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DISTRICT OF UTAH  
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**IN THE UNITED STATES DISTRICT COURT  
IN AND FOR THE STATE OF UTAH  
CENTRAL DIVISION**

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**BLACK DIAMOND EQUIPMENT, LTD.,**  
a Delaware corporation,  
  
Plaintiff,  
  
vs.  
  
**GENUINE GUIDE GEAR**, a Canadian  
Corporation; and **HAROLD AYLIFFE**, an  
individual,  
  
Defendants.

**COMPLAINT**

Judge Dale A. Kimball  
DECK TYPE: Civil  
DATE STAMP: 11/25/2003 @ 16:33:51  
CASE NUMBER: 2:03CV01041 DAK

1

**PARTIES**

1. Plaintiff Black Diamond Equipment, Ltd., (“Black Diamond”), is a Delaware corporation with its principal place of business in Salt Lake City, Utah.
2. Defendant Genuine Guide Gear, Inc. (“G3”), is a Canadian corporation with its principal place of business in Vancouver, British Columbia, Canada.
3. Defendant Harold Ayliffe (“Ayliffe”) is an individual residing in Park City, Utah.

**JURISDICTION AND VENUE**

4. Jurisdiction is proper in this Court pursuant to 35 U.S.C. § 100 et seq. and 28 U.S.C. § 1367(a).
5. Venue is proper in this Court pursuant to 28 U.S.C. §§ 1391(b)(2), 1391(d).

**GENERAL ALLEGATIONS**

6. Black Diamond is an internationally recognized and highly respected manufacturer and distributor of mountain, rock climbing and backcountry skiing equipment, and other outdoor-sports related products.
7. G3 is a Canadian-based manufacturer and distributor of outdoor sports products.
8. Ayliffe performed certain consulting and invention services as an independent contractor for G3, which services were effectively terminated in November 2000.
9. Subsequent to November 2000, Ayliffe invented, manufactured, and distributed backcountry ski equipment through his own company, “Skye Alpine.”

10. In January 2000, G3 began manufacturing and distributing an apparatus to affix climbing skins to skis (hereafter “G3 Climbing Skin Clip”).

11. On or about January 26, 2001, Ayliffe filed a Patent Application with the United States Patent and Trademark Office (Patent Application No. 09/770,948) (hereafter the “948 Application”) for a product entitled “Apparatus for Affixing Climbing Skins to Skis.” The 948 Application describes a riveted device the function of which is to adhere a plastic tensioning belt to a ski climbing skin.

12. Also on or about January 26, 2001, Ayliffe filed another Patent Application with the United States Patent and Trademark Office (Patent Application No. 09/777,885) (hereafter the “885 Application”) for a product entitled “Apparatus for Affixing Climbing Skins to Skis.” This 885 Application describes a plastic tensioning belt and hooking mechanism that attaches to the riveted device described in the 948 Application and, in combination with that device, functions to secure climbing skins to skis.

13. The inventions embodied in the 885 Application and the 948 Application are components of an apparatus to affix climbing skins to skis, which components work in combination to achieve their function.

14. The G3 Climbing Skin Clip, which G3 began distributing in January 2000, is derived from the preferred embodiments described in the 885 and 948 Patent Applications.

15. On or about May 3, 2003, Ayliffe and G3 entered into an agreement to clarify certain matters related to the termination of the invention and consulting services Ayliffe provided to G3, especially the ownership of certain intellectual property.

16. As a result of G3's failure to fulfill its obligations under the May 3, 2001, agreement (including, but not limited to payments prescribed therein), Ayliffe and G3 entered into a second agreement on or about November 19, 2001 (hereafter the "November Agreement"), which superseded the May 10, 2001, agreement.

17. Pursuant to the November Agreement, Ayliffe assigned his interest in the 885 Application to G3.

18. Ayliffe did not assign his rights in any other patent application, patent, or invention to G3 in the November Agreement.

19. The November Agreement also included a Mutual Release of all claims between G3 and Ayliffe arising out of the May 10, 2001, agreement, except as specifically assigned in the November Agreement.

20. Nearly a year later, on or about May 10, 2002, Ayliffe entered into an agreement with Black Diamond entitled "Agreement to Purchase 'Skye Alpine' Product Line and Associated Assets" (hereafter "Skye Alpine Purchase Agreement"), a true and correct copy of which is attached hereto as Exhibit A.

21. Under the Skye Alpine Purchase Agreement, Ayliffe assigned his interest in the 948 Application to Black Diamond in exchange for valuable consideration.

22. Under the Skye Alpine Purchase Agreement, Ayliffe also assigned his interest in another device to Black Diamond in exchange for valuable consideration; namely, Ayliffe assigned his interest in an apparatus to affix climbing skins to skis that functioned in a manner dissimilar to the invention described in the 885 Application and the claims set forth therein (hereafter the “Black Diamond Climbing Skin Clip”).

23. Shortly thereafter, Black Diamond began manufacturing and distributing the Black Diamond Climbing Skin Clip, which utilized the component described in the 948 Application.

24. Black Diamond had no notice of any potential equitable claims to the 948 Application, nor any reasonable belief that further investigation would be required in this regard.

25. At no time prior to May 10, 2002, had any documents been recorded with the United States Patent and Trademark Office relating to any assignment of the 948 Application to anyone other than Black Diamond.

26. Based upon information, Black Diamond believes and therefore alleges that no transactions, either written or oral, occurred between G3 and Ayliffe subsequent to the November Agreement.

27. On or about August 9, 2002, G3 filed a Notice of Recordation with the United States Patent and Trademark Office with regard to the 948 Application.

28. Based upon information, Black Diamond believes and therefore alleges that the document filed coincident with the aforementioned Notice of Recordation was the November Agreement.

29. G3 had filed no documents with the United States Patent and Trademark Office regarding the 948 Application prior to the Notice of Recordation filed on August 9, 2003.

30. The United States Patent Office issued the 948 Application as U.S. Utility Patent No. 6,471,234 (hereafter the "234 Patent") on October 29, 2002.

31. On or about January 23, 2003, Black Diamond received a telephone call from the President of G3, in which G3 claimed ownership of the rights to the 234 Patent and demanded that Black Diamond cease and desist manufacturing and distributing the Black Diamond Climbing Skin Clip.

32. As a result of G3's cease and desist demand, Black Diamond filed an action in this Court for Declaratory Relief (Case No. 2:03CV0108 DAK) on January 28, 2003, asking the Court to declare Black Diamond the rightful owner of the 234 Patent as a result of its bona fide purchase of that patent for value without notice of any claim by G3 (hereafter the "First Declaratory Action").

33. The First Declaratory Action was settled in May 2003, by an agreement in which the parties agreed to share the 234 Patent as co-owners, as well as sharing ownership of a related Canadian Patent Application (Application No. 2,352,217) (hereafter the “Settlement Agreement”). A true and correct copy of the Settlement Agreement is attached hereto as Exhibit B.

34. As a result of the Settlement Agreement, the parties dismissed the First Declaratory Action on or about August 12, 2003.

35. The settlement of the First Declaratory Action was intended to settle all claims between the parties pertaining to the proprietary rights to the Black Diamond Climbing Skin Clip and the G3 Climbing Skin Clip, including any inchoate rights associated with the 885 Application.

36. On August 12, 2003, the United States Patent Office issued the 885 Application as United States Patent No. 6,604,755 (hereafter the “755 Patent”) with G3 as the assignee and sole owner.

37. On or about October 22, 2003, without any prior notice to Black Diamond, G3 filed a Complaint for Patent Infringement against Black Diamond in the United States District Court for the Western District of Washington, requesting an order that Black Diamond cease production and distribution of the Black Diamond Climbing Skin Clip insofar as it allegedly

infringes claims of the 755 Patent (hereafter "Infringement Lawsuit"). A true and correct copy of that Complaint is attached hereto as Exhibit C.

38. The Complaint was served on Black Diamond on or about November 5, 2003, and alleges that the Black Diamond Climbing Skin Clip infringes the recently issued 775 Patent.

**FIRST CLAIM FOR RELIEF**  
**(Declaratory Judgment – G3)**

39. Black Diamond hereby realleges and incorporates by reference the allegations contained in Paragraphs 1 through 38, above, as if fully set forth herein.

40. An actual controversy has arisen and now exists between the parties relating to the alleged infringement of the Black Diamond Climbing Skin Clip with regard to the claims in the 755 Patent for which Black Diamond desires a declaration of rights.

41. A declaratory judgment is necessary because G3 contends and Black Diamond denies that the Black Diamond Climbing Skin Clip infringes any claims of the 755 Patent or any rights attached thereto.

**SECOND CLAIM FOR RELIEF**  
**(Declaratory Judgment – G3)**

42. Black Diamond hereby realleges and incorporates by reference the allegations contained in Paragraphs 1 through 41, above, as if fully set forth herein.

43. An actual controversy has arisen and now exists between the parties relating to the validity of the claims in the 755 Patent for which Black Diamond desires a declaration of rights.



44. Based upon information, Black Diamond believes and therefore alleges that the claims of the 755 Patent are invalid under the provisions of 35 U.S.C. §§ 101, 102, 103, and/or 112.

**THIRD CLAIM FOR RELIEF**  
**(Declaratory Judgment – G3 and Ayliffe)**

45. Black Diamond hereby realleges and incorporates by reference the allegations contained in Paragraphs 1 through 44, above, as if fully set forth herein.

46. An actual controversy has arisen and now exists between the parties relating to the enforceability of the claims in the 766 Patent for which Black Diamond desires a declaration of rights.

47. Based upon information, Black Diamond believes and therefore alleges that the claims of the 755 Patent are unenforceable and/or invalid by reason of the inequitable conduct and/or fraud of G3 and/or the named inventors of the 755 Patent.

**FOURTH CLAIM FOR RELIEF**  
**(Declaratory Judgment – G3)**

48. Black Diamond hereby realleges and incorporates by reference the allegations contained in Paragraphs 1 through 47, above, as if fully set forth herein.

49. All negotiations leading to the settlement of the First Declaratory Action were made with the good faith understanding that the parties intended to and were settling all claims, known and unknown, then existing and arising in the future, between them with regard to any

and all proprietary rights associated with the Black Diamond Climbing Skin Clip and the G3 Climbing Skin Clip, including the inchoate rights set forth in the claims in the 885 Application.

50. The settlement of the First Declaratory Action was made with the good faith understanding that the parties were settling all claims, known and unknown, then existing and arising in the future, between the parties with regard to any and all proprietary rights associated with the Black Diamond Climbing Skin Clip and the G3 Climbing Skin Clip, including the inchoate rights set forth in the claims in the 885 Patent Application.

51. G3's initiation of the Infringement Lawsuit breached the covenant of good faith and fair dealing inherent in the Settlement Agreement.

52. An actual controversy has arisen between the parties relating to the Settlement Agreement insofar as it applies to the Black Diamond Climbing Skin Clip.

53. A declaratory judgment is necessary because Black Diamond contends and G3 denies that the Settlement Agreement encompasses the Black Diamond Climbing Skin Clip.

**FIFTH CLAIM FOR RELIEF**  
**(Declaratory Judgment – G3)**

54. Black Diamond hereby realleges and incorporates by reference the allegations contained in Paragraphs 1 through 53, above, as if fully set forth herein.

55. As a result of G3's breach of the implied covenant of good faith and fair dealing inherent in all contracts, the Settlement Agreement is null, void, and/or rescinded.

56. 35 U.S.C. § 261 provides that “[a]n assignment, grant, or conveyance shall be void as against any subsequent purchaser or mortgagee for valuable consideration, without notice, unless it is recorded in the Patent and Trademark Office within three months from its date or prior to the date of such subsequent purchase.”

57. Further, “[t]he recording of a document pursuant to Sec. 3.11 is not a determination by the Office of the validity of the document or the effect that document has on the title to an application, a patent, or registration.” See Title 37 – Patents, Trademarks and Copyrights, Chapter 1 – United States Patent and Trademark Office, Department of Commerce, Part 3 – Assignment, Recording and Rights of Assignee – Sec. 3.4 Effect of Recording.

58. As a result of the foregoing, the Settlement Agreement is null, void, and/or rescinded, and an actual controversy has arisen and now exists between the parties with regard to the ownership of the 234 Patent in the United States, for which Black Diamond desires a declaration of rights.

59. A declaratory judgment is necessary because Black Diamond contends and G3 denies that Black Diamond is the rightful owner and assignee of the 234 Patent and all rights attached thereto.

**SIXTH CLAIM FOR RELIEF**  
**(Breach of Contract – G3)**

60. Black Diamond hereby realleges and incorporates by reference the allegations contained in Paragraphs 1 through 59, above, as if fully set forth herein.

61. In May 2003, Black Diamond and G3 executed the Settlement Agreement, whereby they settled all claims, known and unknown, then existing or arising in the future, with regard to the Black Diamond Climbing Skin Clip and the G3 Climbing Skin Clip, including the inchoate rights associated with the claims to the 885 Application.

62. G3 breached the Settlement Agreement by bringing the Infringement Lawsuit against Black Diamond.

63. Black Diamond has duly performed each and every obligation imposed upon Black Diamond under the terms of the Settlement Agreement.

64. Black Diamond has been damaged as a direct and proximate result of G3's breach of the Settlement Agreement, in an amount to be proven at trial, but in any event not less than \$200,000.00.

**SEVENTH CLAIM FOR RELIEF**  
**(Fraudulent Inducement – G3)**

65. Black Diamond hereby realleges and incorporates by reference the allegations contained in Paragraphs 1 through 64, above, as if fully set forth herein.

66. G3 was aware, as a result of the First Declaratory Action, that the Court would declare Black Diamond the lawful assignee and owner of the 234 Patent such that the G3 Climbing Skin Clip would infringe Black Diamond's rights.

67. In May 2003, in order to induce Black Diamond to settle the First Declaratory Action, G3 made material misrepresentations that the settlement would resolve all claims, known

and unknown, then existing and arising in the future, between the parties with regard to the G3 Climbing Skin Clip and the Black Diamond Climbing Skin Clip, including the inchoate rights set forth in the 885 Application.

68. The representations made by G3 with regard to settling all claims between the parties with respect to the G3 Climbing Skin Clip and the Black Diamond Climbing Skin Clip were knowingly false, as G3 was aware and knew that the 885 Application would issue and that G3 intended to bring an infringement lawsuit against Black Diamond with the 885 Application issued.

69. G3 orchestrated a scheme whereby it would induce Black Diamond to enter into a settlement of the First Declaratory Action such that both parties would share ownership of the 234 Patent and, thus, purportedly resolve all claims with regard to each parties' respective climbing skin clips, when, in fact, G3 planned and intended to bring the Infringement Lawsuit against Black Diamond once the 885 Application issued.

70. Black Diamond reasonably relied on G3's representations regarding settlement of all claims in deciding to enter into the Settlement Agreement, to Black Diamond's detriment.

71. As a direct and proximate result of the fraud perpetrated by G3, Black Diamond agreed to dismiss the First Declaratory Action and to share ownership of the 234 Patent.

72. As a direct and proximate result of the fraud perpetrated by G3, Black Diamond has been damaged in an amount not less than \$200,000.00 plus interest, the exact amount to be proven at trial.

73. The aforementioned acts of G3 were willful, oppressive, fraudulent, and malicious, and Black Diamond is therefore entitled to recover punitive damages in an amount to be determined at trial.

**EIGHTH CLAIM FOR RELIEF**  
**(Breach of Implied Covenant of Good Faith and Fair Dealing – G3)**

74. Black Diamond hereby realleges and incorporates by reference the allegations contained in Paragraphs 1 through 73 above, as if fully set forth herein.

75. G3 breached the implied covenant of good faith and fair dealing inherent in the Settlement Agreement, by filing the Infringement Lawsuit against Black Diamond relating to the Black Diamond Climbing Skin Clip.

76. Black Diamond has been damaged as a direct and proximate result of G3's breach of the implied covenant of good faith and fair dealing, in an amount not less than \$200,000.00, the exact amount to be proven at trial.

77. G3's conduct was willful, intentional, and/or malicious, entitling Black Diamond to punitive damages in an amount that will deter G3 from such conduct in the future, the exact amount to be determined at trial.

**NINTH CLAIM FOR RELIEF**  
**(Contractual Indemnity – Harold Ayliffe)**

78. Black Diamond hereby realleges and incorporates by reference the allegations contained in Paragraphs 1 through 77, above, as if fully set forth herein.

79. On or about May 10, 2002, Ayliffe and Black Diamond entered into the Sky Alpine Purchase Agreement.

80. In Paragraph 4.1 of the Skye Alpine Purchase Agreement, Ayliffe warranted that he had unencumbered ownership of the assets he was selling to Black Diamond, and further warranted that he was not aware of any “threatened claim or cloud on that ownership.”

81. Paragraph 4.2 of the Skye Alpine Purchase Agreement provides that, in the event a civil claim arises with regard to the rights of any of the properties sold to Black Diamond, Ayliffe is required to “indemnify [Black Diamond] against that claim or civil action and shall assume responsibility for payment of all legal fees associated with defending against that claim or civil action.”

82. The Infringement Action and this action both arise out of the rights of properties Ayliffe sold to Black Diamond in the Skye Alpine Purchase Agreement.

83. Ayliffe is therefore required to indemnify Black Diamond for the attorney fees, costs, and expenses it incurs as a result of the Infringement Action and this action, including any damages awards that may ultimately be entered.

**WHEREFORE**, Black Diamond Equipment, Ltd., prays for relief as follows:

ON ITS FIRST CLAIM FOR RELIEF:

(Declaratory Judgment – G3)

For judgment in favor of Black Diamond and against G3 as follows:

- A. For a declaration that the Black Diamond Climbing Skin Clip does not infringe the 755 Patent, either directly or indirectly
- B. For an award of Black Diamond's costs, expenses, and attorney fees incurred in this litigation; and
- C. For such other and further relief as this Court deems just and proper.

ON ITS SECOND CLAIM FOR RELIEF:

(Declaratory Judgment – G3)

For judgment in favor of Black Diamond and against G3 as follows:

- A. For a declaration that the claims in the 755 Patent are invalid under the provisions of 35 U.S.C. §§ 101, 102, 103, and/or 112.
- B. For an award of Black Diamond's costs, expenses, and attorney fees incurred in this litigation; and
- C. For such other and further relief as this Court deems just and proper.

ON ITS THIRD CLAIM FOR RELIEF:

(Declaratory Judgment – G3 and Ayliffe)

For judgment in favor of Black Diamond and against G3 and Ayliffe as follows:

- A. For a declaration that the claims in the 755 Patent are unenforceable and/or invalid by reason of the inequitable conduct and/or fraud of G3 and/or the named inventors of the 755 Patent;



- B. For an award of Black Diamond's costs, expenses, and attorney fees incurred in this litigation; and
- C. For such other and further relief as this Court deems just and proper.

ON ITS FOURTH CLAIM FOR RELIEF:  
(Declaratory Judgment – G3)

For judgment in favor of Black Diamond and against G3 as follows:

- A. For a declaration that the Settlement Agreement in the First Declaratory Action is null, void, and/or rescinded in whole.
- B. For a declaration that the Settlement Agreement encompasses the Black Diamond Climbing Skin Clip and therefore bars G3's claims of infringement.
- C. For a declaration that the dismissal of the First Declaratory Action is null and void and, accordingly, expunged;
- D. For an award of Black Diamond's costs, expenses, and attorney fees incurred in this litigation; and
- E. For such other and further relief as this Court deems just and proper.

ON ITS FIFTH CLAIM FOR RELIEF:  
(Declaratory Judgment – G3)

For judgment in favor of Black Diamond and against G3 as follows:

- A. For a declaration that Black Diamond is the sole rightful owner and assignee of U.S. Patent No. 6,471,234 APPARATUS FOR AFFIXING CLIMBING SKINS TO SKIS and all rights that accompany such ownership;
- B. For an award of Black Diamond's costs, expenses, and attorney fees incurred in this litigation; and
- C. For such other and further relief as this Court deems just and proper.

ON ITS SIXTH CLAIM FOR RELIEF:

(Breach of Contract – G3)

For judgment in favor of Black Diamond and against G3 as follows:

- A. For damages in an amount not less than \$200,000.00, the exact amount to be proven at trial;
- B. For interest thereon;
- C. For an award of Black Diamond's costs, expenses, and attorney fees incurred in this litigation; and
- D. For such other and further relief as this Court deems just and proper.

ON ITS SEVENTH CLAIM FOR RELIEF:

(Fraudulent Inducement – G3)

For judgment in favor of Black Diamond and against G3 as follows:

- A. For damages in an amount not less than \$200,000.00, the exact amount to be proven at trial;
- B. For interest thereon;
- C. For an award of Black Diamond's costs, expenses, and attorney fees incurred in this litigation;
- D. For punitive damages in an amount sufficient to punish and deter G3 from such conduct in the future, the exact amount to be determined at trial; and
- E. For such other and further relief as this Court deems just and proper.

ON ITS EIGHTH CLAIM FOR RELIEF:

(Breach of Implied Covenant of Good Faith and Fair Dealing – G3)

For judgment in favor of Black Diamond and against G3 as follows:

- A. For damages in an amount not less than \$200,000.00, the exact amount to be proven at trial;
- B. For interest thereon;
- C. For an award of Black Diamond's costs, expenses, and attorney fees incurred in this litigation;
- D. For punitive damages in an amount sufficient to punish and deter G3 from such conduct in the future, the exact amount to be determined at trial; and
- E. For such other and further relief as this Court deems just and proper.

ON ITS NINTH CLAIM FOR RELIEF:


(Contractual Indemnity – Harold Ayliffe)

For judgment in favor of Black Diamond and against Ayliffe as follows:

- A. For an award of Black Diamond's costs, expenses, and attorney fees incurred in this litigation and in the Infringement Action;
- B. For an award of any damages that may ultimately be entered against Black Diamond in this litigation and/or in the Infringement Action; and
- C. For such other and further relief as this Court deems just and proper.

DATED: November 24, 2003

**WRONA & FITLOW, P.C.**



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Joseph E. Wrona  
Victoria C. Fitlow  
Attorneys for Plaintiff

Exhibits/  
Attachments  
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