

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
CHARLOTTE DIVISION

3:01CV581-H

FILED
U.S. DISTRICT COURT, N.C.
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W. DIST. OF N.C.

BSN MEDICAL, INC.

Plaintiff,

v.

ROYCE MEDICAL COMPANY

Defendant.

COMPLAINT

(Jury Trial Demanded)

Plaintiffs by its attorneys Adams, Schwartz & Evans, P.A. allege and say:

A. Jurisdiction and Venue

1. This action is instituted under 28 U.S.C. §§ 2201 and 2202 for a Declaratory Judgment of non-infringement, invalidity and unenforceability of a certain United States Letters Patent alleged by Defendant to be owned by Defendant, arising from an actual and justiciable controversy between Plaintiff and Defendant as to the validity, scope, infringement and enforceability of said patent; because of alleged unauthorized use by Plaintiff of the alleged invention purportedly embodied in and covered by Defendant's patent; the laws of the State of North Carolina relating to unfair acts and practices in trade or commerce, particularly North Carolina General Statute §75-1.1 to recover threefold the damages sustained by Plaintiff as the result of its being injured in its business and property by reason of Defendant's violations of law, and for injunctive relief against threatened loss or damage by Defendant's said violations of law, and also to recover the cost of suit, including reasonable attorney fees. The amount in controversy between Plaintiff and Defendant exceeds the sum of \$75,000 exclusive of interest and costs.

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2. This Court has jurisdiction of this action under 28 U.S.C. §§ 1331, 1332, 1338, 1367, 2201 and 2202.

3. Venue is proper in this Court under 28 U.S.C. §1391(b) and (c).

B. The Parties

4. Plaintiff BSN Medical, Inc. ("BSN Medical" or "Plaintiff") is a corporation organized under the laws of Delaware, is domesticated as a foreign corporation in North Carolina, and has a principal place of business in Charlotte, North Carolina, within this district and division. BSN Medical is engaged in the business of designing, manufacturing and selling various orthopedic medical products, including various types of splinting and bandaging products.

5. Upon information and belief, Defendant Royce Medical Company ("Royce" or "Defendant") is a corporation organized and existing under the laws of the state of California has a principal place of business in Camarillo, California, and does business throughout the United States, including North Carolina within this district and division.

C. Claims for Relief

COUNT ONE

Invalidity and
Non-Infringement of the Royce Patent

6. United States Letters Patent No. 4,928,678 was issued on May 29, 1990 to Royce as assignee of Tracy E. Grim on an application filed on August 11, 1989 for "Soft-Goods Type, Formable Orthopedic Cast." Defendant Royce claims to be the owner of all right, title and interest in and to the aforesaid patent, which is hereinafter referred to as the "Royce Patent."

7. Defendant Royce has claimed and does now claim that Plaintiff BSN Medical is infringing the Royce Patent by the manufacture, use and offer of sale and sale of certain ankle splints, including an express allegation of infringement made directly to Plaintiff BSN Medical together with the statement that Royce is determined to protect its intellectual property rights. BSN

has denied and does now deny such charge of infringement and has asserted and does now assert that it has the right to manufacture and sell the accused ankle splints unhampered and unmolested by the Defendant.

8. Plaintiff BSN Medical specifically denies infringement with respect to the Royce Patent. The Royce Patent, when given the scope asserted for it by Royce, is broader than the alleged invention described therein and consequently Royce is not entitled to assert such scope for the Royce Patent so as to cover ankle splints made and sold by Plaintiff.

9. The Royce Patent is void and unenforceable against Plaintiff for at least each of the following reasons, among others:

(a) prior to the alleged invention claimed in the patent or more than one year prior to the effective filing date of the application therefor, the alleged invention and all material and substantial parts thereof had been described, published, patented and contained in patents and printed publications in the United States and foreign countries;

(b) the applicant for the patent was not the original and first inventor of the alleged invention described and claimed in the patent or any material or substantial parts thereof, but the same in each of its material and substantial parts was invented, known to or used by others in this country before the applicant's alleged invention thereof or was patented or described in a printed publication;

(c) more than one year prior to the effective application date of the patent, the alleged invention and each and every material and substantial part thereof were in public use or on sale or offered for sale in the United States, or was patented or described in a printed publication;

(d) the alleged invention described and claimed in the Royce patent does not constitute a patentable discovery or invention within the meaning of the patent statutes in view of the prior state of the art and was common knowledge on the part of those skilled in the art at or prior to the date of the alleged invention or discovery of the Royce Patent;

(e) the differences between the subject matter sought to be patented in the Royce Patent and the prior art are such that the subject matter as a whole of the patent would have been

obvious at the time the alleged invention of the patent was made to persons of ordinary skill in the art to which the subject matter pertains;

(f) the specification of the Royce Patent is not in such full, clear, concise and exact terms as to enable any person skilled in the arts or sciences to which the subject matter pertains or with which it is most nearly connected to make and use the same, and does not set forth the best mode contemplated by the inventor of carrying out the alleged invention; and

(g) the Royce Patent fails to particularly point out and distinctly claim the improvement or combination alleged to constitute the invention or disclosure thereof.

COUNT TWO

Unfair Competition

9. Plaintiff BSN Medical repeats and realleges paragraphs 1-8 above.

10. Defendant Royce has accused BSN Medical of infringement without a good faith basis on which to conclude that BSN Medical is, in fact, infringing the Royce Patent.

11. Defendant Royce's actions are and were intended to improve its competitive position in the marketplace by making baseless allegations of patent infringement for the purpose of inducing BSN Medical by intimidation to either discontinue manufacturing a product which it is legally entitled to sell, or to pay Royce licensing fees on products not covered by the Royce Patent.

12. As a result of Defendant's actions, Defendant has caused injury to the business of the Plaintiff.

13. Defendant's conduct as alleged above constitutes unfair acts and practices in trade or commerce within the meaning of and in violation of North Carolina General Statute §75-1.1 et seq.

14. As a result of Defendant's actions in violation of North Carolina General Statute §75-1.1, Plaintiff has been injured in an amount which cannot be presently calculated.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays the Court as follows:

(1) That United States Letters Patent No. 4,928,678 and all the claims thereof be adjudicated and decreed to be invalid and not infringed.

(2) That it be adjudged and decreed that the Defendant has misused the Royce Patent.

(3) That Defendant, and persons acting on its behalf be permanently enjoined and restrained from all further such acts of patent misuse.

(4) That Defendant and all persons acting on its behalf be permanently enjoined and restrained from charging, orally or in writing, that the Royce Patent is infringed by Plaintiff, directly or indirectly.

(5) That the Defendant be found to have unfairly competed with Plaintiff and injured the Plaintiff's business and business reputation by its misuse of the Royce Patent, and has willfully violated the applicable laws of the United States and the state of North Carolina, all to the detriment of Plaintiff.

(6) That the Plaintiff be awarded;

(a) all damages sustained by Plaintiff on account of injury to Plaintiff's business reputation and business opportunities and damages sustained in consequence of Defendant's wrongful acts as alleged above and that such damages be trebled;

(b) all damages sustained by Plaintiff on account of Defendant's attempted enforcement of the Royce Patent against the Plaintiff and that such damages be trebled;

(c) Plaintiff's attorney's fees and costs pertaining to this action; and

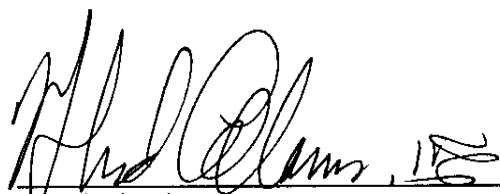
(7) That all issues so triable be tried to a jury.

(8) The Plaintiff have such other and further relief as the Court may deem just and proper.

Date: _____

10/17/01

By: _____


W. Thad Adams, III
Attorney for Plaintiff


OF COUNSEL:

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VERIFICATION OF COMPLAINT

Darrell K. Jenkins, being first duly sworn, deposes and says that he is the President of Plaintiff, BSN Medical, Inc., that he has read the attached Complaint, and that the statements made therein are true except as to those matters stated upon information and belief, and as to those matters, he believes them to be true.

This, the 16 day of October, 2001.



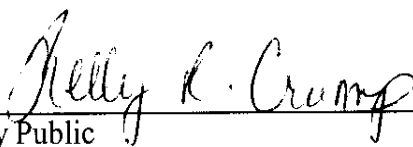
Darrell K. Jenkins
President, BSN Medical, Inc.

STATE OF NORTH CAROLINA

COUNTY OF MECKLENBURG

I, Kelley R. Crump, hereby certify and acknowledge that Darrell K. Jenkins, President of BSN Medical, Inc., after being duly sworn, appeared before me this day and executed the foregoing Verification of Complaint.

This the 16th day of October, 2001.



Notary Public

My Commission Expires: _____ My Commission Expires August 6, 2002

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