

David L. Harris (DLH-3391)
Stephen R. Buckingham (SRB-6067)
P. Jason Hadley (PJH-7891)
LOWENSTEIN SANDLER PC
Attorneys At Law
65 Livingston Avenue
Roseland, New Jersey 07068
973.597.2500
Attorneys for Plaintiff and Counterclaim Defendant
Joyal Products, Inc.

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY**

JOYAL PRODUCTS, INC.

Plaintiff,

-v.-

JOHNSON ELECTRIC NORTH AMERICA,
INC., JOHNSON ELECTRIC CONSULTING,
INC., JOHNSON ELECTRIC INDUSTRIAL
MANUFACTORY, LTD., DELPHI
CORPORATION, and JOHN DOES NOS. 1-10,

Defendants.

Civil Action No. 04-CV-5172 (JAP) (MCA)

**THIRD AMENDED COMPLAINT
AND JURY DEMAND**

Joyal Products, Inc. ("Joyal"), by way of Complaint against Defendants Johnson Electric North America, Inc. ("Johnson North America"), Johnson Electric Consulting, Inc. ("Johnson Consulting"), Johnson Electric Industrial Manufactory, Ltd. ("Johnson Hong Kong"), Delphi Corporation ("Delphi") and John Does Nos. 1-10 alleges and says:

THE PARTIES

1. Plaintiff Joyal is a New Jersey corporation with its principal place of business at Post Office Box AK, Rahway, New Jersey 07065-0340.

2. Defendant Johnson North America, upon information and belief, is a Connecticut corporation with its principal place of business at 10 Progress Drive, Shelton, Connecticut 06484.

3. Defendant Johnson Consulting, upon information and belief, is a Connecticut corporation with its principal place of business at 10 Progress Drive, Shelton, Connecticut 06484.

4. Defendant Johnson Hong Kong, upon information and belief, is a Hong Kong corporation with its principal place of business at 6-22 Dai Shun Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong.

5. Defendant Delphi is a Delaware corporation with its principal place of business at 5725 Delphi Drive, Troy, Michigan 48098-2815. Prosecution of this case against Delphi is currently stayed as a result of Delphi's filing of a petition in bankruptcy court.

6. Defendants John Does 1-10 are as yet unidentified persons subject to the jurisdiction of this Court.

JURISDICTION AND VENUE

7. This action arises under the United States patent laws, 35 U.S.C. § 101 et seq.

8. Subject matter jurisdiction exists pursuant to 28 U.S.C. §§ 1331 and 1338(a).

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

FACTUAL BACKGROUND

10. Joyal has designed specialized commutator fusing machines normally incorporated into double flyer armature winding machines and other machines.

11. A commutator fusing machine is used in the fusing of armature wires. The machine joins the armature's lead or winding wires to the armature's commutator, without damage to the wire or commutator. The process is thermomechanical, in that it uses heat and pressure.

12. Joyal invented the commutator fusing machine in 1959 and was granted a patent on the original invention on July 17, 1962. Joyal continued to improve its commutator fusing technology, and was granted several subsequent patents related to the commutator fusing apparatus, including, among others, United States Patent No. 5,111,015 issued on May 5, 1992, titled “Apparatus and Method for Fusing Wire” (hereafter, “the ‘015 Patent”).

13. The ‘015 Patent describes the machinery and method for fusing wire to a commutator.

14. Joyal developed machinery that Joyal identifies as the Model 92-TT Tang-Top Commutator Fusing Machine (“Model 92-TT”).

15. The Model 92-TT practices the method for fusing wire to a commutator that is claimed by the ‘015 Patent.

16. In response to inquiries from Johnson Consulting on behalf of itself, Johnson Hong Kong, and Johnson North America, in or about October 1995, Joyal submitted a sales proposal for a Model 92-TT Tang-Top Commutator Fusing Machine (“Model 92-TT”) to Johnson Hong Kong.

17. Joyal’s sales proposal to Johnson Hong Kong identified that the Model 92-TT contained a patented fusing process.

18. In addition to the proposal, Joyal provided drawings and additional information regarding the Model 92-TT to Johnson Hong Kong, which was acting on behalf of itself, Johnson Consulting, and Johnson North America.

19. In particular, Joyal gave Johnson Hong Kong detailed information regarding the cost of the machinery and the cost of a license under Joyal’s technology and patents, including the ‘015 Patent.

20. Joyal informed Johnson Hong Kong that it owned United States patents that covered the importation of armatures, motors, etc., that were made outside the United States using the methods claimed in the patents. Joyal also informed Johnson Hong Kong that any sale by Joyal of the Model 92-TT would be restricted, and that Johnson Consulting, Johnson Hong Kong, and Johnson North America would need to enter into a royalty agreement with Joyal if they wished to import, offer to sell, sell, and or use products made using the Model 92-TT into or in the United States.

21. Joyal submitted a final proposal for the Model 92-TT ("Proposal No. 11828") to Johnson Consulting, on or about December 5, 1995, which included the following language:

By selling this machine (Item 1) to Johnson, Joyal is NOT giving, selling, authorizing, or licensing, any rights under Joyal's patents. Any sale or use of the product(s) produced by this machine in the United States, or their importation into the United States, by either Johnson or other parties, shall require a separate royalty agreement between Joyal and Johnson.

22. On or about December 8, 1995, Joyal submitted an invoice ("Invoice No. 11828") to Johnson Consulting. The invoice included the same contractual restriction set forth above, requiring a separate royalty agreement between Johnson and Joyal if Johnson wanted to ship into the United States any products made using the Model 92-TT. Johnson North America, on behalf of itself, Johnson Consulting and Johnson Hong Kong, issued a check in the amount of \$17,845 to Joyal, representing a 50% advance payment on the order. The Model 92-TT was shipped to Johnson Hong Kong on or about March 19, 1996.

23. After receipt of the Model 92-TT, Johnson Hong Kong has used and on information and belief continues to use the Model 92-TT to fuse armature wires to commutators.

24. Johnson Hong Kong's use of the Model 92-TT was for the purpose of creating products to be sold in the United States.

25. Johnson Hong Kong did not restrict its use of the Model 92-TT to the creation of samples or prototypes or to experimental purposes.

26. Johnson Hong Kong, through its exclusive North American sales agent and/or Johnson Consulting and/or other third parties, caused to be shipped into the United States for distribution and/or sale, items made using the Model 92-TT fusing machine and the patented process of the '015 Patent.

27. Over the next few years, Johnson Consulting, on behalf of itself, Johnson Hong Kong, and Johnson North America, continued to negotiate with Joyal concerning the terms of a license agreement. In fact, in or about April 1998, Joyal submitted an outline to Johnson Consulting of Joyal's expectations in the event a license agreement was executed. One of the terms in the outline provided for Johnson Consulting, on behalf of itself, Johnson Hong Kong, and/or Johnson North America, to pay Joyal \$10,000 upon execution of the license. Johnson Consulting, on behalf of itself, Johnson Hong Kong, and/or Johnson North America, subsequently sent a \$10,000 check to Joyal. However, because these discussions did not result in a license agreement between the parties, Joyal did not cash Johnson Consulting's check.

28. In response to an inquiry from Johnson Hong Kong on behalf of itself, Johnson Consulting, and/or Johnson North America, Joyal sent a proposal, No. 12271 dated November 26, 2001, to Johnson Hong Kong for the rebuild of a second fusing machine (identified in the proposal as a Model LDF-AC Special machine, but hereafter referred to as "the Second Model 92-TT").

29. Joyal clearly stated in the proposal that its rebuild of the Second Model 92-TT would not grant any right or license under any of Joyal's U.S. patents.

30. Johnson Hong Kong accepted the terms of Joyal's offer on or about December 21, 2001.

31. Joyal rebuilt the Second Model 92-TT changing standard parts and customizing it so that it could be used by Johnson Hong Kong to practice the methods claimed in the '015 Patent, and then shipped the rebuilt machine to Johnson Hong Kong on or about February 1, 2002.

32. Johnson Hong Kong has used and on information and belief continues to use the Second Model 92-TT to fuse armature wires to commutators.

33. Johnson Hong Kong's use of the rebuilt Second Model 92-TT was for the purpose of creating products to be sold in the United States.

34. Johnson Hong Kong did not restrict its use of the Second Model 92-TT to the creation of samples or prototypes or to experimental purposes.

35. Johnson Hong Kong, through its exclusive North American sales agent and/or Johnson Consulting and/or other third parties, caused to be shipped into the United States for distribution and/or sale, items made using the Second Model 92-TT and the patented process of the '015 Patent.

36. Upon information and belief, Johnson Hong Kong acquired and/or created two additional non-Joyal machines modeled after the Model 92-TT, designed to practice the same process used by the Model 92-TT (the two machines hereafter referred to as the "Model 92-TT Clones")(the Model 92-TT, the Second Model 92-TT and the Model 92-TT Clones hereafter referred to collectively as "the Accused Machines.").

37. Johnson Hong Kong has used and on information and belief continues to use the Model 92-TT Clones to fuse armature wires to commutators.

38. Johnson Hong Kong's use of the Model 92-TT Clones was for the purpose of creating products to be sold in the United States.

39. Johnson Hong Kong, through its exclusive North American sales agent and/or Johnson Consulting and/or other third parties, caused to be shipped into the United States for distribution and/or sale, items made using the Model 92-TT Clones and the patented process of the '015 Patent.

40. Upon information and belief, Johnson Hong Kong, Johnson Consulting, and/or Johnson North America have imported, offered for sale, sold, and/or used within the United States millions of armatures that were manufactured with the use of the Accused Machines, or induced each other to engage in such conduct.

41. Upon information and belief, Johnson Hong Kong, Johnson Consulting, and/or Johnson North America have imported, offered for sale, sold, and/or used within the United States millions of armatures that were manufactured using the methods described and claimed in the '015 Patent, or induced each other to engage in such conduct..

42. Upon information and belief, Johnson Hong Kong and/or Johnson Consulting have assisted and/or induced Johnson North America to import, offer for sale, sell, and/or use within the United States, armatures that were manufactured using the methods described and claimed in the '015 Patent.

43. Upon information and belief, Delphi and John Does Nos. 1-10 have purchased from Johnson Consulting, Johnson Hong Kong, and/or Johnson North America, and imported, offered for sale, sold, and/or used within the United States, armatures that were manufactured using the methods described and claimed in the '015 Patent.

FIRST COUNT

PATENT INFRINGEMENT AGAINST ALL DEFENDANTS

44. Joyal reasserts and incorporates by reference the allegations above as if set forth at length herein.

45. Joyal is, and at all times relevant herein has been, the owner by assignment of the entire right, title and interest in and to the '015 Patent.

46. Defendants are not licensed or otherwise authorized by Joyal to practice the methods claimed in the '015 Patent.

47. Defendants have imported into, offered for sale, sold, and/or used within the United States armatures that were manufactured using the methods described and claimed in the '015 Patent.

48. Johnson Hong Kong and/or Johnson Consulting has assisted and/or induced Johnson Electric North America to import into, offer for sale, sell and/or use within the United States armatures that were manufactured using the methods described and claimed in the '015 Patent.

49. Defendants' unauthorized acts, as described above, violate the Patent Laws of the United States, 35 U.S.C. § 271 et seq.

50. Defendants have been aware of the '015 Patent since at least as early as 1995.

51. On information and belief, Defendants' infringement of the '015 Patent has been and continues to be willful and deliberate.

52. Defendants have made and will make unlawful gains and profits from the infringement of the '015 Patent. Joyal has been and will be deprived of rights and income to which it is entitled and which it otherwise would have received but for such infringement.

53. Defendants' actions have caused and will continue to cause Joyal to suffer damage and irreparable harm.

54. On information and belief, Defendants' infringement of the '015 Patent will continue unless enjoined by this Court.

55. Joyal does not have an adequate remedy at law.

56. This case is an exceptional one, and Joyal is entitled to an award of its costs and disbursements of this action, including, but not limited to, reasonable attorneys' fees and other expenses, under 35 U.S.C. § 285.

SECOND COUNT

BREACH OF CONTRACTS AGAINST ALL JOHNSON DEFENDANTS

57. Joyal reasserts and incorporates by reference the allegations above as if set forth at length herein.

58. Johnson Consulting, on behalf of itself, Johnson Hong Kong, and/or Johnson North America, purchased the Model 92-TT pursuant to the terms and conditions set forth in Joyal's proposals and invoices for the Model 92-TT, which formed a binding contract ("Sales Contract").

59. Johnson Consulting, Johnson Hong Kong, and/or Johnson North America, have breached the Sales Contract by selling, importing or using the products produced by the Model 92-TT machines in the United States, or contracting with others to do so, without entering into a royalty agreement with Joyal, as required by the Sales Contract.

60. Johnson Hong Kong contracted with Joyal to rebuild the Second Model 92-TT pursuant to the terms and conditions set forth in Joyal's proposals and invoices for the rebuild of the Second Model 92-TT, which formed a binding contract ("Rebuild Contract").

61. Johnson Hong Kong breached the Rebuild Contract with Joyal by selling, importing or using the products produced by the Second Model 92-TT machines in the United States, or contracting with others to do so, without acquiring a patent license from Joyal, as required by the Rebuild Contract.

62. Joyal has been damaged by the Johnson Defendants' breach of the Sales and Rebuild Contracts.

WHEREFORE, Joyal prays that this Court enter judgment in favor of Joyal and against Defendants:

a. Declaring that Defendants have infringed and/or induced infringement of the '015 Patent;

b. Permanently enjoining and restraining Defendants, together with their agents, dealers, employees and affiliated companies and successors and assignees, and all those in privity or in active concert and participation with them, or any of them, from infringing the '015 Patent;

c. Ordering Defendants to provide an accounting to determine Joyal's lost profits and other damages by reason of such infringement;

d. Awarding infringement damages to Joyal caused by Defendants' infringement of the '015 Patent, together with interest, and a trebling thereof under 35 U.S.C. § 284 in view of Defendants' willful and deliberate infringement of the '015 Patent;

e. Awarding Joyal the costs and disbursements of this action, including, but not limited to, attorneys' fees and other expenses, pursuant to 35 U.S.C. § 285;

f. Awarding compensatory and consequential damages to Joyal caused by Defendants' breaches of contract, together with pre-judgment and post-judgment interest and attorney's fees and cost of suit; and

g. Grants such other and further relief as this Court may deem just, proper and equitable.

LOWENSTEIN, SANDLER PC
Attorneys for Joyal Products, Inc.

By: s/ Stephen R. Buckingham
Stephen R. Buckingham
David L. Harris

Dated: July 24, 2006

JURY DEMAND

Plaintiff hereby demand a trial by jury as to all issues so triable.

Local Civil Rule 11.2 CERTIFICATION

I hereby certify that the matter in controversy is not the subject of any other action or proceeding pending in any court or arbitration.

By s/ Stephen R. Buckingham

CERTIFICATE OF SERVICE

P. Jason Hadley, an attorney, hereby certifies that on this 24th day of July 2006 he served Joyal's THIRD AMENDED COMPLAINT AND JURY DEMAND by email via the Court's CM/ECF system upon the following counsel for Johnson Electric North America, Inc., Johnson Electric Consulting Inc., and Johnson Electric Industrial Manufactory, Ltd.:

Stephen N. Weiss, Esq.
Moses & Singer LLP
405 Lexington Avenue
New York, NY 10174-1299

By s/ Stephen R. Buckingham