

**UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION**

PERMA-LINER INDUSTRIES, INC.,

Plaintiff,

VS.

CASE NO.

LMK ENTERPRISES, INC.,

Defendant.

COMPLAINT FOR DECLARATORY JUDGMENT AND INJUNCTIVE RELIEF

Plaintiff, PERMA-LINER INDUSTRIES, INC. (“Perma-Liner”), files this Complaint against defendant, LMK ENTERPRISES, INC. (“LMK”), and seeks a declaration that U.S. Pat. Nos. 7,343,937 (the ‘937 Patent); 7,448,413 (the ‘413 Patent); 7,588,055 (the ‘055 Patent) and 7,753,081 (the ‘081 Patent) (collectively, the “Patents”) are invalid; and a declaration that Perma-Liner’s new modified InnerSeal system does not infringe U.S. Pat. No. 6,039,079 (the ‘079 Patent”).

THE PARTIES

1. Plaintiff, Perma-Liner, is a Delaware corporation with its principal place of business at 13000 Automobile Blvd, Suite 300, Clearwater, Florida.
2. Defendant, LMK, is an Illinois corporation having a principal place of business at 1779 Chessie Lane, Ottawa, Illinois.

JURISDICTION AND VENUE

3. This is an action in which Perma-Liner seeks a declaration of invalidity of certain patents, and this Court has jurisdiction pursuant to 28 U.S.C. §§ 2201, 2202 and 28 U.S.C. §§ 1331, 1338(a).

4. Venue is proper in this Court pursuant to 28 U.S.C. § 1391(b)(2).

5. An actual, justiciable controversy presently exists between the parties regarding whether Perma-Liner's modified InnerSeal system infringes the '079 Patent, and whether the Patents are invalid and speedy relief is necessary to preserve Perma-Liner's rights.

6. A declaratory judgment will end the uncertainty and extinguish the controversy that currently exists between the parties.

7. A preliminary injunction that enjoins LMK from enforcing the Patents and the '079 Patent against Perma-Liner will preserve the *status quo* during the pendency of the instant action.

8. A permanent injunction enjoining LMK from enforcing the Patents and the '079 Patent against Perma-Liner will protect Perma-Liner's rights upon final resolution of these proceedings.

BACKGROUND

I. Prior Litigation: LMK Enterprises, Inc. and LMK Pipe Renewal, LLC v. Perma-Liner, Civil Action No. 8:08-CV-811-EAK-MSS

9. Perma-Liner and LMK are each in the trenchless sewer repair business. Perma-Liner and LMK each educate and provide their respective installers with equipment and supplies to perform trenchless sewer repair.

10. LMK owns a number of patents directed to the “InnerSeal” method of repairing damaged lateral sewer pipes.

11. Perma-Liner and LMK are no strangers to litigation. LMK Enterprises, Inc. and LMK Pipe Renewal, LLC sued Perma-Liner on or about April 28, 2008 alleging that Perma-Liner’s “InnerSeal System” infringed claims 7-9 the ‘079 Patent.

12. The parties resolved their differences and entered into a Settlement Agreement and Consent Judgment wherein Perma-Liner admitted that the ‘079 Patent was valid, enforceable and that it infringed claims 7-9. The parties also entered into a Patent License (the “License”) wherein LMK licensed Perma-Liner to practice the invention embodied in the ‘079 Patent. See Composite **Exhibit A**.

13. As early as May 2008, Perma-Liner began research and development efforts to create a new InnerSeal System (the “New System”) by designing around the ‘079 Patent.

14. On or about the Fall of 2008, Perma-Liner completed its research and development efforts and began supplying its installers with the New System. See **Exhibit B** (Trans. G. D’Hulster, pp. 22-27). Perma-Liner did not pay royalties on sales of the New System because it believed it did not infringe claims 7 through 9 of the ‘079 patent.

15. Based on Perma-Liner’s sales of the New System, on or about November 6, 2009, LMK filed a Motion for Order to Show Cause, seeking to hold Perma-Liner in contempt for practicing the ‘079 Patent without a license. The Court entered an Order to Show Cause (the “Show Cause Order”) on or about November 6, 2009.

16. Perma-Liner responded to the Show Cause Order, arguing that (a) the court had no jurisdiction to enforce the terms of the License as it was not part of the Consent Judgment; (b) LMK had wrongfully terminated the License; and (c) Perma-Liner's New System did not infringe.

17. After the parties then engaged in fairly extensive discovery, motion practice and an evidentiary hearing, the court determined that the New System infringed the '079 Patent and held Perma-Liner in contempt. Those proceedings are still ongoing and Perma-Liner has filed an appeal.

II. Perma-Liner's Second Modified InnerSeal System

18. Since the court held adjudicated Perma-Liner's New System infringing, Perma-Liner has made additional, substantial modifications to its InnerSeal system that it believes has rendered this second modified InnerSeal system (the "Second Modified InnerSeal System") non-infringing.

19. The modifications include the use of a retaining cuff instead of a tube to secure the lateral bladder tube to the repair train. The cuff is semi-circular with a substantially rectangular inflation opening disposed in the middle thereof. The cuff opening mates with the inflation opening of the repair train. Preferably the cuff is made of a strong material and snaps into place over the train. The lower extents of the cuff provide sufficient biasing inward force as not to be easily dislodged. Alternatively the cuff is secured to the train by any conventional means such as mechanical fasteners.

20. The modifications also include a modified lateral bladder tube. The tube that surrounded the train in the original system is replaced by flaps, or a substantially open

circle, attached to and depending from the lateral bladder tube. In use, the flaps are placed in overlying relation to the inflation opening in the train and the lateral bladder tube is passed through the opening in the cuff and the cuff is snapped into place over the train with the flaps between the cuff and the train. The cuff is then secured using adhesives or mechanical fasteners if needed.

21. In light of the modifications, Perma-Liner believes that the Second Modified InnerSeal System does not infringe the '079 Patent.

22. More specifically, the Second Modified InnerSeal System does not infringe claims 7-9 of the '079 Patent because it does not include the step of forming a main bladder tube and a lateral bladder tube where the lateral bladder tube is connected to the main bladder tube opening. In contrast, the lateral bladder tube of the Second Modified InnerSeal System is connected to a circular flange or flaps that overlie the train.

III. LMK's December 14, 2010 Cease and Desist Letter

23. On or about December 14, 2010, counsel for Perma-Liner received a cease and desist letter (the "CD Letter") alleging that Perma-Liner's "Tear Away" cured-in-place pipe ("CIPP") liner product infringed U.S. Pat. Nos. 7,343,937 (the '937 Patent); 7,448,413 (the '413 Patent); 7,588,055 (the '055 Patent) and 7,753,081 (the '081 Patent) (collectively, the "Patents"), assigned to LMK. See **Exhibit C** (LMK Cease and Desist Letter).

24. In the CD Letter, LMK demanded that Perma-Liner"

immediately cease and desist from further use of its "Tear Away" lining method and system. We also demand that [Perma-Liner] provide a full accounting of all sales and installations performed using the infringing system so that

we can determine the amount of money rightfully owing and due to LMK.

See Ex. C, p.1.

25. The '937 Patent, filed on February 22, 2006, is directed to a method of locating a liner within a sewer pipe and claims priority to provisional application 60/655,162 filed on February 22, 2005.

26. The '413 Patent, filed on January 16, 2008, is directed to a method of locating a liner within a sewer pipe and claims priority to provisional application 60/655,162 filed on February 22, 2005.

27. The '055 Patent, filed on October 13, 2008, is directed to a method of locating a liner within a sewer pipe and claims priority to provisional application 60/655,162 filed on February 22, 2005.

28. The '081 Patent, filed on July 31, 2009, is directed to a method of locating a liner within a sewer pipe and claims priority to provisional application 60/655,162 filed on February 22, 2005.

29. Perma-Liner's "Tear Away" lining system and method comprises, and has always comprised, securing making a cured-in-place repair to a pipe by placing an elongated liner tube within an elongated bladder tube. One end of the liner tube is then affixed to the inner surface of the bladder tube with an adhesive and impregnated with resin. The bladder and liner assembly is then inverted into the pipe so that the bladder becomes the inner component and the liner is the outer component and contacts the inner surface of the pipe. The resin is then given time to harden. Upon hardening the bladder is pulled

from the pipe causing the hardened liner remain in place. The hardening of the liner causes the adhesive connection between the liner and bladder to break upon removal.

30. Perma-Liner has been publicly promoting and using its “Tear Away” lining system and method as early as August 2003 – one and a half years prior to the earliest filing date of any of LMK’s patents-in-suit.

31. Therefore, if Perma-Liner’s “Tear Away” lining system and method are infringing, then the ‘937 Patent, ‘413 Patent, ‘055 Patent and the ‘081 Patent are each unenforceable because Perma-Liner’s “Tear Away” system and method constitute invalidating prior art.

COUNT ONE

**DECLARATION THAT U.S. PAT. NOS. 7,343,937;
7,448,413; 7,588,055; AND 7,753,081 ARE INVALID AND UNENFORCEABLE**

32. Perma-Liner re-states and incorporates by reference paragraphs 1-8 and 23-31 above.

33. The ‘937 Patent, filed on February 22, 2006, is directed to a method of locating a liner within a sewer pipe and claims priority to provisional application 60/655,162 filed on February 22, 2005.

34. The ‘413 Patent, filed on January 16, 2008, is directed to a method of locating a liner within a sewer pipe and claims priority to provisional application 60/655,162 filed on February 22, 2005.

35. The ‘055 Patent, filed on October 13, 2008, is directed to a method of locating a liner within a sewer pipe and claims priority to provisional application 60/655,162 filed on February 22, 2005.

36. The '081 Patent, filed on July 31, 2009, is directed to a method of locating a liner within a sewer pipe and claims priority to provisional application 60/655,162 filed on February 22, 2005.

37. Perma-Liner's "Tear Away" lining system and method comprises, and has always comprised, securing making a cured-in-place repair to a pipe by placing an elongated liner tube within an elongated bladder tube. One end of the liner tube is then affixed to the inner surface of the bladder tube with an adhesive and impregnated with resin. The bladder and liner assembly is then inverted into the pipe so that the bladder becomes the inner component and the liner is the outer component and contacts the inner surface of the pipe. The resin is then given time to harden. Upon hardening the bladder is pulled from the pipe causing the hardened liner remain in place. The hardening of the liner causes the adhesive connection between the liner and bladder to break upon removal.

38. Perma-Liner has been publicly promoting and using its "Tear Away" lining system and method as early as August 2003 – one and a half years prior to the earliest filing date of any of LMK's patents-in-suit.

39. Therefore, if Perma-Liner's "Tear Away" lining system and method are infringing, then the '937 Patent, '413 Patent, '055 Patent and the '081 Patent are each unenforceable because Perma-Liner's "Tear Away" system and method constitute invalidating prior art.

WHEREFORE, Perma-Liner requests that this Court:

- A. Declare that U.S. Pat. Nos. 7,343,937; 7,448,413; 7,588,055; and 7,753,081 are invalid and unenforceable;

- B. Preliminarily and permanently enjoin LMK from asserting U.S. Pat. Nos. 7,343,937; 7,448,413; 7,588,055; and 7,753,081; and
- C. Award Perma-Liner such other and further relief as the Court deems just and proper.

COUNT TWO

**DECLARATION THAT PERMA-LINER'S SECOND MODIFIED
INNERSEAL SYSTEM DOES NOT INFRINGE U.S. PAT. NO. 6,039,079**

40. Perma-Liner re-states and incorporates by reference paragraphs 1-22 above.

41. Perma-Liner has made substantial modifications to and believe that the Second Modified InnerSeal System does not infringe the '079 Patent.

42. Specifically, Perma-Liner has made the following modifications: The Second Modified InnerSeal System uses a retaining cuff instead of a tube to secure the lateral bladder tube to the repair train. The cuff is semi-circular with a substantially rectangular inflation opening disposed in the middle thereof. The lower extents of the cuff provide sufficient biasing inward force as not to be easily dislodged. Alternatively the cuff is secured to the train by any conventional means such as mechanical fasteners. Moreover, the modifications also include a re-design of the lateral bladder tube. The original system included a non-inflatable tube that surrounded the train and secured the lateral bladder. The Second Modified InnerSeal System uses flaps, or a substantially open circle, attached to and depending from the lateral bladder tube to secure the lateral bladder to the repair train. In use, the flaps are place in overlying relation to the inflation opening in the train and the lateral bladder tube is passed through the opening in the cuff. The cuff is snapped

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