

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA

| | | |
|--|---|--------------------------|
| ERBE ELECTROMEDIZIN GMBH, ERBE USA, INC., and CONMED CORPORATION, Plaintiffs, |) | Civil Action No. 05 1674 |
| |) | |
| |) | AMENDED COMPLAINT |
| |) | |
| |) | Chief Judge Ambrose |
| v. |) | |
| |) | JURY TRIAL DEMANDED |
| DR. JEROME CANADY and CANADY TECHNOLOGY LLC |) | |
| |) | |
| Defendants. |) | |

AMENDED COMPLAINT

Plaintiffs, ERBE Elektromedizin GmbH and ERBE USA, Inc. (collectively referred to as "ERBE") and ConMed Corporation ("ConMed"), file this Complaint against Defendants, Canady Technology LLC and Dr. Jerome Canady (collectively referred to as "Canady") and allege as follows:

PARTIES

1. ERBE Elektromedizin GmbH is a corporation organized and existing under the laws of the Republic of Germany, with its headquarters and principal place of business at Waldhornlestrasse 17, D-72072, Tubingen, Germany.

2. ERBE USA, Inc., a subsidiary of ERBE Elektromedizin GmbH, is a corporation organized and existing under the laws of the State of Georgia with its

corporate headquarters and principal place of business at 2225 Northwest Parkway, Marietta, Georgia, 30067.

3. ERBE is and has been in the business of manufacturing and selling electro-surgical generators and related devices, including argon gas-enhanced electrocoagulation equipment under the name "APC." ERBE manufactures and sells flexible endoscopic probes (catheters) for gastrointestinal and tracheobronchial argon plasma coagulation.

4. ConMed is a corporation organized and existing under the laws of the State of New York, with a principal place of business at 525 French Road, Utica, New York 13502.

5. ConMed is and has been in the business of manufacturing and selling electro-surgical generators and related devices, including argon gas-enhanced electrocoagulation equipment.

6. Upon information and belief, Canady Technology, is a corporation organized and existing under the laws of the State of Delaware and maintains its sales and distribution office at 1108 Industry Road, Box 8, McKeesport, Pennsylvania, 15132.

7. Upon information and belief, Dr. Jerome Canady resides in McKeesport, Pennsylvania, is an individual licensed to practice medicine in Pennsylvania and is the principal owner and Chief Executive Officer of Canady Technology. Upon information and belief, Dr. Canady personally took part in the commission of the tortious acts of Canady Technology, as set forth herein.

8. Upon information and belief, Canady offers for sale or sells, or causes to be offered for sale or sold, in the United States and in this district endoscopic probes

designed, and specifically designated to be used with ERBE APC electro-surgical generators.

JURISDICTION AND VENUE

9. The patent infringement action arises under the Patent Act of 1952, as amended, Title 35, United States Code, and the trademark infringement and unfair competition actions arise under the Trademark Act of 1946, commonly known as the Lanham Act, Title 15, United States Code §§ 1051 *et seq.*, and common law.

10. This Court has original subject matter jurisdiction for the patent claims pursuant to 28 U.S.C. §§ 1331 and 1338(a), the trademark and unfair competition claims pursuant to 28 U.S.C. §§ 1331, 1332, 1338(a) and 1338(b).

11. Venue is proper in this judicial district pursuant to 28 U.S.C. §§ 1391(b), 1391(c), 1391(d), and 28 U.S.C. § 1400(b).

FACTUAL BACKGROUND

12. ERBE is the owner by assignment of U.S. Patent No. 5,720,745 entitled "Electrosurgical Unit and Method for Achieving Coagulation of Biological Tissue" ("the '745 patent"). A copy of the '745 patent is attached hereto as Exhibit A. The '745 patent was duly and legally issued by the U.S. Patent and Trademark Office ("PTO") on February 24, 1998, naming Gunther Farin, Karl Ernst Grund and Klaus Fischer as inventors. All maintenance fees due and payable on the '745 patent have been paid, and the patent is in full force and effect. The '745 patent claims are directed to electro-surgical units and methods for achieving argon gas-enhanced electrocoagulation and, in particular, to the use of flexible endoscopic probes for gastrointestinal and tracheobronchial argon plasma coagulation.

13. ConMed is the owner by assignment of U.S. Patent No. 4,781,175 entitled "Electrosurgical Conductive Gas Stream Technique of Achieving Improved Eschar for Coagulation" ("the '175 patent"). A copy of the '175 patent is attached hereto as Exhibit B. The '175 patent was duly and legally issued by the PTO on November 1, 1988, naming Francis T. McGreevy, Carol Bertrand and Karl W. Hahn as inventors. All maintenance fees due and payable on the '175 patent have been paid, and the patent is in full force and effect. The '175 patent claims are directed to electrosurgical units and methods related to argon gas-enhanced electrocoagulation.

14. On January 21, 2000, ERBE entered into an agreement with ConMed to license several ConMed patents including the '175 patent ("the ConMed license"). Under the terms of this agreement, ERBE was licensed under the ConMed patents, including the '175 patent, to manufacture and sell various argon gas-enhanced electrocoagulation equipment, including electrosurgical generators and flexible probes related to argon gas-enhanced electrocoagulation. Under the terms of the ConMed license, ERBE also received the right to sue for infringement of the '175 patent.

15. Upon information and belief, in early 2005, Canady contracted with KLS Martin, a German company, to have made for its account so it could sell or offer to sell flexible probes for gastrointestinal and tracheobronchial argon plasma coagulation ("the Canady devices").

16. Upon information and belief, on February 28, 2005, KLS Martin accepted Canady's purchase order for 10,000 Canady devices. Upon information and belief, the total purchase order was for 452,000 Euros (approximately \$540,000, of which Canady paid \$230,000 in advance).

17. Upon information and belief, on or about July 4, 2005, Canady or an agent submitted an application to the United States Food and Drug Administration ("FDA") for approval to sell Canady devices in the United States.

18. Upon information and belief, in September 2005, after receiving FDA approval to sell Canady devices in the United States, Canady began importing and offering for sale in this district and elsewhere in the United States the Canady devices that are material components of the surgical systems and procedures claimed in the '745 patent.

19. Canady's attempts to sell Canady devices in the United States have included sales calls upon customers of ERBE. For example, upon information and belief, in November 2005, Dr. Canady attempted to sell Canady devices to Dr. Jerome Waye in Dr. Waye's office on Park Avenue in New York City.

20. As shown in marketing materials, a sample of which is attached hereto as Exhibit C, the Canady devices are designed to be inserted into ERBE Part No. 20132-158, a connecting cable, which is connected to an ERBE argon gas-enhanced electrosurgical generator. Moreover, Canady's U.S. pricing schedule, part of Exhibit C, includes a comparison of the prices for the Canady devices with ERBE's prices for its APC flexible probes.

21. Canady uses as advertising material an actual page of ERBE's product catalog showing reusable ERBE probe parts numbers in order to cross-reference the Canady devices with ERBE's APC flexible probes. A copy of such advertising is attached hereto as Exhibit D.

COUNT I:

Infringement of the '745 Patent

22. ERBE incorporates by reference the allegations contained in paragraphs 1 through 21 above.

23. By importing and offering to sell in the United States a component of the invention claimed in the '745 patent, Canady has engaged in and continues to engage in acts of contributory infringement of the '745 patent. Canady had done so and continues to do so knowing that the Canady devices are especially made or especially adapted for use in infringement of the '745 patent, and are not a staple article suitable for substantial non-infringing use.

24. Canady has induced infringement, and Canady continues to induce third parties to infringe the '745 patent by importing and offering for sale the Canady devices, as well as instructing, directing and/or advising third parties as to use the Canady devices to infringe the '745 patent.

25. Canady had actual knowledge of the '745 patent at the time it began its acts of contributory infringement of the '745 patent. Notwithstanding that actual knowledge, Canady has continued its acts of contributory infringement and inducement of infringement of the '745 patent.

26. As a consequence of Canady's acts of contributory infringement and inducement of infringement of the '745 patent, ERBE has been irreparably damaged to an extent not yet determined, and ERBE will continue to be irreparably damaged by such acts in the future unless Defendants are enjoined by this Court from committing further acts of infringement. Moreover, pursuant to 35 U.S.C. § 284, ERBE is entitled to recover damages adequate to compensate for Canady's infringement.

27. Upon information and belief, Canady's acts of contributory infringement and inducement of infringement have been made with full knowledge of the '745 patent and constitute willful and deliberate infringement pursuant to 35 U.S.C. § 284.

COUNT II:

Infringement of the '175 Patent

28. Plaintiffs incorporate by reference the allegations contained in paragraphs 1 through 21 above.

29. Canady has infringed and continues to infringe the '175 patent by importing and offering for sale in the United States the Canady devices covered by the '175 patent.

30. By importing and offering for sale in the United States a component of the invention claimed in the '175 patent, Canady has engaged in and continues to engage in acts of contributory infringement of the '175 patent. Canady had done so and continues to do so knowing that the Canady devices are especially made or especially adapted for use in infringement of the '745 patent, and are not a staple article suitable for substantial non-infringing use.

31. Canady has induced infringement and continues to induce third parties to infringe the '175 patent, by importing and offering for sale the Canady devices, as well as instructing, directing and/or advising third parties as to use the Canady devices to infringe the '175 patent.

32. Upon information and belief, Canady has made, or had made for its account, and imported, sold or offered to sell flexible probes and catheters for

endoscopic argon plasma coagulation systems in this district and elsewhere in the United States, and which are covered by one or more claims of the '175 patent.

33. Canady had actual knowledge of the '175 patent at the time it began its acts of infringement, contributory infringement and inducement of infringement of the '175 patent. Notwithstanding that actual knowledge, Canady has continued its acts of infringement, contributory infringement and inducement of infringement of the '175 patent.

34. As a consequence of Canady's infringement, Plaintiffs have been irreparably damaged to an extent not yet determined, and Plaintiffs will continue to be irreparably damaged by such acts in the future unless Defendants are enjoined by this Court from committing further acts of infringement. Moreover, pursuant to 35 U.S.C. § 284, Plaintiffs are entitled to recover damages adequate to compensate for Canady's infringement.

35. Upon information and belief, Canady's acts of infringement, inducement of infringement and contributory infringement have been made with full knowledge of the '175 patent and constitute willful and deliberate infringement pursuant to 35 U.S.C. § 284.

COUNT III:

Federal Trademark Infringement under the Lanham Act

36. ERBE incorporates by reference the allegations contained in paragraphs 1 through 21 above.

37. ERBE is the owner of U.S. Trademark Reg. No. 2,637,630 ("the '630 registration"). The '630 registration covers ERBE's blue tube design for flexible

endoscopic probes for use in argon plasma coagulation (“the Blue Probe Mark”). The Blue Probe Mark was registered by the PTO on October 15, 2002 and ERBE has continuously used and continues to use the Blue Probe Mark from a time prior to that registration. A copy of the ‘630 registration is attached hereto as Exhibit E.

38. The Blue Probe Mark has developed a world-known reputation for quality with respect to flexible endoscopic probes for use in argon plasma coagulation (“APC Flex Probes”). ERBE has established such an excellent reputation for high-quality products associated with the Blue Probe Mark, at great cost and effort.

39. ERBE uses the Blue Probe Mark to identify its probes and to distinguish them from those made and sold by others, by, for example, displaying the color blue of the tube portion in association with the probes, and other marketing and sales materials associated therewith.

40. Through its extensive marketing of its APC Flex Probes, including identifying its APC Flex Probes as “the True Blue Probe for Argon Plasma Coagulation,” the Blue Probe Mark has acquired distinctiveness and has secondary meaning among purchasers of flexible probes for gastrointestinal and bronchotracheal argon plasma coagulation.

41. Upon information and belief, by using ERBE sales and marketing materials, Canady has engaged in a deliberate course of conduct to deceive consumers into believing that the Canady devices that they offer are connected or affiliated with ERBE. Canady’s unauthorized use of the Blue Probe Mark falsely designates the origin of the Canady devices, and falsely or misleadingly describes or represents facts with respect to the Canady devices.

42. Canady's unauthorized use of the Blue Probe Mark is likely to deceive consumers into believing that the probes manufactured by Canady are genuine ERBE APC products.

43. Canady's unauthorized use of the Blue Probe Mark may prevent ERBE from controlling the nature and quality of the probes and associated products provided under the Blue Probe Mark, and may place the valuable reputation and goodwill of ERBE in the hands of Canady, over whom it has no control.

44. Canady's unauthorized use of the Blue Probe Mark constitutes infringement of the '630 registration, in violation of Section 32 of the Lanham Act, 15 U.S.C. § 1114.

45. Canady's unauthorized use of the Blue Probe Mark constitutes counterfeiting of the '630 registration in violation of Section 32 of the Lanham Act, 15 U.S.C. § 1114.

COUNT IV:

Unfair Competition in Violation of 15 U.S.C. § 1125

46. ERBE incorporates by reference the allegations contained in paragraphs 1 through 21 and 36 through 45 above.

47. In the manufacturing, marketing and selling its APC Flex Probes, ERBE has developed an original and unique trade dress. The trade dress of ERBE's electro-surgical probes has acquired secondary meaning in the market place as a proprietary flexible electro-surgical probe manufactured and sold by ERBE.

48. The original, unique and distinctive elements of ERBE's trade dress for its APC Flex Probes includes a substantially elongated blue tube having a plurality of

graduated black markings at the end of the elongated tube. This original, unique and distinctive trade dress is non-functional and serves to identify APC Flex Probes as proprietary flexible electrosurgical probes manufactured and sold by ERBE.

49. Canady has knowingly misappropriated and copied, in the infringing, competing electrosurgical probes that it imports and offers for sale, each and all of the elements of the trade dress of ERBE described above in violation of Section 43(a) of the Lanham Act. ERBE has been, and is likely to be, damaged by this violation.

50. Canady's misappropriation and copying of the ERBE trade dress constitutes a false designation of the origin of the misappropriated and copied electrosurgical probes made for, and offered for sale by Canady, and is likely to cause confusion, or to cause mistake, or to deceive the consuming public and end users regarding the origin, sponsorship and/or approval of Canady's infringing, misappropriated electrosurgical probes.

COUNT V:

Common Law Infringement and Unfair Competition

51. ERBE incorporates by reference the allegations contained in paragraphs 1 through 21 and 36 through 50 above.

52. Canady's actions in offering for sale APC probes that copy the Blue Probe Mark associated with ERBE's products, is likely to cause confusion in the market place as to the origin of the Canady devices offered for sale or as to the connection, affiliation or association of the probes to ERBE. ERBE is likely to be damaged by the Canady's willful activities due to the confusing similarity of the products offered for sale by Canady and the federally registered and distinctive Blue Probe Mark owned and used by ERBE in this jurisdiction.

53. Canady's acts have caused a tendency to deceive and have caused a likelihood of confusion among pertinent consumers targeted by ERBE and have otherwise caused unfair competition under the common law and further constitute a false designation of origin under the common law. The acts of Canady have been undertaken with a willful and reckless indifference to the rights of ERBE.

54. The acts of Canady as alleged herein have caused damage and irreparable harm to ERBE's rights at common law.

COUNT VI:

Common Law Passing Off

55. ERBE incorporates by reference the allegations contained in paragraphs 1 through 21 and 36 through 54 above.

56. The acts of Canady as detailed above create a tendency to deceive among ERBE's prospective customers and further create a likelihood of confusion with ERBE's protected Blue Probe Mark. Canady's acts further confuse and/or deceive the public into mistakenly using its products over those of ERBE.

57. By virtue of Canady's acts as detailed herein, ERBE has suffered, and continues to suffer damages and irreparable harm that cannot be fully and adequately compensated for in money damages alone.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs respectfully request that this Court:

1. Enter judgment that Canady has engaged in acts of contributory infringement and inducement of infringement of the '745 patent, in accordance with 35 U.S.C. § 271.
2. Order Canady, its agents, employees, representatives, successors, and assigns and those acting, or purporting to act, in privity or in concert with Canady, not to commit further acts of contributory infringement and inducement of infringement of the '745 patent, in accordance with 35 U.S.C. § 283.
3. Enter judgment that Canady has infringed and engaged in acts of contributory infringement and inducement of infringement of the '175 patent in accordance with 35 U.S.C. § 271.
4. Order Canady, its agents, employees, representatives, successors, and assigns and those acting, or purporting to act, in privity or in concert with Canady not to commit further acts of infringement, contributory infringement and inducement of infringement of the '175 patent, in accordance with 35 U.S.C. § 283.
5. Order Canady to pay Plaintiffs compensatory damages based on Plaintiffs' lost profits, reduced profits, prejudgment interest, Canady's wrongfully obtained profits and/or for any other available damages based on any form of recoverable economic injury sustained by Plaintiffs as a result of Canady's infringement of the '745 patent and the '175 patent in accordance with 35 U.S.C. § 284.
6. Order that the award of monetary damages requested under Paragraph 5 be trebled in accordance with 35 U.S.C. § 284.

7. Find that this is an exceptional case and order Canady to pay Plaintiffs' attorneys' fees and costs, in accordance with 35 U.S.C. § 285.

8. Enter judgment that Canady has infringed the '630 registration in accordance with 15 U.S.C. § 1114.

9. Order that Canady, its agents, employees, representatives, successors, and assigns and those acting, or purporting to act, in privity or in concert with Canady, be enjoined from further infringing and using the Blue Probe Mark, alone or as part of a composite, or any mark confusingly similar thereto, all in accordance with 15 U.S.C. § 1116.

10. Order that Canady, its agents, employees, representatives, successors, and assigns and those acting, or purporting to act, in privity or in concert with Canady be enjoined from misappropriating and copying ERBE's electrosurgical probe trade dress elements and characteristics in probes manufactured, imported, sold, and offered for sale by Canady, in accordance with 15 U.S.C. § 1125.

11. Order that Canady, its agents, employees, representatives, successors, and assigns and those acting, or purporting to act, in privity or in concert with Canady, to deliver up for impounding during the pendency of this action and for destruction at the conclusion of this action, all of the Canady devices, and any other advertising and promotional materials in the possession of Canady or under their control, bearing the Blue Probe Mark and/or all of the Canady devices embodying misappropriation and copying of ERBE's trade dress in Canady's possession or under Defendants' control, in accordance with provided under 15 U.S.C. §§ 1116, 1118 and 1125.

12. Order that Canady pay ERBE compensatory damages based on lost profits, reduced profits, prejudgment interest, and/or for any other available damages

based on any form of recoverable economic injury sustained by ERBE as a result of Canady's misappropriation and copying of the Blue Probe mark, and to account for all gains, profits and advantages derived by Defendants from said violation, in accordance with 15 U.S.C. § 1114.

13. Order that Canady pay ERBE compensatory damages based on lost profits, reduced profits, prejudgment interest, and/or for any other available damages based on any form of recoverable economic injury sustained by ERBE as a result of Canady's acts of unfair competition and misappropriation and copying ERBE's electrosurgical probe trade dress elements, and to account for all gains, profits and advantages derived by Defendants from said unfair competition, in accordance with 15 U.S.C. § 1125.

14. Order that the award of monetary damages requested in paragraphs 12 and 13 be trebled in accordance with 15 U.S.C. § 1117.

15. Find that this is an exceptional case and order Canady to pay ERBE's attorneys' fees and costs in accordance with 15 U.S.C. § 1117.

16. For such other and further relief as this Court deems just and proper.

DEMAND FOR JURY TRIAL

Plaintiffs hereby demand trial by jury.

Dated: February 16, 2006

Respectfully submitted,

By: /s/Leland P. Schermer
Leland P. Schermer
PA. I.D. 47283
LELAND SCHERMER & ASSOCIATES,
P.C.
11 Stanwix Street, 7th Floor
Pittsburgh, PA 15222
(412) 642-5000
(412) 642-5010 fax

Philip G. Hampton, II
Gabriela I. Coman
DICKSTEIN SHAPIRO MORIN
& OSHINSKY LLP
2101 L Street, NW
Washington, DC 20037-1526
(202) 785-9700

Attorneys for ERBE, ERBE USA, and
ConMed

CERTIFICATE OF SERVICE

I hereby certify that on this 16th day of January, 2006, I have caused a true and correct copy of the foregoing Amended Complaint to be served by United States First Class Mail, postage prepaid, on:

Daniel M. Darragh, Esquire
Cohen & Grigsby, P.C.
11 Stanwix Street – 15th Floor
Pittsburgh, PA 15222

Timothy R. DeWitt, Esquire (w/encl.)
24 IP Law Group USA, PLLC
600 Cameron Street, S-408
Alexandria, VA 22314

/s/Leland P. Schermer

Leland P. Schermer