

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

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U.S. DISTRICT COURT E.D.N.Y.

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BROOKLYN OFFICE *MS SI*

APPLIED GENETICS INCORPORATED DERMATICS,

PLAINTIFF,

v.

COMPLAINT

No. 07-CV-

Oxis INTERNATIONAL, INC.,

DEFENDANT.

07 1441

SPATT, ORENSTEIN, M.J.

Plaintiff Applied Genetics Incorporated Dermatics, by its attorneys, alleges as follows:

PARTIES

1. Applied Genetics Incorporated Dermatics (AGI) is a corporation organized under the laws of the State of Delaware with a principal place of business located at 205 Buffalo Avenue, Freeport, New York. AGI engages in interstate and international business.

2. Upon information and belief, Oxis International Inc. (Oxis) is a corporation organized and existing under the laws of the State of Delaware with a principal place of business located at 323 Vintage Park Drive, Suite B, Foster City, California. Oxis also engages in interstate and international business.

JURISDICTION AND VENUE

3. AGI asserts claims for declaratory judgment of invalidity of one patent and non-infringement of two patents under the provisions of 28 U.S.C. §§ 2201 and 2202, as well as claims against Oxis for unfair competition under 15 U.S.C. § 1125(a) and the common law, tortious interference with prospective economic advantage, and tortious interference with contractual relations.

4. This Court has subject matter jurisdiction under 28 U.S.C. §§ 1338(a) and (b) and 1331. The Court has supplemental jurisdiction over Plaintiff's state law claims under 28 U.S.C. § 1367(a).

5. This Court has personal jurisdiction over Defendant Oxis because Oxis has transacted business in New York out of which the causes of action arise.

6. Venue properly lies in this district under 28 U.S.C. § 1391(b)(1) and (b)(2).

FACTUAL ALLEGATIONS

7. United States Patent No. 5,438,151 (the '151 patent) relates to a process for the preparation of ergothioneine, a natural molecule with antioxidant properties. Upon information and belief, Oxis owns the '151 patent, which is also known as the "Yadan" patent.

8. In an Office Action dated October 18, 1994, the U.S. Patent and Trademark Office rejected the application for the '151 patent under 35 U.S.C. § 112. Upon information and belief, information known to at least the named inventors of the '151 patent and material to that rejection and the patentability of the '151 patent, was improperly withheld from the U.S. Patent and Trademark Office.

9. Between 1997 and 2003, Oxis supplied L-ergothioneine to AGI. During that period, the two corporations had numerous business dealings in New York.

10. In or about 2003, Oxis unilaterally terminated its business relationship with AGI and thereby deprived AGI of its source of L-ergothioneine.

11. AGI subsequently identified another supplier and now purchases L-ergothioneine from that outside manufacturer. The process that the outside manufacturer uses to produce L-ergothioneine is different from, and unrelated to, the process disclosed and claimed in the '151 patent.

12. In communications with AGI and with AGI's customers, Oxis has charged that AGI has infringed and continues to infringe the '151 patent.

13. AGI denies that it has infringed, contributed to, or induced others to infringe the '151 patent.

14. United States Patent No. 6,103,746 (the '746 patent) is directed to methods and compositions for the protection of mitochondria, which are subcellular organelles found in most eukaryotic cells. Oxis claims ownership of the '746 patent.

15. AGI buys ergothioneine from its outside manufacturer and then, through its distributor, sells ergothioneine to customers in the U.S. and throughout the world under the Thiotaine® trademark. AGI also includes Thiotaine® in certain of its cosmetic products sold under AGI's Remergent™ trademark. Neither AGI nor its distributor refers to the protection of mitochondria in connection with the sale or advertising of Thiotaine®. Similarly, AGI does not refer to the protection of mitochondria by ergothioneine in connection with the sale or advertising of Remergent™ cosmetics that contain Thiotaine®.

16. In communications with AGI and with AGI's customers, Oxis has taken the position that making, using, or selling any composition of L-ergothioneine, whether or not for the purpose of protecting mitochondria, constitutes either direct infringement of the '746 patent, or inducement of others to infringe the patent. As such, Oxis has charged that AGI's business activities infringe the '746 patent.

17. AGI denies that it has infringed, contributed to, or induced others to infringe the '746 patent.

18. An actual and justiciable controversy exists between AGI and Oxis with respect to AGI's alleged infringement of the '151 patent and the '746 patent.

19. Oxis and/or agents of Oxis have contacted customers of AGI, including AGI's Japanese customer Nikko Chemical Co., Ltd., and accused them of infringing the '151 and '746 patents. Oxis's assertions of infringement are objectively baseless. In making such baseless accusations of infringement, Oxis and/or its agents acted in bad faith and maliciously, knowingly, and intentionally attempted to influence AGI's customers' purchasing decisions and to interfere with AGI's business relationships.

20. Oxis and/or agents of Oxis have made false representations to customers of AGI about activities that would infringe the '151 and '746 patents and the scope of the patents themselves. For example, Oxis's March 2007 letter to Nikko Chemical Co., Ltd. stated that "making, using, or selling any composition of L-ergothioneine that results in protecting mitochondria within the United States constitutes either direct infringement of [the '746 patent] or inducement of others to infringe the patent." As Oxis knows, that statement is untrue.

21. In July 2004, Oxis sent a letter to the Florida office of AGI customer Elizabeth Arden and stated that Oxis is the only manufacturer of L-ergothioneine and holds the patent on "the only known manufacturing method." At the time it made these statements, Oxis knew them to be false.

22. Oxis's misrepresentations were intended to, and were likely to, deceive AGI's customers and influence their purchasing decisions. In making such false representations, Oxis and/or its agents acted in bad faith and maliciously, knowingly, and intentionally attempted to interfere with AGI's business relationships.

23. Through its actions, Oxis has injured AGI's reputation and business. Oxis's contacts with AGI's customers were undertaken in bad faith and as a part of a concerted effort to drive AGI out of the ergothioneine business through unfair competition.

**FIRST CAUSE OF ACTION – NON-INFRINGEMENT OF THE '151 PATENT –
PLAINTIFF AGI REASSERTS AND REALLEGES THE ALLEGATIONS
CONTAINED IN PARAGRAPHS 1-23 AND FURTHER ALLEGES**

24. AGI has not directly infringed, contributorily infringed, or actively induced others to infringe any claim of the '151 patent.

**SECOND CAUSE OF ACTION – INVALIDITY OF THE '151 PATENT – PLAINTIFF
AGI REASSERTS AND REALLEGES THE ALLEGATIONS
CONTAINED IN PARAGRAPHS 1-23 AND FURTHER ALLEGES**

25. The '151 patent is invalid under one or more of the provisions of Title 35 United States Code, including 35 U.S.C. § 112.

**THIRD CAUSE OF ACTION – NON-INFRINGEMENT OF THE '746 PATENT –
PLAINTIFF AGI REASSERTS AND REALLEGES THE ALLEGATIONS
CONTAINED IN PARAGRAPHS 1-23 AND FURTHER ALLEGES**

26. The '746 patent does not prevent AGI or its customers from making, using, or selling L-ergothioneine, or products containing L-ergothioneine, for purposes other than protecting mitochondria.

27. AGI has not directly infringed, contributorily infringed, or actively induced others to infringe any claim of the '746 patent.

28. Oxis does not have standing to assert that AGI or others have infringed the '746 patent.

**FOURTH CAUSE OF ACTION – UNFAIR COMPETITION – PLAINTIFF AGI
REASSERTS AND REALLEGES THE ALLEGATIONS CONTAINED
IN PARAGRAPHS 1-23 AND FURTHER ALLEGES**

29. Oxis made knowingly false representations to the marketplace regarding the ability to produce L-ergothioneine without infringing the '151 patent. Oxis also made knowingly false representations to the marketplace regarding the scope of activities that are covered under the '746 patent. Oxis's false representations were intended to, and were likely to, deceive AGI's customers, influence the purchasing decisions of AGI's customers, and cause actual or probable injury to AGI.

30. Oxis's actions make it liable to AGI for unfair competition under 15 U.S.C. § 1125(a).

**FIFTH CAUSE OF ACTION – UNFAIR COMPETITION – PLAINTIFF AGI
REASSERTS AND REALLEGES THE ALLEGATIONS CONTAINED
IN PARAGRAPHS 1-23 AND FURTHER ALLEGES**

31. Oxis made knowingly false representations to Oxis customers regarding the ability to produce L-ergothioneine without infringing the '151 patent. Oxis also made knowingly false representations to Oxis customers regarding the scope of activities that are covered under the '746 patent. Oxis's false representations were intended to, and were likely to, deceive AGI's customers, influence the purchasing decisions of AGI's customers, and cause actual or probable injury to AGI.

32. Oxis's actions make it liable to AGI for unfair competition under common law.

**SIXTH CAUSE OF ACTION – TORTIOUS INTERFERENCE
WITH PROSPECTIVE ECONOMIC ADVANTAGE – PLAINTIFF AGI
REASSERTS AND REALLEGES THE ALLEGATIONS CONTAINED
IN PARAGRAPHS 1-23 AND FURTHER ALLEGES**

33. Oxis knowingly contacted one or more customers of AGI, and, acting with malice and/or dishonest, unfair or improper means, intentionally interfered with AGI's business relationship, thereby injuring AGI's business relationship.

34. Oxis's actions make it liable to AGI for tortious interference with prospective economic advantage.

**SEVENTH CAUSE OF ACTION – TORTIOUS INTERFERENCE
WITH CONTRACTUAL RELATIONS – PLAINTIFF AGI REASSERTS
AND REALLEGES THE ALLEGATIONS CONTAINED
IN PARAGRAPHS 1-23 AND FURTHER ALLEGES**

35. AGI has valid contractual relationships with various customers. Oxis knowingly contacted one or more of AGI's customers and intentionally interfered with those contractual relationships in an effort to induce AGI's customers not to perform their contractual commitments. AGI was, or is likely to be, injured as a result of Oxis's actions.

36. Oxis's actions make it liable to AGI for tortious interference with contractual relations.

JURY DEMAND

37. Plaintiff AGI demands a jury trial on all of its causes of action herein.

WHEREFORE, Plaintiff AGI asks that this Court enter an Order against Defendant Oxis:

A. On Plaintiff's First Cause of Action, declaring that AGI has not directly infringed, contributorily infringed, or actively induced others to infringe any claim of the '151 patent;

B. On Plaintiff's Second Cause of Action, declaring that the '151 patent is invalid under federal law, including 35 U.S.C. § 112.

C. On Plaintiff's Third Cause of Action, declaring that the '746 patent does not prevent AGI or its customers from making, using, or selling L-ergothioneine, or products containing L-ergothioneine, for purposes other than protecting mitochondria, that AGI has not directly infringed, contributorily infringed, or actively induced others to infringe any claim of the '746 patent, and that Oxis does not have standing to assert that AGI or others have infringed the '746 patent;

D. On Plaintiff's Fourth Cause of Action, entering judgment against Oxis for unfair competition under 15 U.S.C. § 1125(a) in an amount to be determined at trial;

E. On Plaintiff's Fifth Cause of Action, entering judgment against Oxis for unfair competition in an amount to be determined at trial;

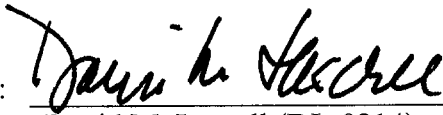
F. On Plaintiff's Sixth Cause of Action, entering judgment against Oxis for tortious interference with prospective economic advantage in an amount to be determined at trial;

G. On Plaintiff's Seventh Cause of Action, entering judgment against Oxis for tortious interference with contractual relations in an amount to be determined at trial;

- H. Enjoining Defendant Oxis from further acts of unfair competition and improper interference with Plaintiff's business relations;
- I. Declaring this matter to be an exceptional case within the meaning of 35 U.S.C. § 285;
- J. Awarding Plaintiff its costs and expenses incurred in connection with this action, including reasonable attorneys' fees; and
- K. Awarding Plaintiff such other and further relief as to the Court seems just and proper.

April 4, 2007
Rochester, New York

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