businesses. She continued to learn how entrepreneurs identify opportunities, and how they build profitable businesses to capitalize on those opportunities.

23. Later, Schwendimann joined one of those growing small businesses, a paper coating company called American Coating Technologies ("American Coating"). She worked directly for the founder of the company, Bill Nasser, learning everything she could about paper coatings. She learned about the market for coated papers. She learned about which products sell, which do not, and why. She continued to learn about product pricing, profit margins, and the economics of launching new products.

24. One of the paper coating products that American Coating sold was paper for Hewlett-Packard desk top inkjet printers. The introduction of desk top digital printing meant that more users were digitally printing images from their home computers for the first time.

Schwendimann and Nasser realized this opened the opportunity for an alternative to screen printing onto fabric.

25. Applying what they knew about paper coatings, Schwendimann and Nasser developed technologies for transfer products made for light fabrics. In fact, they obtained several patents for their innovations in the area of light fabric transfers.

26. Schwendimann and Nasser understood the value of developing a superior process for printing images onto dark fabric, but it was a harder problem to solve.

27. Overcoming many challenges, Schwendimann and Nasser developed a revolutionary new technique for transferring images to dark fabrics.

28. Their innovative technology incorporated a white layer into **the same** transfer sheet onto which the image was printed, thus allowing the manufacturer to apply the image onto the dark fabric in a single step.

29. This new technology addressed all five problems that plagued the old process. The new approach reduced the cost of manufacturing by replacing a two-step process with a one-step process. As a result, the new technology eliminated the problem of aligning the white background with the image. A manufacturer could cut out the image on a single transfer sheet (containing both the white background and the image) before transferring. The printed image was sharp and clear. The garment was flexible and comfortable. The image adhered to the shirt, wash after wash.

30. Their innovation was also a game-changer in the home hobbyist market. Because the chemistry necessary to transfer an image onto a dark fabric could now be built into a single transfer sheet, a home hobbyist could use Schwendimann's invention to easily print an image onto transfer paper using their own inkjet or laser printer, and then transfer that image with a home iron. At home customization of dark shirts was suddenly within reach of home hobbyists.

31. Schwendimann and Nasser were granted several patents for their innovative dark fabric transfers. These patents are the subject of this Complaint. The patents cover the specialty transfer paper that is coated with layers of different chemicals, as well as the methods for transferring an image printed on this paper onto a dark fabric.

32. Schwendimann eventually started her own company, NuCoat, which began selling formulated specialty coatings to the paper industry.

33. American Coating eventually went out of business, and Schwendimann acquired the rights to the dark fabric transfer patents she had developed at American Coating. Today, Schwendimann employs 19 people and brings in millions of dollars in revenue each year. Unfortunately, due to blatant and willful infringement of her patents by Siser, NuCoat unfairly lost significant additional sales. Schwendimann and NuCoat bring this lawsuit to remedy that wrong.

IV. SCHWENDIMANN ASSERTED PATENTS

34. Schwendimann owns U.S. Patent No. 7,749,581, entitled "Image Transfer on a Colored Base," issued July 6, 2010 (the "'581 Patent"). A copy of the '581 Patent is attached hereto as Exhibit A.

35. Schwendimann owns U.S. Patent No. 7,754,042, entitled "Method of Image Transfer on a Colored Base," issued July 13, 2010 (the "'042 Patent"). A copy of the '042 Patent is attached hereto as Exhibit B.

36. Schwendimann owns U.S. Patent No. RE41,623 (the "'623 Reissue Patent"), issued on or about September 7, 2010. The '623 Reissue Patent is a reissue of U.S. Patent No. 6,884,311 (the "'311 Patent"), entitled "Method of Image Transfer on A Colored Base," which was filed on April 3, 2000, and issued on April 26, 2005. Copies of the '623 Reissue Patent and the '311 Patent are attached hereto as Exhibit C and Exhibit D.

37. Collectively, the '581, '042, and '623 Patents are referred to as "Patents-in-Suit."

V. PLAINTIFFS' SALES OF COVERED PRODUCT.

38. In the late 1990s, Schwendimann and Bill Nasser began selling their transfer paper products through Nasser's company, American Coating. Schwendimann was American Coating's top salesperson.

39. NuCoat has had an exclusive license to Schwendimann's patents from December 31, 2012, through the present. During this period, NuCoat has practiced the inventions described and claimed in Schwendimann's patents by manufacturing and selling these innovative image transfer sheets.

40. NuCoat's customers have included a number of significant players in the industry. Other potential customers have turned to competitors like Siser that are selling infringing products.

VI. INFRINGING ACTIVITIES

41. Siser has competed, and continues to compete, directly with NuCoat in the sales of dark fabric transfer products.

42. As set forth in more detail in Plaintiffs' Infringement Contentions, Plaintiffs allege that Siser has offered for sale and sold the ColorPrint Soft Opaque product, which (1) infringed Claims 17 and 24 of the '581 Patent; and (2) indirectly infringed Claims 1-3 of the '623 Patent and Claims 16, 18, and 19 of the '042 Patent.

43. As set forth in more detail in Plaintiffs' Infringement Contentions, Siser has offered for sale and sold the ColorPrint Extra product, which (1) infringed Claims 17 and 24 of the '581 Patent; and (2) indirectly infringed Claims 1-3 of the '623 Patent and Claims 16, 18, and 19 of the '042 Patent.

44. Product information on Siser's ColorPrint Extra and ColorPrint Soft Opaque products is attached hereto as Exhibits E, F, and G.

45. Siser's ColorPrint Extra is an image transfer article.

46. Siser's ColorPrint Extra has a layer that receives an image.

47. Siser's ColorPrint Extra has a backing paper that is removable.

48. The removable substrate of Siser's ColorPrint Extra includes a release coating.

49. Siser's ColorPrint Extra has a white layer.

50. The white layer in Siser's ColorPrint Extra is disposed between the indicia-receptive layer and the release coating.

51. The white layer in Siser's ColorPrint Extra has a white or luminescent pigment.

52. The white layer in Siser's ColorPrint Extra is concurrently transferable with received indicia upon, and following, application of heat.

53. Siser instructs end users on how to use the ColorPrint Extra product in a manner that infringed.

54. Siser instructs users of the ColorPrint Extra product that the product can be used to transfer an image to a colored substrate, including fabric.

55. Siser's ColorPrint Extra is an image transfer sheet.

56. Siser's ColorPrint Extra has a removable backing.

57. Siser's ColorPrint Extra has a release layer that contacts the backing.

58. Siser's ColorPrint Extra has an image-imparting layer.

59. The image-imparting layer of Siser's ColorPrint Extra product has a layer that includes a polymer.

60. Siser instructs users of the ColorPrint Extra product that an image can be printed onto the product.

61. The release layer of Siser's ColorPrint Extra product is impregnated with titanium oxide or white pigment.

62. Siser instructs users of the ColorPrint Extra product to peel away the backing.

63. Siser instructs users of the ColorPrint Extra product to contact the remaining portions of the sheet (after the backing is removed) to the colored garment.

64. Siser instructs users of the ColorPrint Extra product to apply heat to the remaining portions of the sheet (after the backing is removed).

65. When a user follows Siser's instructions for for transferring an image using the ColorPrint Extra product, an image is transferred to the colored fabric.

66. When a user follows Siser's instructions for transferring an image using the ColorPrint Extra product, the image has a substantially white background and indicia.

67. Siser's ColorPrint Soft Opaque is an image transfer article.

68. Siser's ColorPrint Soft Opaque has a layer that receives an image.

69. Siser's ColorPrint Soft Opaque has a backing paper that is removable.

70. The removable substrate of Siser's ColorPrint Soft Opaque includes a release coating.

71. Siser's ColorPrint Soft Opaque has a white layer.

72. The white layer in Siser's ColorPrint Soft Opaque is disposed between the indicia-receptive layer and the release coating.

73. The white layer in Siser's ColorPrint Soft Opaque has a white or luminescent pigment.

74. The white layer in Siser's ColorPrint Soft Opaque is concurrently transferable with received indicia upon, and following, application of heat.

75. Siser instructs end users on how to use the ColorPrint Soft Opaque product in a manner that infringed.

76. Siser instructs users of the ColorPrint Soft Opaque product that the product can be used to transfer an image to a colored substrate, including fabric.

77. Siser's ColorPrint Soft Opaque is an image transfer sheet.

78. Siser's ColorPrint Soft Opaque has a removable backing.

79. Siser's ColorPrint Soft Opaque has a release layer that contacts the backing.

80. Siser's ColorPrint Soft Opaque has an image-imparting layer.

81. The image-imparting layer of Siser's ColorPrint Soft Opaque product has a layer that includes a polymer.

82. Siser instructs users of the ColorPrint Soft Opaque product that an image can be printed onto the product.

83. The release layer of Siser's ColorPrint Soft Opaque product is impregnated with titanium oxide or white pigment.

84. Siser instructs users of the ColorPrint Soft Opaque product to peel away the backing.

85. Siser instructs users of the ColorPrint Soft Opaque product to contact the remaining portions of the sheet (after the backing is removed) to the colored garment.

86. Siser instructs users of the ColorPrint Soft Opaque product to apply heat to the remaining portions of the sheet (after the backing is removed).

87. When a user follows Siser's instructions for for transferring an image using the ColorPrint Soft Opaque product, an image is transferred to the colored fabric.

88. When a user follows Siser's instructions for transferring an image using the ColorPrint Soft Opaque product, the image has a substantially white background and indicia.

89. Upon information and belief, Defendant had actual knowledge of the Patents-in-Suit, but nonetheless made and continued to make, use, sell, and/or offer to sell their infringing products.

90. For example, in or around July 2015, Schwendimann discussed her patents, including her dark fabric transfer patents, with Yann Giorsetti at Siser.

91. At the time, Giorsetti was Siser's Director of International Sales; he is now Siser's Managing Director.

92. Schwendimann and Giorsetti discussed licensing Schwendimann's patents. However, on or about July 10, 2015, Giorsetti left a voicemail for Schwendimann stating that, although he understood Schwendimann's legal point, Siser was going to pass on licensing.

93. Despite Siser's longstanding knowledge of Schwendimann's patents and products, Siser has never entered into a license agreement with Schwendimann relating to her dark fabric transfer patents or ceased sales of dark fabric transfer products. Instead, Siser continued selling infringing product.

94. As a result of Defendant's marketing and sales of their infringing products, NuCoat lost customers, sales, and profits.

95. NuCoat used Schwendimann's patented invention for dark fabric transfers and, as a result, its dark fabric transfer products had the advantages of the invention.

96. The other major players in this market had product offerings that also infringed Schwendimann's patents. For example, Schwendimann prevailed in litigation against competitor

Arkwright Advanced Coating, Inc. in 2017.[2]

97. NuCoat would have been able to meet demand for additional volume through its contract manufacturing relationships, relationships that NuCoat had already put in place due to NuCoat's expectation that its transfer products would be a big success.

98. In sum, as a direct result of Siser's patent infringement, NuCoat lost significant profits.

99. As to Defendant, Plaintiffs seek monetary damages arising from Defendant's infringement.

100. More specifically, from the period of approximately February 2013, through the present, Plaintiffs are entitled to recover damages from Defendant for infringement of Claims 17 and 24 of the '581 Patent.

101. In addition, Defendant induced and/or contributed to, and is inducing and/or contributing to, the infringement of other claims in the Patents-in-Suit, including but not limited to Claims 1-3 of the '623 Patent and Claims 16, 18, and 19 of the '042 Patent.

COUNT I

Infringement of U.S. Patent No. 7,749,581, U.S. Patent No. 7,754,042, and U.S. Patent RE41,623

102. Plaintiffs incorporate by reference the above paragraphs as if stated herein.

103. The Patents-in-Suit are valid and enforceable.

104. Defendant has infringed at least one claim of the '581 Patent, including, without

[2] *See, e.g., Schwendimann v. Arkwright Advanced Coating, Inc.*, No. CV 11-820 (JRT/HB), 2018 WL 3621206, at *1 (D. Minn. July 30, 2018), *reconsideration denied*, No. CV 11-820 (JRT/HB), 2018 WL 4554544 (D. Minn. Sept. 21, 2018) (observing that "[t]he jury returned a verdict in favor of Schwendimann, finding that AACI has directly infringed at least one claim of her patents," and awarded Schwendimann damages, pre-judgment interest, post-judgment interest, and a permanent injunction).

limitation, Claims 17 and 24.

105. In addition, Defendant induced and/or contributed to, and is inducing and/or contributing to, the infringement of other claims in the Patents-in-Suit, including but not limited to Claims 1-3 of the '623 Patent and Claims 16, 18, and 19 of the '042 Patent.

106. Defendant's acts of direct infringement include, but are not limited to, making, using, selling, and/or offering for sale within this District and elsewhere image transfer sheets, and/or other products or methods incorporating Plaintiff's patented transfer sheets or methods for transferring an image as claimed in the above patents.

107. Defendant's acts of inducing and contributory infringement include, but are not limited to, causing end consumers to directly infringe Plaintiff's patents by selling and/or offering for sale image transfer sheets to end consumers with explicit instructions to use the image transfer sheets in a manner that Defendant knew to be infringing.

108. Such illegal patent infringement activities have caused loss and injury to Plaintiffs, for which Plaintiffs are entitled to monetary damages.

109. Upon information and belief, Defendant's infringement was intentional, knowing, willful, deliberate, without license or justification, and with full knowledge of Plaintiff's patent rights.

110. NuCoat offered the only acceptable, non-infringing alternative to Siser's products. Plaintiffs are entitled to recover lost profits on those sales.

111. Because of Defendant's willful conduct, Plaintiffs are entitled to recover three times its damages, as well as lost profits, costs, attorneys' fees and investigative fees.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs pray for relief as follows:

1. A judgment that Defendant has infringed, induced infringement, and/or

contributorily infringed Plaintiff's rights under the '581 Patent, the '042 Patent, and the '623 Patent;

2. A judgment that at least some of Defendant's various acts of infringement have been in willful and in deliberate disregard of Plaintiff's patent rights;

3. A judgment awarding Plaintiffs compensatory and exemplary damages, but not less than a reasonable royalty, including allowance of multiplied damages based on Defendant's willful and deliberate infringement;

4. A judgment awarding Plaintiffs their costs incurred herein, including attorneys' fees for an exceptional case pursuant to 35 U.S.C. § 285; and

5. A judgment awarding Plaintiffs such other and further relief as the Court may deem just and equitable.

JURY DEMAND

Pursuant to Rule 38 of the Federal Rules of Civil Procedure, Plaintiffs hereby demand a jury trial as to all issues so triable.

Dated: July 1, 2020
Wilmington, Delaware

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