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UNITED STATES DISTRICT COURT

DISTRICT OF OREGON

ANDRITZ INC., a Delaware corporation,

Plaintiff,

v.

GARY PRUE, an individual, and J&L FIBER SERVICES, a Wisconsin corporation,

Defendants.

Civil No.: CV 05 1866 HA

SECOND AMENDED COMPLAINT

(Patent Infringement, Oregon Uniform Trade Secrets Act, Breach of Contract, Breach of the Implied Duty of Good Faith, Unfair Competition, and Permanent Injunction)

DEMAND FOR JURY TRIAL

Plaintiff alleges and complains as follows:

PARTIES, JURISDICTION AND VENUE

1. Plaintiff Andritz Inc. (“Andritz”) is a Delaware corporation with its principal place of business in Georgia. Andritz is the successor in interest of Durametal Corporation, a Delaware Corporation (“Durametal Corporation”) and Andritz currently conducts its refiner plate business under the name Durametal. References to Andritz in this Complaint include Andritz’ predecessor in interest, Durametal Corporation.

2. Defendant Gary Prue (“Prue”) is an individual, which, upon information and belief, is a resident of Oregon.

3. Defendant J&L Fiber Services (“J&L”) is a Wisconsin corporation, which, upon information and belief, does business in Oregon, with its principal place of business in Waukesha, Wisconsin.

4. Jurisdiction is proper in this Court based on 28 U.S.C. §1332 in that there is diversity of citizenship. The amount in controversy exceeds \$75,000 exclusive of costs and interest.

5. This is an action for patent infringement arising under the patent laws codified at 35 U.S.C. §1, *et seq.* This Court has federal question jurisdiction over the claims arising under federal law by virtue of 28 U.S.C. §1331 (federal question), 28 U.S.C. §1338(a) (original jurisdiction over civil actions relating to patent infringement), and 28 U.S.C. §1367 (supplemental jurisdiction).

6. Venue is proper in this Court based on 28 U.S.C. §1391 and 1400(b) because Prue is, upon information and belief, an Oregon resident and J&L has sufficient minimum contacts with the State of Oregon. J&L makes, uses, and offers for sale refiner plates in the United States, including in Oregon. J&L has purposefully availed itself of this Court’s jurisdiction by committing and continuing to commit acts of patent infringement in this Judicial District, the State of Oregon, and elsewhere in the United States.

FACTUAL ALLEGATIONS

7. Andritz is a technology-centered company with global operations. The company develops high-tech production systems and industrial process solutions for various standard and highly specialized products in various industries, including the pulp, paper and board industries. Andritz is the successor in interest of the Durametal Corporation, a Delaware corporation (“Durametal”) and conducts its refiner plate business under the name Durametal. The Paper Mill Services Division of Andritz is in the business of developing and

marketing metal refining plates used by mills to process wood into various fibers used for making paper, particle board, medium-density fiberboard (“MDF”) and other wood products. Andritz has over 8,000 designs for these plates; some of which are patented by the United States Patent and Trademark Office. Andritz is one of the major suppliers of refiner plates around the world.

8. Prue is a former Andritz employee, employed for over 20 years in Andritz’ Durametal refiner plate business. On March 29, 2005, Prue resigned from his position as MDF Product Manager at Andritz. While at Andritz, Prue was involved in the global sales of refiner plates used to create the pulp needed for MDF products.

9. On February 3, 1992, Durametal (then called Delta Acquisition Corporation), a wholly owned subsidiary of Andritz (USA) Inc., acquired substantially all of the assets and liabilities of Durametal Corporation, an Oregon corporation (“Oregon Durametal”). Before this acquisition, Prue was an employee of Oregon Durametal. On February 10, 1992, the Delta Acquisition Corporation changed its name to Durametal Corporation. To effectuate the transfer of Oregon Durametal’s employees to Durametal, Durametal offered employment to a number of Oregon Durametal’s employees, including Prue. In connection with this offer of employment, Prue submitted a job application. In consideration for the new offer of employment, Prue signed a Non-Compete Agreement on January 31, 1992 (attached herein as Exhibit A).

10. In consideration for the maintenance of employment with Andritz, Prue signed a Conflict of Interest Policy and Agreement with respect to inventions on March 21, 2003 (attached herein as Exhibit B); and a Confidentiality Agreement pertaining to a Andritz database called Durametal Browser Plus (“Browser”) on August 28, 1996 (attached herein as Exhibit C). These agreements were required by employees such as Prue to allow Prue access to Andritz’ most secret and confidential information to assist Prue in his ability to serve Andritz and Andritz customers.

11. Before his resignation from Andritz, Prue accepted an offer of employment from J&L as their MDF Product Manager. Prue is currently employed with J&L and through his employment is competing directly with Andritz' refiner plate business.

12. J&L is a Wisconsin corporation with, upon information and belief, its principal offices in Portland, Oregon and corporate offices in Waukesha, Wisconsin. J&L is in the business of optimizing solutions for the pulp and paper industry. J&L is one of Andritz' major competitors in the refiner plate business.

13. On January 24, 1995, United States Patent No. 5,383,617 (the "617 Patent") entitled "Refiner Plates with Asymmetric Inlet Pattern" was duly and legally issued. A true and correct copy of the '617 Patent is attached hereto as Exhibit D. The '617 Patent is assigned to Andritz which has the right to sue for infringement of the patent.

14. On April 13, 1999, United States Patent No. 5,893,525 (the "525 Patent") entitled "Refiner Plate With Variable Pitch" was duly and legally issued. A true and correct copy of the '525 Patent is attached hereto as Exhibit H. The '525 Patent is assigned to Andritz which has the right to sue for infringement of the patent.

15. On March 7, 2000, United States Patent No. 6,032,888 (the "888 Patent") entitled "Refiner Plates With Interspersed Surface and Subsurface Dams" was duly and legally issued. A true and correct copy of the '888 Patent is attached hereto as Exhibit E. The '888 Patent is assigned to Andritz which has the right to sue for infringement of the patent.

16. On June 11, 2002, United States Patent No. 6,402,071 (the "071 Patent") entitled "Refiner Plates with Injector Inlet" was duly and legally issued. A true and correct copy of the '071 Patent is attached hereto as Exhibit F. The '071 Patent is assigned to Andritz which has the right to sue for infringement of the patent.

17. On August 19, 2003, United States Patent No. 6,607,153 (the "153 Patent") entitled "Refiner Plate Steam Management System" was duly and legally issued. A true and

correct copy of the '153 Patent is attached hereto as Exhibit G. The '153 Patent is assigned to Andritz which has the right to sue for infringement of the patent.

18. Andritz marks its patented products with notice of the corresponding Andritz patent numbers.

19. Well after Durametal acquired substantially all of the assets and liabilities of Oregon Durametal, on December 31, 2003, it sold certain assets, including all of its patents, trademarks and other intellectual property rights to Andritz.

20. While employed at Andritz and Durametal, Prue had daily access to Andritz' and Durametal's most competitive and protected trade secret information. Prue had the ability to access the Andritz computer server from a remote location at any time and had his own personal copy of the Browser program on his company-issued laptop computer. The Browser contained security features which required regular updates from the Andritz server and other imbedded security features. The Browser contained detailed drawings and specifications for every Andritz refiner plate product and innovation. Some of the information on the Browser is protected by an issued patent, and some of the information is an Andritz trade secret. The Browser is one of Andritz' most valuable and closely protected sources for trade secrets.

21. Upon his resignation, Prue failed to return his Andritz-issued cell phone number which contained contact information for key Andritz customers.

22. In working with certain customers in the refiner plate market for MDF applications, it became apparent that J&L was duplicating Andritz refiner plate designs that are protected by an issued patent.

23. In working with certain customers in the refiner plate market for MDF applications, it became apparent that J&L and J&L representatives, including Prue, were using information from the Andritz Browser and/or information obtained by Prue while employed at Andritz to create and market refiner plates.

24. Since Prue left Andritz, he has solicited Andritz employees to join J&L and solicited key Andritz customers.

FIRST CLAIM FOR RELIEF

(Infringement of U.S. Patent No. 5,383,617)

Against Defendant J&L

25. Andritz incorporates herein the allegations in paragraphs 1 through 24.

26. J&L has directly infringed, contributorily infringed, and/or actively induced infringement of at least Claim 6 of the '617 Patent by making, using, importing, offering for sale, and/or selling refiner plates, such as the J&L Refiner Plate 66SWP108, that include the subject matter covered by one or more claims of the '617 Patent.

27. On information and belief, J&L has been on notice of the '617 Patent and deliberately continued infringement of the patent.

28. Andritz has been damaged by J&L's infringement of the '617 Patent in an amount to be determined at trial.

SECOND CLAIM FOR RELIEF

(Infringement of U.S. Patent No. 5,893,525)

Against Defendant J&L

29. Andritz incorporates herein the allegations in paragraphs 1 through 24.

30. J&L has directly infringed, contributorily infringed, and/or actively induced infringement of at least Claim 1 of the '525 Patent by making, using, importing, offering for sale, and/or selling refiner plates, such as the J&L Refiner Plate 68SBP.114/68SBP.117, that include the subject matter covered by one or more claims of the '525 Patent.

31. On information and belief, J&L has been on notice of the '525 Patent and deliberately continued infringement of the patent.

32. Andritz has been damaged by J&L's infringement of the '525 Patent in an amount to be determined at trial.

THIRD CLAIM FOR RELIEF

(Infringement of U.S. Patent No. 6,032,888)

Against Defendant J&L

33. Andritz incorporates herein the allegations in paragraphs 1 through 24.

34. J&L has directly infringed, contributorily infringed, and/or actively induced infringement of at least Claim 1 of the '888 Patent by making, using, importing, offering for sale, and/or selling refiner plates, such as the J&L Refiner Plate 66SWP108 and 66SWP017, that include the subject matter covered by one or more claims of the '888 Patent.

35. On information and belief, J&L has been on notice of the '888 Patent and deliberately continued infringement of the patent.

36. Andritz has been damaged by J&L's infringement of the '888 Patent in an amount to be determined at trial.

FOURTH CLAIM FOR RELIEF

(Infringement of U.S. Patent No. 6,402,071)

Against Defendant J&L

37. Andritz incorporates herein the allegations in paragraphs 1 through 24.

38. J&L has directly infringed, contributorily infringed, and/or actively induced infringement of at least Claims 1 and 14 of the '071 Patent by making, using, importing, offering for sale, and/or selling refiner plates, such as the J&L Refiner Plate Inner Ring 66SWCR111, that include the subject matter covered by one or more claims of the '071 patent.

39. On information and belief, J&L has been on notice of the '017 Patent and deliberately continued infringement of the patent.

40. Andritz has been damaged by J&L's infringement of the '017 Patent in an amount to be determined at trial.

FIFTH CLAIM FOR RELIEF

(Infringement of U.S. Patent No. 6,607,153)

Against Defendant J&L

41. Andritz incorporates herein the allegations in paragraphs 1 through 24.

42. J&L has directly infringed, contributorily infringed, and/or actively induced infringement of Claims 1 and 7 of the '153 Patent by making, using, importing, offering for sale, and/or selling refiner plates, such as the J&L Refiner Plate 62P/62P0-D, that include the subject matter covered by one or more claims of the '153 Patent.

43. On information and belief, J&L has been on notice of the '153 Patent and deliberately continued infringement of the patent.

44. Andritz has been damaged by J&L's infringement of the '153 Patent in an amount to be determined at trial.

SIXTH CLAIM FOR RELIEF

(Oregon Uniform Trade Secrets Act)

Against All Defendants

45. Andritz alleges and incorporates herein the allegations in paragraphs 1 through 24.

46. The information regarding Andritz technology, designs, manufacturing process, customer preferences, pricing and internal margins, and/or information contained in the Browser described in paragraph 20 above and belonging to Andritz has independent actual or potential economic value from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use. This information was subject to reasonable efforts by Andritz under the circumstances to maintain its secrecy.

47. J&L and Prue have misappropriated Andritz' trade secrets as described by ORS 646.461(2), in that J&L and Prue have disclosed or used such trade secrets when such trade secrets were acquired from Andritz by improper means utilized by J&L and Prue, under

circumstances which created a duty in Prue to maintain the secrecy or limit the uses of such trade secrets.

48. J&L and Prue's misappropriation was willful and malicious. Andritz has been required to retain the services of an attorney to represent it in this proceeding and is entitled to recover its reasonable attorney's fees pursuant to ORS 646.467(3). Andritz is further entitled under ORS 646.465 to compensatory and punitive damages equal to twice the amount of damages awarded and to injunctive relief preliminarily and permanently enjoining J&L and Prue from further use of its confidential and proprietary information under ORS 646.463.

SEVENTH CLAIM FOR RELIEF

(Breach of Express Contract)

Against Defendant Prue

49. Andritz alleges and incorporates herein the allegations in paragraphs 1 through 48.

50. Andritz entered into a Non-Competition Agreement with Prue in consideration for new employment with Andritz and to allow Prue access to Andritz trade secrets and confidential information to improve Prue's ability to serve Andritz and Andritz' customers.

51. This agreement executed by Andritz and Prue is a legally enforceable contract. Prue has breached this contract by directly competing with Andritz and by soliciting Andritz employees and customers, without the consent, knowledge, or authorization of Andritz.

52. Andritz has fully performed its obligations under the agreement, or alternatively, Andritz' performance was excused due to Prue's breach.

53. Andritz has suffered certain economic damages resulting from Prue's breach of contract in an amount to be determined at trial. Prue has acted in bad faith in breaching the Non-Competition Agreement and Andritz is entitled to injunctive relief. Pursuant to the Non-Competition Agreement, Andritz is entitled to reimbursement of attorney's fees and

costs incurred in the prosecution of this claim in an amount to be determined at the conclusion of trial.

EIGHTH CLAIM FOR RELIEF

(Permanent Injunction)

Against Defendant Prue

54. Andritz alleges and incorporates herein the allegations in paragraphs 1 through 53.

55. Andritz is entitled to a preliminary and permanent injunction against Prue restraining and enjoining Prue from further violations of his Non-Competition Agreement including any acts of interference with any of Andritz' relationships with its customers or employees. In addition, Andritz reserves the right to seek preliminary injunctive relief against Prue arising from wrongful acts as alleged in paragraphs 7 through 48.

56. Andritz has no adequate remedy at law.

57. Without such restraint and injunction, Andritz will continue to suffer irreparable loss and injury.

NINTH CLAIM FOR RELIEF

(Breach of Express Contract)

Against Defendant Prue

58. Andritz alleges and incorporates herein the allegations in paragraphs 1 through 57.

59. Andritz entered into a Conflict of Interest policy with respect to inventions and a Confidentiality Agreement with Prue in order to allow Prue access to Andritz trade secrets and confidential information to improve Prue's ability to serve Andritz and Andritz' customers.

60. These agreements executed by Andritz and Prue are legally enforceable contracts. Prue has breached these contracts by failing to return documents, equipment, and

hardware containing information related to inventions upon his resignation, and failing to protect Andritz trade secrets and confidential information by providing such information to J&L, all without the consent, knowledge, or authorization of Andritz.

61. Andritz has fully performed its obligations under these agreements, or alternatively, Andritz' performance was excused due to Prue's breach.

62. Andritz has suffered certain economic damages resulting from Prue's breach of contract in an amount to be determined at trial.

TENTH CLAIM FOR RELIEF

(Breach of Implied Duties of Good Faith and Fair Dealing)

Against Defendant Prue

63. Andritz alleges and incorporates herein the allegations in paragraphs 1 through 62.

64. The conduct of Prue described in paragraphs 7 through 58 above was not within the objectively reasonable expectations of Andritz and constitutes breach of Prue's implied contractual duty of good faith and fair dealing.

65. Prue did not act in good faith when and after he entered a Conflict of Interest policy with respect to inventions and a Confidentiality Agreement, when he accepted employment with J&L (a direct Andritz competitor), solicited Andritz employees, solicited Andritz customers, and failed to return documents, equipment, and software belonging to Andritz and containing Andritz trade secrets and confidential information.

66. Andritz has been damaged by Prue's breach of the implied duty of good faith and fair dealing in an amount to be determined at trial.

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ELEVENTH CLAIM FOR RELIEF

(Unfair Competition)

Against All Defendants

67. Andritz alleges and incorporates herein the allegations in paragraphs 1 through 66.

68. J&L and Prue's wrongful use of an identical or nearly identical, and therefore confusing, patented Andritz product is likely to deceive the public into believing falsely that there is a connection between Andritz and J&L or confusion as to whether the customer is purchasing an Andritz or a J&L product. J&L has unfairly competed with Andritz in violation of the common law of the State of Oregon.

69. Andritz has suffered and will continue to suffer damage to its business, goodwill, and reputation in an amount to be proven at trial.

70. Unless J&L is temporarily restrained, and preliminarily and permanently enjoined by this Court, Andritz will continue to suffer irreparable harm.

TWELFTH CLAIM FOR RELIEF

(Permanent Injunction)

Against All Defendants

71. Andritz alleges and incorporates herein the allegations in paragraphs 1 through 70.

72. Andritz is entitled to a preliminary and permanent injunction against J&L restraining and enjoining J&L from further making, using, importing, offering for sale, and/or selling refiner plates containing Andritz patented technology, and directly or indirectly obtaining or making any further use of Andritz' trade secret information. In addition, Andritz reserves the right to seek preliminary injunctive relief against J&L arising from wrongful acts as alleged in paragraphs 7 through 70.

73. Andritz is entitled to a preliminary and permanent injunction against Prue restraining and enjoining Prue from making any further use of Andritz' trade secret information, from and against any acts of interference with any of Andritz' relationships with its customers or employees, and restraining and enjoining Prue from further violation of his agreements to avoid conflicts of interest, and to preserve confidential Andritz information. In addition, Andritz reserves the right to seek preliminary injunctive relief against J&L and Prue arising from wrongful acts as alleged in paragraphs 7 through 70.

74. Pursuant to ORS 646.463(1), such injunctive relief shall continue for a reasonable period of time after any such trade secret has ceased to exist in order to eliminate any commercial advantage that otherwise would be derived by J&L and Prue.

75. Andritz has no adequate remedy at law.

76. Without such restraint and injunction, Andritz will continue to suffer irreparable loss and injury.

WHEREFORE, Andritz prays for:

1. For its first five Claims for Relief, pursuant to 35 U.S.C. §271, a determination that J&L and those in privity with J&L have directly infringed, contributorily infringed, and/or actively induced infringement of Andritz' '617, '525, '888, '071 and '153 Patents by making, using, importing, offering for sale, and/or selling in the United States the infringing refiner plates.

2. For its first five Claims for Relief, pursuant to 35 U.S.C. §283, an order that J&L and those in privity with J&L be preliminarily and permanently enjoined from infringing the '617, '525, '888, '071 and '153 Patents through the manufacture, use, import, offer for sale, and/or sale of infringing refiner plates.

3. For its first five Claims for Relief, pursuant to 35 U.S.C. §284, an award of damages adequate to compensate Andritz for infringement of the '617, '525, '888, '071 and '153 Patents including lost profits and in no event less than a reasonable royalty, together

with prejudgment interest, costs and disbursements as fixed by the Court.

4. For its first five Claims for Relief, pursuant to 35 U.S.C. §284, an award increasing damages up to three times the amount found or assessed for infringement by J&L of the '617, '525, '888, '071 and '153 Patents due to the willful and deliberate nature of the infringement.

5. For its first five Claims for Relief, pursuant to 35 U.S.C. §285, a determination that this is an exceptional case and an assessment of reasonable attorneys' fees.

6. For its Sixth Claim for Relief, pursuant to ORS 646.463(1), an order enjoining and restraining J&L and Prue from and against any acts of interference with any of Andritz' relationships with its customers or employees and restraining and enjoining J&L and Prue from making any further use of Andritz' trade secret information.

7. For its Sixth Claim for Relief, an entry of a judgment in an amount of all compensatory, restitution and special damages suffered because of J&L and Prue's misconduct, in an amount to be determined at trial, plus interest thereon as allowed by law.

8. For its Sixth Claim for Relief, pursuant to ORS 646.465, an award of punitive damages in an amount to be determined at trial.

9. For its Sixth Claim for Relief, pursuant to ORS 646.467(3), an award of Andritz' reasonable attorney's fees incurred in the prosecution of this Complaint, plus costs and disbursements herein in an amount to be determined at trial.

10. For its Seventh Claim for Relief, an entry of a judgment in an amount of all compensatory, restitution and special damages suffered because of Prue's misconduct, in an amount to be determined at trial, plus interest thereon as allowed by law.

11. For its Seventh Claim for Relief, pursuant to the Non-Competition Agreement, an entry of judgment for attorney's fees and costs incurred in the prosecution of this claim in an amount to be determined at the conclusion of trial.

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12. For its Eighth Claim for Relief, a preliminary and permanent injunction against Prue restraining and enjoining Prue from and against any acts of interference with any of Andritz' relationships with its customers or employees, and from further violation of his agreement not to compete.

13. For its Ninth Claim for Relief, an entry of a judgment in an amount of all compensatory, restitution and special damages suffered because of Prue's misconduct, in an amount to be determined at trial, plus interest thereon as allowed by law.

14. For its Tenth Claim for Relief, an entry of a judgment in an amount of all compensatory, restitution and special damages suffered because of Prue's misconduct, in an amount to be determined at trial, plus interest thereon as allowed by law.

15. For its Eleventh Claim for Relief, an entry of a judgment in an amount of all compensatory, restitution and special damages suffered because of J&L and Prue's misconduct, in an amount to be determined at trial, plus interest thereon as allowed by law.

16. For its Twelfth Claim for Relief, a preliminary and permanent injunction against J&L restraining and enjoining J&L from further making, using, importing, offering for sale, and/or selling refiner plates containing Andritz' patented technology, obtaining and/or making any further use of Andritz' trade secret information.

17. For its Twelfth Claim for Relief, a preliminary and permanent injunction against Prue restraining and enjoining Prue from making any further use of Andritz' trade secret information, from and against any acts of interference with any of Andritz' relationships with its customers or employees, and restraining and enjoining Prue from further violation of his agreements not to compete, to avoid conflicts of interest, and to preserve confidential Andritz information.

18. An award of prejudgment interest and post-judgment interest as allowed by law.

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19. Such other and further relief that the Court deems just and proper.

DATED this 28th day of March, 2006.

BULLIVANT HOUSER BAILEY PC

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CERTIFICATE OF SERVICE

I, **Susan L. Ford**, certify that on March 28th, 2006, I served the foregoing **SECOND AMENDED COMPLAINT** on the attorney(s) of record herein, via CM/ECF.

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