(Rev 07/89)

# CIVIL COVER SHEET

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UNITED STATES DISTRICT COURT

January 27, 2003

# IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

# **CASE MANAGEMENT TRACK DESIGNATION FORM**

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1/27/03
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Grant S. Palmer

Avorney for Plaintiffs

(Civ. 660) 7/95

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FOR THE EASTERN DISTRICT OF PENNSYLVANIA - DESIGNATION FORM to be used by counsel to indicate the category of the case for the purpose of assignment to appropriate calendar. Address of Plaintiff: 1700 Walnut Street, Apt. 12A, Philadelphia, PA 19103 Address of Defendant: 1415 Murfreesboro Road, Nashville, TN 37217 patent case Place of Accident, Incident or Transaction: (Use Reverse Side For Additional Space) Yes No 🗆 Does this case involve multidistrict litigation possibilities? RELATED CASE, IF ANY: Date Terminated: Judge Case Number: Civil cases are deemed related when yes is answered to any of the following questions: 1. Is this case related to property included in an earlier numbered suit pending or within one year previously terminated action in this court? 2. Does this case involve the same issue of fact or grow out of the same transaction as a prior suit pending or within one year previously terminated action in this court? Yes No No 3. Does this case involve the validity or infringement of a patent already in suit or any earlier numbered case pending or within one year previously terminated action in this court? Yes No 🖺 CIVIL: (Place / in ONE CATEGORY ONLY) B. Diversity Jurisdiction Cases: A. Federal Question Cases: 1. Indemnity Contract, Marine Contract, and All Other Contracts 1. Insurance Contract and Other Contracts 2. Airplane Personal Injury 2. TFELA 3. Assault, Defamation 3. I Jones Act-Personal Injury 4. Marine Personal Injury 4. Antitrust 5. Motor Vehicle Personal Injury 5. A Patent 6. Other Personal Injury (Please specify) 6. Labor-Management Relations 7. Products Liability 7. Civil Rights 8. Products Liability - Asbestos 8. Habeas Corpus 9. All other Diversity Cases 9. Securities Act(s) Cases (Please specify) 10. Social Security Review Cases 11. All other Federal Question Cases (Please specify) **ARBITRATION CERTIFICATION** (Check appropriate Category) Grant S. Palmer counsel of record do hereby certify: Pursuant to Local Civil Rule 53.2, Section 3(c)(2), that to the best of my knowledge and belief, the damages recoverable in this civil action case exceed the sum of \$150,000.00 exclusive of interest and costs; Relief other than monetary damages is sought DATE: January 27, 2003 NOTE: A trial de novo will be a trial by jury only if there has been compliance with F.R.C.P. 38. I certify that, to my knowledge, the within case is not related to any case pending or within one year previously terminated action in this court except as noted above. DATE: 1/27/03

civ. 609 (9/99)

# IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

HAROLD SCHOENHAUS 1700 Walnut Street, Apt. 12A Philadelphia, PA 19103 and RICHARD M. JAY 601 Pine Street Philadelphia, PA 19106

STAN 2 7 2003

Plaintiffs,

CIVIL ACTION

v.

NO. 03-372

GENESCO, INC. 1415 Murfreesboro Road Nashville, TN 37217 and

JOHNSTON & MURPHY, INC.

1415 Murfreesboro Road Nashville, TN 37217

Defendants.

JURY TRIAL DEMANDED

#### **COMPLAINT**

Plaintiffs Harold Schoenhaus and Richard Jay (hereinafter "Plaintiffs"), by and through their undersigned counsel, bring this complaint against Defendants Genesco, Inc. ("Genesco") and Johnston & Murphy, Inc. ("Johnston & Murphy") (hereinafter collectively "Defendants"), and in support thereof aver as follows:

#### **PARTIES**

Plaintiff Harold Schoenhaus is an individual with an address at 1700 Walnut 1. Street, Apt. 12A, Philadelphia, PA 19103.

- 2. Plaintiff Richard Jay is an individual with an address at 601 Pine Street, Philadelphia, PA 19106.
- 3. Defendant Genesco is a corporation organized and existing under the laws of Tennessee with its principal place of business at 1415 Murfreesboro Road, Nashville, TN 37217.
- 4. Defendant Johnston & Murphy is a corporation organized and existing under the laws of Tennessee with its principal place of business at 1415 Murfreesboro Road, Nashville, TN 37217, and is an operating division of Genesco.

### JURISDICTION AND VENUE

- 5. This Court has subject matter jurisdiction under 28 U.S.C. §§ 1331 and 1338(a).
- 6. Defendants have continuous and systematic contacts with Pennsylvania sufficient to establish personal jurisdiction over it in this Court.
- 7. Venue is proper under 28 U.S.C. §§1391(c) and 1400(b), as on information and belief, Defendants reside in and are subject to personal jurisdiction in this district. Further, Defendants have regular and established places of business in this district and on information and belief, have committed acts of infringement in this district.

#### **BACKGROUND**

- 8. Plaintiffs invented the Dynamic Stabilizing Inner Sole System ("DSIS"), described as an orthotic device for preventing hyperpronation of a human foot.
- 9. On January 3, 1991, Plaintiffs filed with the Patent & Trademark Office a patent application relating to their DSIS invention.

- 10. Thereafter in 1991, Plaintiffs contacted Defendants regarding Plaintiffs' then pending patent application.
- 11. On or about January 29, 1992, Plaintiffs entered into a Confidential Disclosure Agreement with Genesco whereby Plaintiffs agreed to disclose confidential and proprietary trade secret and non-trade secret information in order to allow Defendants to explore the possibility of a license or other business venture, which would enable Defendants to utilize Plaintiffs' technology in their footwear.
- 12. On or about February 12, 1992, Plaintiffs met with Defendants' representatives to discuss such a business venture regarding Plaintiffs' confidential and proprietary information.
- 13. During the February 12<sup>th</sup> meeting as well as the weeks following, Plaintiffs disclosed their patent application, correspondence and other confidential and proprietary information regarding DSIS.
- 14. In this timeframe while Plaintiffs' patent application was pending, Defendants created a prototype shoe containing DSIS as a built-in component, which the parties evaluated in connection with their prospective business venture.
- 15. On or about June 12, 1992, Plaintiffs again met with Defendants' representatives, including Johnston & Murphy's Chairman and CEO Fowler H. Low and its Director of Product Development Roy Helton, during which Plaintiffs shared additional confidential and proprietary information regarding DSIS.

- 16. On June 22, 1992, Mr. Helton wrote Plaintiff Dr. Schoenhaus that, despite considerable interest and investigation, Defendants had decided not to utilize DSIS in any of their shoe lines at that time.
- 17. Mr. Helton also stated that Defendants would continue studying the commercial feasibility of utilizing DSIS and would abide by the terms of the Confidential Disclosure Agreement.
- 18. Over the next several months, the parties continued to have discussions regarding Plaintiffs' innovative concept for foot control and comfort, but ultimately Defendants reiterated that they were not interested in utilizing DSIS in their footwear.
- 19. On December 29, 1992, United States Patent No. 5,174,052 (the "'052 Patent'') (attached hereto as Exhibit "A") was duly and legally issued to Plaintiffs.
- 20. Following the issuance of the '052 Patent, Defendants resumed discussions with Plaintiffs through an individual named Jeff Silverman.
- 21. On or about October 5, 1993, Bruce McCarty from Genesco visited Plaintiffs' Gait Analysis Center in Philadelphia, during which he learned additional confidential and proprietary information regarding DSIS, including but not limited to Plaintiffs' analysis of the Johnston & Murphy prototype shoe.
- 22. Beginning in December 1993 and continuing through July 1994, Plaintiffs and Defendants exchanged draft License Agreements relating to the '052 Patent and proposed terms and conditions pursuant to which Genesco would make, source, use and sell Plaintiffs' DSIS technology.

- 23. As summarized above, Plaintiffs engaged in extensive discussions with Defendants' representatives with regard to Plaintiffs' knowledge and know how regarding the creation, development and use of Plaintiffs' confidential information and technology.
- 24. After obtaining the confidential and proprietary information which they needed from Plaintiffs and without obtaining a license, Defendants terminated any discussions with Plaintiffs and proceeded to illegally use the confidential and proprietary information which Defendants had gained from Plaintiffs to Plaintiffs' detriment.
- 25. Defendants thereafter introduced and continue to introduce into the marketplace numerous products containing the confidential and proprietary information which they had obtained from Plaintiffs.
- 26. Defendants deliberately and willfully violated the Confidential Disclosure Agreement between the parties to Plaintiffs' detriment and to Defendants' financial advantage.
- 27. Plaintiffs discovered Defendants' wrongdoing as set forth above and promptly contacted Defendants in the winter of 2002.
  - 28. Mr. Helton responded that Defendants' legal department would investigate.
- 29. Several months later, Mr. Helton responded that Defendants would immediately omit any language taken from the parties' prior confidential discussions on information cards provided to customers purchasing their shoes.
- 30. Defendants have wrongfully continued to make and sell footwear containing DSIS.

# COUNT I INFRINGEMENT UNDER THE PATENT LAWS OF THE UNITED STATES 35 U.S.C. §1 et seq.

- 31. Plaintiffs repeat and reallege each and every allegation of paragraphs 1-30 of their Complaint as if fully set forth herein.
  - 32. The '052 Patent is valid and enforceable.
- 33. Plaintiffs, inventors of DSIS, posess certain rights in and interest to the '052 Patent, including the right to obtain an injunction and damages and other forms of relief for past and future infringement.
- 34. Defendants' have been, and presently are, infringing the '052 Patent by manufacturing and selling within the United States and selling within this judicial district footwear containing DSIS as a component.
- 35. Defendants' infringement of the '052 Patent is deliberate, willful and intentional, as Defendants have had actual notice of Plaintiffs' patent rights.
- 36. Defendants have caused Plaintiffs substantial damage and irreparable injury by virtue of infringement of the '052 Patent, and Plaintiffs will continue to suffer damage and irreparable injury unless and until Defendants are enjoined by this Court from such infringement.
- 37. On information and belief, the infringement by Defendants has and will deprive Plaintiffs of royalties and other related revenue which Plaintiffs would have made or would enjoy in the future, has injured Plaintiffs in other respects, and will cause Plaintiffs added injury and damage, including lost royalties and other related revenue in the future, unless Defendants are enjoined from infringing the '052 Patent.

38. Defendants have knowingly, willfully, and deliberately infringed the '052 Patent in conscious disregard of Plaintiffs' rights, making this case exceptional within the meaning of 35 U.S.C. §285 and justifying treble damages pursuant to 35 U.S.C. §284.

# COUNT II MISAPPROPRIATION OF TRADE SECRETS

- 39. Plaintiffs repeat and reallege each and every allegation of paragraphs 1-38 of their Complaint as if fully set forth herein.
- 40. Through extensive research and development and the expenditure of considerable amount of time, effort and money, Plaintiffs developed commercially valuable, confidential, scientific, technical and business information, hereinafter collectively referred to as "Trade Secrets."
- 41. Defendants knew that Plaintiffs had expended much time, effort and money in developing the information comprising its proprietary information as Trade Secrets.
- 42. Plaintiffs' Trade Secrets are not generally known and not readily ascertainable by proper means by others who could or would obtain economic value from their disclosure or use.
- 43. Plaintiffs have kept their Trade Secrets confidential and secret, with restrictions on the further use and disclosure by all others to whom the information has been properly disclosed by Plaintiffs.
- 44. Defendants employed Plaintiffs' Trade Secrets by improper means as described above and Defendants' conduct constitutes both actual and threatened misappropriation of Plaintiffs' Trade Secrets and confidential and proprietary information, and such misappropriation has been willful and malicious with full knowledge of the secret

and confidential nature of the information, and in disregard of the ownership rights of Plaintiffs, and Plaintiffs have been greatly damaged by Defendants' actions.

#### COUNT III CONVERSION

- 45. Plaintiffs repeat and reallege each and every allegation of paragraphs 1-44 of their Complaint as if fully set forth herein.
- 46. Plaintiffs transmitted proprietary and confidential information and Trade Secrets to Defendants in the context of a confidential relationship.
- 47. Defendants converted Plaintiffs' confidential and proprietary information by using such information wrongfully for Defendants' own benefit, without express or implied permission from Plaintiffs.
- 48. By means and as a result of said conversion, Plaintiffs have suffered and continue to suffer serious and substantial injury and irreparable damage, for which Plaintiffs have no adequate remedy at law.

# COUNT IV UNJUST ENRICHMENT

- 49. Plaintiffs repeat and reallege each and every allegation of paragraphs 1-48 of their Complaint as if fully set forth herein.
- 50. By their improper actions in obtaining Plaintiffs' confidential and proprietary information, Defendants had benefits conferred upon them to which they are not entitled, and they have been unjustly enriched at the expense of Plaintiffs.
- 51. As a result of the acts and activities complained of herein, Defendants have been unjustly enriched.

#### **JURY DEMAND**

52. Pursuant to Rule 38 of the Federal Rules of Civil Procedure, Plaintiffs demand that the issues in this case be tried by a jury.

#### PRAYER FOR RELIEF

WHEREFORE, Plaintiffs respectfully request this Court to:

- 1. Enter judgment for Plaintiffs that U.S. Patent No. 5,174,052 is valid, enforceable, and has been infringed by Defendants;
- 2. Issue a preliminary and permanent injunction restraining Defendants, their directors, officers, agents, employees, successors, subsidiaries, assigns, and all persons acting in privity or in concert or participation with them, from the continued infringement of U.S. Patent No. 5,174,052;
- 3. Direct Defendants to file with this Court, and to serve on Plaintiffs, a written report under oath setting forth in detail the manner and form in which they have complied with the injunction;
  - 4. Order an accounting;
  - 5. Order a disgorgement of fees and profits;
- 6. Order Defendants to pay to Plaintiffs no less than a reasonable royalty by reason of their infringement of U.S. Patent No. 5,174,052;
- 7. Order Defendants to pay to Plaintiffs increased damages in an amount no less than three times the amount of damages found by the jury or assessed by this Court, for Defendants' willful infringement, pursuant to 35 U.S.C. §284;

- 8. Order Defendants to pay to Plaintiffs their costs, expenses, and fees, including reasonable attorneys' fees pursuant to 35 U.S.C. §285;
- 9. Order Defendants to pay to Plaintiffs pre-judgment and post-judgment interest at the maximum rate allowed by law, pursuant to 35 U.S.C. §284; and
- 10. Grant Plaintiffs such other and further relief as the Court may deem just and proper.

Respectfully submitted,

BLANK ROME LLP

By:

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Attorneys for Plaintiffs

Dated: January 27, 2003