

NIGHT DROP

FILED

IN THE UNITED STATES DISTRICT COURT  
MIDDLE DISTRICT OF FLORIDA  
ORLANDO DIVISION

10/2/03

4:58 p.m.  
Time

CLERK, U.S. DISTRICT COURT  
MIDDLE DISTRICT OF FLORIDA  
ORLANDO, FLORIDA

THEORY3, INC.,  
a Florida corporation,

Plaintiff,

Case No.: 6:03-CV-1261-ORL-22KRS

v.

QUEST INDUSTRIES, INC., a  
Florida corporation, THE PEP BOYS –  
MANNY, MOE & JACK, INC., a  
Pennsylvania corporation, STREETGLOW,  
INC., a New Jersey corporation,  
AUTOZONE, INC., a Nevada corporation,  
ADVANCE AUTO PARTS, INC., a  
Delaware corporation, DISCOUNT AUTO  
PARTS, INC., a Florida corporation,  
PIERRE CHARET, an individual, and  
JACK PANZARELLA, an individual,

Defendants.

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**FIRST AMENDED COMPLAINT**  
**JURY TRIAL AND INJUNCTIVE RELIEF REQUESTED**

Plaintiff THEORY3, INC. ("Theory3") hereby files this Amended Complaint,  
and states as follows:

**I. Parties, Jurisdiction and Venue**

1. Plaintiff Theory3 is a corporation organized and existing under the laws of the State of Florida, with an address at Post Office Box 22023, Lake Buena Vista, Florida 32830.
2. Upon information and belief, Defendant QUEST INDUSTRIES, INC. ("Quest") is a corporation organized and existing under the laws of the State of

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Florida, with a principal place of business at 10800 N.W. 100 Street, Miami, Florida 32178.

3. Defendant Quest conducts business within this jurisdictional district and division.

4. Upon Information and belief, Defendant PEP BOYS – MANNY, MOE & JACK, INC. ("Pep Boys") is a Pennsylvania corporation, headquartered at 3111 West Allegheny Avenue, Philadelphia, Pennsylvania 19132, and regularly does business in this judicial district and division. Pep Boys is registered as a foreign corporation to do business in Florida.

5. Upon information and belief, Defendant STREETGLOW, INC. ("StreetGlow") is a New Jersey corporation, headquartered at 25 Mansard Court, Wayne, New Jersey 07470, and regularly conducts business within this judicial district and division.

6. Upon information and belief, Defendant AUTOZONE, INC. ("AutoZone") is a Nevada corporation, headquartered at 123 South Front Street, Memphis, Tennessee 38103, and regularly does business in this judicial district and division. AutoZone is registered as a foreign corporation to do business in Florida.

7. Upon information and belief, Defendant ADVANCE AUTO PARTS, INC. ("Advance") is a Delaware corporation, headquartered at 5673 Airport Road, Roanoke, Virginia 24012, and regularly conducts business within this judicial district and division.

8. Upon information and belief, Defendant DISCOUNT AUTO PARTS, INC. ("Discount") is a Florida corporation and a subsidiary of Defendant Advance, with its headquarters at 5673 Airport Road, Roanoke, Virginia 24012, and it regularly conducts business in the judicial district and division.
9. Upon information and belief, Defendant PIERRE CHARET ("Charet"), an individual, is the president and director of Defendant Quest.
10. On information and belief, at all times pertinent to the actions complained of herein, Charet controlled the actions of Defendant Quest, and received compensation therefor.
11. Upon information and belief, Defendant JACK PANZARELLA ("Panzarella"), an individual, is the president and director of Defendant StreetGlow.
12. Upon information and belief, at all times pertinent to the actions complained of herein, Panzarella controlled the actions of Defendant StreetGlow, and received compensation therefor.
13. This is an action for infringement of a United States utility patent under 35 U.S.C. §271; trade dress infringement under 15 U.S.C. §1125(a); and claims under Florida state common law for unfair competition; breach of contract; and fraudulent inducement.
14. Jurisdiction for infringement of a United States patent is conferred on this Court pursuant to 28 U.S.C. §1440. Jurisdiction for Plaintiff's trade dress infringement claim is conferred on this Court pursuant to 28 U.S.C. §§1331 and 1338. This Court has pendent jurisdiction over Plaintiff's state law claims.

15. Venue lies in this judicial district pursuant to 28 U.S.C. §§1391 and 1400(b).

**II. Background**

16. Motion activated tire valve stem lights are a new, useful and non-obvious invention conceived by Daniel Deutsch, Jason Barber and Russell Rothan (the "Inventors").

17. On January 9, 2001, the Inventors filed a patent application in the United States Patent and Trademark Office claiming exclusive rights to their invention.

18. On October 22, 2002, the United States Commissioner of Patents and Trademarks issued United States Patent No. 6,467,939 ("the '939 Patent") for "Light for Vehicle Wheels." A true and correct copy of the '939 Patent is attached as Exhibit A.

19. The Inventors, prior to the acts complained of herein, assigned their rights in the '939 Patent to Theory3. Accordingly, Theory3 is now the owner of all rights in the '939 Patent, including the right to pursue this claim.

20. Theory3 developed and now sells motion-activated tire valve stem lights that screw onto the tire valve stems of automobile, motorcycle and bicycle tires, so that when the wheel turns, the effect is that of a continuous ring of colored light. Theory3 sells these battery-operated devices under the brand names TIREFLYS®, TIREFLYS PRO® and TIREFLYS UV™ (the "TIREFLYS® Products").

21. Theory3 first introduced the earliest TIREFLYS® Products to the public in January of 2001, at the Consumer Electronic Show in Las Vegas, Nevada.

Since this introduction in 2001, Theory3 and its distributors have sold over twelve million of these TIREFLYS® Products.

22. Theory3 has to date spent in excess of One Million Dollars (\$1,000,000) in promoting, marketing and selling its TIREFLYS® Products. Theory3 has promoted, displayed and promoted these products at numerous trade shows involving electronics, novelties, auto parts, and other potential markets. The TIREFLYS® Products are also extensively promoted on the Internet and have been featured on network television and in national magazines.

23. The commercial success of Theory3's TIREFLYS® Products is due in part to their inherent distinctiveness and unique and innovative product configuration.

24. The design of the TIREFLYS® Products, comprising a novel housing in combination with a gusseted transparent housing, is unique, distinctive and non-functional.

25. The TIREFLYS® Products are embodiments of the invention disclosed in the '939 Patent. A true and correct copy of a sample of a TIREFLYS® Product is attached as Exhibit B.

26. Defendants currently manufacture, distribute, offer to sell and/or sell a tire valve light product that infringes Plaintiff's '939 Patent and distinctive trade dress.

27. On information and belief, Defendants Quest, Pep Boys and Charet sell their infringing product under the brand name REDLINE WHEEL LIGHTS (the

"REDLINE Lights"). A representative sample of the REDLINE Lights is attached hereto as Exhibit C.

28. Theory3, through its lawyers, has notified Defendant Quest in writing that its REDLINE Light falls within the scope of Theory3's exclusive rights under the '939 Patent.

29. Despite the fact that counsel for Quest assured Theory3 that Defendants would redesign their product so that it would not fall within the scope of Theory3's '939 Patent or trade dress, Defendant Quest, under the direction and control of Defendant Charet, continues to sell the REDLINE Lights through retail outlets, including Defendant Pep Boys. Instead of redesigning the product, Defendants Quest and Charet actively sought to capture a larger portion of the market share with their REDLINE Lights.

30. On August 11, 2003 a sample of Quest's infringing REDLINE Lights was purchased from one of Defendant Pep Boys' auto parts stores in Orlando, Florida. See Exhibit D, Affidavit of Edward D. Bradley.

31. The presence of Defendants' REDLINE Lights on the market has already had a negative impact on Theory3's sales of its TIREFLYS® Products, and continues to adversely affect the market for Plaintiff's TIREFLYS® Products.

32. In 2002 Defendant StreetGlow, through its president Panzarella, entered into an agreement with Theory3 according to which StreetGlow promised to assume certain obligations in exchange for Theory3's agreement not to sue StreetGlow for making, using, selling and offering for sale tire light devices that infringed the '939 Patent. Under the agreement, StreetGlow promised to pay

Theory3 a sum of money to be allowed to sell off its remaining inventory of infringing tire lights, which StreetGlow and Panzarella represented to be no more than 200,000 packages (each containing two lights) in number. A true and correct copy of Theory3' agreement with StreetGlow is appended hereto as Exhibit E ("the StreetGlow Agreement").

33. According to the StreetGlow Agreement, after selling off its inventory of 200,000 packages of tire lights, StreetGlow would be permitted to continue selling its tire light products, as described in the StreetGlow Agreement, but only upon the payment of a royalty as expressly set forth on the StreetGlow Agreement. The royalty was to be paid through StreetGlow's purchase from Theory3 of holographic labels, which were to be affixed to the packages of StreetGlow's tire light products.

34. As more specifically set forth in Counts IV and V below, Defendant StreetGlow, through its president Panzarella, fraudulently induced Theory3 to enter into the StreetGlow Agreement and is now in breach of the StreetGlow Agreement.

35. On information and belief, Defendants StreetGlow, Pep Boys, AutoZone, Advance and Discount are continuing to promote, advertise, offer for sale, distribute and sell StreetGlow tire lights in excess of the 200,000 packages represented to be in StreetGlow's inventory at the time the StreetGlow Agreement was executed. However, StreetGlow has to date paid no royalties to Theory3 by the purchase of holographic labels. Any such sales of the StreetGlow tire lights in excess of the 200,000 existing as of August 5, 2002,

the effective date of the StreetGlow Agreement, are outside the terms of the StreetGlow Agreement, and are therefore unauthorized and unlicensed by Theory3 and constitute infringing products.

36. On information and belief, Defendants StreetGlow, Pep Boys, AutoZone, Advance and Discount are selling their infringing tire light products under the brand name OPTX.

37. A representative sample of the infringing OPTX devices is attached hereto as Exhibit F.

38. In addition to the tire lights described above, StreetGlow, under the direction and control of Panzarella and through retailers such as Defendants Pep Boys, AutoZone, Advance and Discount, is also manufacturing, importing, advertising, promoting, offering for sale, distributing and selling a lighted keychain which also infringes Theory3's '937 Patent, as well as the distinctive trade dress of Theory3's TIREFLYS Pro® Product.

39. On information and belief, this lighted keychain product is sold under the name FAST AND FURIOUS pursuant to a license from Universal Studios, which owns all rights in the FAST AND FURIOUS name.

40. A sample of StreetGlow's infringing FAST AND FURIOUS lighted keychain product is attached hereto as Exhibit G ("the infringing StreetGlow keychains").

41. StreetGlow has no right or license, under the StreetGlow Agreement or otherwise, to promote, advertise, offer for sale or sell the infringing StreetGlow keychains, nor do any of the retailers who are offering such products for sale.



42. Theory3 has never given Defendants Pep Boys, AutoZone, Advance and Discount permission to make, use or sell the infringing devices, nor to use a trade dress confusingly similar to that of Theory3's.

43. Theory3, through its lawyers, has notified Defendants StreetGlow and Panzarella, Pep Boys, AutoZone, Advance and Discount (through Advance) in writing that its infringing StreetGlow keychains fall within the scope of Theory3's exclusive rights under its '939 Patent and distinctive trade dress.

44. Moreover, Defendants StreetGlow and Panzarella are manufacturing, using, offering to sell and selling these infringing keychain devices in breach of the StreetGlow Agreement, which does not authorize their sale.

45. On September 29, 2003, samples of StreetGlow's infringing OPTX Lights and its infringing FAST AND FURIOUS keychains were purchased from an Orlando, Florida outlet of Defendant Discount. See Affidavit of Jon Gibbs appended hereto as Exhibit H.

46. Allowing the Defendants to continue to manufacture, promote, use, offer to sell and/or sell their infringing devices, including the REDLINE Lights, OPTX tire lights and FAST AND FURIOUS keychains (sometimes hereinafter collectively referred to as "the infringing devices") has the potential to destroy the market for Theory3's TIREFLYS® Products, as well as for any other authorized embodiments of the '939 Patent.

47. Defendants' unlawful activities are causing irreparable harm to Theory3 by depriving Theory3 of its right determine how its patented invention, with its unique and distinctive trade dress, is made, used and sold in the United States.

**COUNT I**  
**PATENT INFRINGEMENT**  
**35 U.S.C. §271**

48. Theory3 repeats and realleges paragraphs 1 through 47 of this Amended Complaint as though fully set forth herein.

49. Defendants' actions in making, using, offering for sale and selling REDLINE Lights, OPTX Lights and FAST AND FURIOUS keychains, all of which literally infringe Theory3's '939 Patent, violate 35 U.S.C. §271(a).

50. Defendants are further contributing to and are actively inducing direct infringement of the '939 Patent, in this judicial district and nationwide under 35 U.S.C. §271(b).

51. Theory3 has no adequate remedy at law. Theory3 has suffered damages by reason of Defendants' infringement of the '939 Patent, and is likely to continue to suffer irreparable injury unless Defendants' activities are immediately preliminarily and then permanently enjoined.

52. Upon information and belief, Defendants' acts are intentional, willful, malicious and wanton, making this case exceptional.

**COUNT II**  
**TRADE DRESS INFRINGEMENT - PRODUCT CONFIGURATION**  
**15 U.S.C. §1125(a)**

53. Theory3 repeats and realleges paragraphs 1 through 52 of this Amended Complaint as though fully set forth herein.

54. This cause of action for trade dress infringement arises under 15 U.S.C. §1125(a) as a result of Defendants' misappropriation of the distinctive

product configuration of Theory3's TIREFLYS® Products in a way that is likely to cause confusion, mistake or to deceive.

55. Theory3 has invested hundreds of hours and tens of thousands of dollars in design expenses, prototyping the design and shape of its TIREFLYS® Products. During this process, Theory3 considered many different configurations for the product's design, but chose the current configuration because of its attractive and distinctive look.

56. The TIREFLYS® Product incorporates either a metal or plastic housing in combination with a gusseted transparent housing. This product configuration is inherently distinctive and non-functional, and serves to identify Theory3 as the single source for these valve lights for wheels.

57. The product design for Theory3's TIREFLYS® Products has acquired secondary meaning and distinctiveness as a result of Theory3's substantial marketing efforts and extensive promotion of the TIREFLYS® Products at retail stores, at trade shows, on the Internet, on network television and in print.

58. Defendants' REDLINE Lights, OPTX Lights and FAST AND FURIOUS keychains, which are being sold on the Internet as well as at retail outlets, are inferior copies of Theory3's TIREFLYS® Product, and appear to be molded directly from Theory3's TIREFLYS® Product.

59. Defendants have positioned themselves as direct competitors of Theory3 by selling and offering for sale these infringing devices through the same channels of trade and to the same ultimate consumers as Theory3.

60. The presence of the Defendants' infringing devices has already had a negative impact on Theory3's sales of its TIREFLYS® Products.

61. Defendants' activities are without the permission of Theory3.

62. By misappropriating and using Theory3's distinctive product configuration, Defendants are misrepresenting and falsely describing the origin and source of their infringing devices to the general public, thereby creating a likelihood of confusion by the ultimate purchaser.

63. Defendants' aforesaid acts are in violation of 15 U.S.C. §1125(a), in that Defendants have infringed and will continue to infringe Theory3's distinctive product configuration and trade dress by selling knock-off merchandise bearing Theory3's distinctive trade dress, and Defendants' acts are likely to cause consumer confusion, mistake or deception.

64. Theory3 has no adequate remedy at law. If Defendants' activities are not immediately enjoined, Theory3 will suffer irreparable harm and injury as a result thereof.

65. Upon information and belief, Defendants' acts are willful, wanton, intentional and malicious, and have damaged Theory3, making this case exceptional.

**COUNT III**  
**UNFAIR COMPETITION UNDER FLORIDA LAW**

66. Theory3 repeats and realleges paragraphs 1 through 65 of this Amended Complaint as though fully set forth herein.

67. By misappropriating Theory3's distinctive trade dress, Defendants have utilized unfair means to usurp the goodwill and distinctiveness of Theory3's trade dress.

68. Defendants have misappropriated and falsely described to the general public the origin and source of their infringing devices so as to cause confusion, mistake or deception to the ultimate purchasers.

69. Theory3 will have no adequate remedy at law if this Court does not enjoin Defendants' activities, and Theory3 will suffer irreparable harm and injury to its reputation as a result thereof.

**COUNT IV**  
**BREACH OF CONTRACT AGAINST**  
**DEFENDANT STREETGLOW**

70. Theory3 repeats and realleges paragraphs 1 through 69 of this Amended Complaint as if fully set forth herein.

71. On or about August 5, 2002, Defendant StreetGlow through its President Jack Panzarella, entered into an agreement with Theory3's wherein StreetGlow promised to assume certain obligations in exchange for Theory3's agreement not to sue for infringement of the '939 Patent.

72. Pursuant to the terms of the StreetGlow Agreement, StreetGlow was to pay Theory3 sum of money to sell off its existing inventory, and for any additional tire light products, StreetGlow was to pay a royalty to Theory3 through its purchase of holographic labels from Theory3 that were to be affixed to the packaging of StreetGlow tire light products.

73. Upon information and belief, StreetGlow breached the terms of the StreetGlow Agreement by selling tire light products in excess of the number existing in its inventory at the time of the StreetGlow Agreement, without paying the royalties due thereon.

74. Upon information and belief, StreetGlow is in breach of the Agreement for selling the infringing StreetGlow keychains, which it is not authorized to sell under the StreetGlow Agreement.

75. Upon information and belief, StreetGlow is in breach of the StreetGlow Agreement for continuing to promote, advertise, distribute, offer for sale, and sell unauthorized and unlicensed products, and its failure to pay royalties due under the Agreement.

76. All conditions precedent to bringing this claim have been met, are excused or are waived.

77. Plaintiff is entitled to an accounting of any and all tire lights and keychains sold before, during and after the StreetGlow Agreement was in effect.

78. Plaintiff has suffered monetary damages in an amount not yet known as a result of the breach of the StreetGlow Agreement.

**COUNT V**  
**FRAUDULENT INDUCEMENT AGAINST**  
**DEFENDANTS STREETGLOW AND PANZARELLA**

79. Theory3 repeats and realleges paragraphs 1 through 79 of this Amended Complaint as if fully set forth herein.

80. This cause of action for fraudulent inducement arises out of the fraudulent inducement by Defendants StreetGlow and Panzarella to get Theory3 to enter

into the StreetGlow Agreement when they had no intention of complying with their obligations thereunder.

81. In or around August 2002, Defendant StreetGlow, through Jack Panzarella, negotiated the StreetGlow Agreement to avoid being sued by Theory3 for its infringement of Theory3's '939 Patent.

82. Under the StreetGlow Agreement, StreetGlow was to pay Theory3 a sum of money so it could sell off its existing inventory of infringing tire light products, and thereafter, if it intended to sell additional tire light products, it would have to pay a royalty to Theory3 in the form of purchasing holographic labels to be attached to every package of tire light products sold.

83. Based on this promise by StreetGlow and Panzarella, Theory3 agreed not to sue StreetGlow for StreetGlow's infringement of the '939 Patent.

84. In reliance upon StreetGlow's promise, Theory3 purchased specially manufactured holographic labels for sale to StreetGlow.

85. Despite StreetGlow's continuing sale of its tire light products, it has never purchased any holographic labels from Theory3 as required by the Agreement.

86. At the time they entered into the StreetGlow Agreement to forestall a lawsuit by Theory3, StreetGlow and Jack Panzarella knew that no royalty payments would be made, thereby fraudulently inducing Theory3 into entering the StreetGlow Agreement and foregoing its legal right to sue for infringement of its patent rights.

87. These Defendants knowingly and willfully made false material representations to induce Theory3 into entering the StreetGlow Agreement.

88. Theory3 has been damaged by these Defendants' fraudulent misrepresentations by foregoing its legal right to sue and recover damages for Defendants' infringing acts, as well as to recover royalties for StreetGlow's continued sale of infringing products.

WHEREFORE, Theory3 respectfully prays that this Court grant the following relief:

- A. The Court issue a Preliminary Injunction, and ultimately a permanent injunction, restraining, enjoining and prohibiting Defendants, their employees, agents, attorneys, anyone acting in concert with them, or anyone who receives actual notice of any order of this Court, from making, using, selling, distributing, advertising or promoting, in any manner, directly or indirectly, devices that infringe the '939 Patent, including, without limitation, the REDLINE Lights, the OPTX Lights, the FAST AND FURIOUS Lights infringing devices currently made and sold by Defendants under Count I of this Amended Complaint;
- B. An award of damages under 35 U.S.C. §284 in an amount adequate to compensate Theory3 for Defendants' infringement, but in no event less than a reasonable royalty for the use made by Defendants of the invention set out in the '939 Patent under Count I of this Amended Complaint;
- C. That the Court order judgment for three times Defendants' profits or three times the damages suffered by Theory3,



whichever is greater, punitive or exemplary damages, and reasonable attorneys fees and the costs of the action, as provided for in 35 U.S.C. §§284, 285 under Count I of this Amended Complaint;

- D. The Court enter a preliminary and ultimately permanent injunction, restraining, enjoining and prohibiting Defendants from: making, using, selling, distributing, advertising or promoting, in any manner, directly or indirectly, devices that are deceptively similar in configuration to Theory3's TIREFLYS® Products, including without limitation, the current product configuration of Defendants' REDLINE Lights, OPTX Lights, FAST AND FURIOUS Lights and Keychain devices, and otherwise further infringing Theory3's protectable trade dress under Counts II and III of this Amended Complaint;
- E. That the Court order judgment for monetary damages as authorized pursuant to 15 U.S.C. § 1117, including reasonable attorneys fees and the costs of the action under Count II of this Amended Complaint;
- F. That the Court order judgment for monetary damages in an amount adequate to compensate Theory3 for Defendants' acts of unfair competition; including punitive damages for Defendants' willful, wanton and malicious acts as described herein under Count III of this Amended Complaint;

- G. That the Court award damages for Defendant StreetGlow's breach of contract as described in Count IV;
- H. That Defendants StreetGlow and Panzarella be ordered to pay compensatory and punitive damages for their wrongful conduct as alleged herein;
- I. An order requiring the Defendants to impound and recall all infringing devices from manufacturers, wholesale and retail sellers, intermediaries, and distributors, and to deliver them to Theory3 or its counsel under Counts I, II and III of this Amended Complaint;
- J. That Defendants be required to provide an accounting of their sales to determine the amount of their profits and other unjust enrichment sums attributable to their unlawful acts under Counts I through V of this Amended Complaint;
- K. That the Court order each of the Defendants to file written a report with this Court within thirty (30) days setting forth in detail the manner and form in which each Defendant has complied with the Court's Order; and
- L. Such other and further relief that this Court deems just and proper.

**JURY DEMAND**

Plaintiff hereby demands a trial by jury for all claims so triable.

Respectfully submitted,



Dated: October 2, 2003


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Attorneys for Plaintiff  
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**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing Amended Complaint was sent via Federal Express to Christopher T. Holland, Esq., Krieg, Keller, Sloan, Reilley & Roman LLP, 114 Sansome Street, 7th Floor, San Francisco, CA 94104-3812, Attorney for Defendants QUEST INDUSTRIES, INC.; THE PEP BOYS – MANNY, MOE & JACK, INC., and PIERRE CHARET this 2<sup>nd</sup> day of October, 2003.



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Joel K. Gibbs  
Attorney for Plaintiff

THEORY3, INC.

**ADDITIONAL**  
**ATTACHMENTS**  
**NOT**  
**SCANNED**  
EXHIBITS

**\*\* REFER TO COURT FILE \*\***