

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MINNESOTA

Roderick Brown,

Court File No. _____

Plaintiff,

vs.

COMPLAINT

Minnesota Medical Development,
Inc., Michael Afremov and John
Does,

Defendants.

Plaintiff Roderick Brown, for his Complaint against the defendant, states and alleges as follows:

THE PARTIES

1. Plaintiff Roderick Brown (“Dr. Brown”) is a citizen of Minnesota who resides at 23665 North Lakeshore Drive, Glenwood, Minnesota.
2. Defendant Minnesota Medical Development, Inc., (“MMDI”) is a Minnesota corporation with its principal place of business in Minnetonka, Minnesota.
3. Defendant Michael R. Afremov (“Afremov”) is an individual who resides in St. Louis Park, Minnesota.
4. Defendants John Does are unknown persons or entities who are believed to have purchased, acquired or otherwise obtained an interest in U.S. Patent No. 5,824,082 and/or rights to practice U.S. Patent No. 5,824,082 from MMDI and/or Afremov.

JURISDICTION

5. This is an action for a declaratory judgment regarding ownership of a patent, patent infringement in violation of Title 35 of the United States Code, breach of a license and technology transfer agreement, breach of a consulting agreement and tortious interference with contract. This Court has jurisdiction under 28 U.S.C. §1338, and supplemental jurisdiction over the claims under Minnesota law under 28 U.S.C. § 1367.

6. Venue in this district is proper under 28 U.S.C. § 1400(b).

FACTUAL BACKGROUND

7. Dr. Brown is a surgeon who has performed numerous laparoscopic hernia repair procedures. Using the knowledge he gained from performing these procedures, Dr. Brown invented a patch to be used in hernia repair surgery.

8. Dr. Brown applied for a patent for this invention. On October 20, 1998, United States Patent No. 5,824,082 (hereinafter “the ‘082 Patent”) entitled “Patch For Endoscopic Repair of Hernias,” was duly and legally issued by the United States Patent and Trademark Office to Dr. Brown as inventor. A true and correct copy of the ‘082 Patent is attached hereto as **Exhibit A**.

9. According to the abstract of the ‘082 Patent, the invention is a prosthesis of preformed prosthetic fabric supported along its periphery by shape memory alloy wire with a transformative temperature corresponding to normal body temperature. This allows the prosthesis to be tightly rolled into a cylindrical configuration for delivery into the patient’s body through a laparoscopic instrument, after which the prosthesis expands to a predetermined shape as it warms to body temperature.

10. On July 25, 2003, Dr. Brown and MMDI entered into a License and Technology Transfer Agreement (the “Brown Technology Agreement”), a copy of which is attached hereto as **Exhibit B**. In the Brown Technology Agreement, Dr. Brown granted to MMDI the exclusive worldwide right and license to develop, manufacture, use and sell products utilizing the technology protected under the ‘082 Patent (“Brown Technology”) for any and all medical products including, but not limited to, a nitinol mesh hernia shield (“Licensed Products”). (Ex. B, ¶ 1).

11. In addition to the license, once MMDI satisfied the “Working Prototype Requirements” as defined in the Brown Technology Agreement, Dr. Brown agreed to transfer the Brown Technology to MMDI, subject to an automatic “Reversion of Technology” to Dr. Brown. Under the agreement, the reversion would occur if MMDI failed to meet one of several conditions, including making the payments required under the Brown Technology Agreement, or if MMDI discontinued or dissolved its business. (Ex. B, ¶ 2(d)).

12. In consideration for Dr. Brown entering into the Brown Technology Agreement, MMDI agreed to pay Dr. Brown royalties of seven percent of the gross sales revenues received by MMDI from the manufacture, distribution, or sale of the Licensed Products. The parties agreed payments would be made quarterly and would be accompanied by a report containing sales information including, but not limited to, the number of units sold, description and gross invoice amount, and detailed information about payments received by MMDI during the preceding calendar quarter. (Ex. B, ¶ 3).

13. In addition, MMDI agreed to pay Dr. Brown, through royalties or otherwise, at least \$37,500 within the eighteen month period after MMDI received regulatory approval from the Food & Drug Administration to market Licensed Products, and at least \$75,000 during each successive twelve month period thereafter (“Required Minimum Payments”). (Ex. B, ¶ 2(d)(i)).

14. The Brown Technology Agreement gave Dr. Brown the right to terminate MMDI’s license in the event of a material breach or default by MMDI that was not corrected within sixty days of MMDI receiving written notice from Dr. Brown. (Ex. B, ¶ 7).

15. Also on July 25, 2003, Dr. Brown and MMDI entered into a Consulting Agreement, under which Dr. Brown agreed to provide services relating to the development, regulatory approval, and marketing of Licensed Products. MMDI agreed to pay Dr. Brown \$200 per hour for his services. Under the Consulting Agreement, MMDI also agreed to make minimum payments for Dr. Brown’s services including (a) at least \$4,000 per month once a working prototype of a Licensed Product was developed, (b) payment for at least four hours for any day on which Dr. Brown was requested to travel on behalf of MMDI, and (c) reimbursement for reasonable out-of-pocket expenses incurred by Dr. Brown in rendering services under the Consulting Agreement. The Consulting Agreement terminated upon the reversion of the Brown Technology under the Brown Technology Agreement or upon ten days’ advance written notice for non-payment of monies owed under the Consulting Agreement. A true and correct copy of the Consulting Agreement is attached as **Exhibit C**.

16. After the satisfaction of the Working Prototype Requirements and in compliance with the Brown Technology Agreement, Dr. Brown assigned his rights in the '082 Patent to MMDI.

17. MMDI developed, manufactured, marketed and sold a Licensed Product for hernia repair surgery, under the trademark REBOUND HRD, which was approved by the Food & Drug Administration on or about August 21, 2007.

18. MMDI has since developed a new version of the Licensed Product, which is sold under the trademark REBOUND HRD V.

19. MMDI failed to make any royalty payments or Required Minimum Payments to Dr. Brown pursuant to the Brown Technology Agreement.

20. MMDI failed to make the required accountings to Dr. Brown pursuant to the Brown Technology Agreement.

21. MMDI failed to pay Dr. Brown amounts owed under the Consulting Agreement, including minimum monthly payments, required travel payments, and expense reimbursements.

22. On May 26, 2010, Dr. Brown made a written demand to MMDI for the amounts owed under the Brown Technology Agreement. The letter expressly stated if the payments were not made within 60 days, the ownership of the Brown Technology would revert to Dr. Brown pursuant to the Brown Technology Agreement. MMDI, through its owner and officer Afremov, gave assurances payments would be made in the future, but no payments have been made since the May 26, 2010 letter was sent.

23. On January 17, 2012, Dr. Brown made a second written demand to MMDI for the amounts owed under the Brown Technology Agreement. The letter provided notice to MMDI that if the breach of the Brown Technology Agreement was not cured within sixty days, MMDI's license would terminate pursuant to the terms of the Brown Technology Agreement. A true and correct copy of the notice provided to MMDI is attached as **Exhibit D**.

24. On March 1, 2012, before the expiration of the 60 day notice period, Dr. Brown received notice from Afremov, the chief executive officer of MMDI, stating that Afremov held a first priority, fully perfected security interest in the '082 Patent and other collateral owned by MMDI, and that Afremov intended to sell the Patent and other collateral privately sometime after March 15, 2012. A true and correct copy of the Notice of Disposition of Collateral of MMDI Via Private Sale is attached as **Exhibit E**.

25. On March 2, 2012 Dr. Brown provided Afremov with written notice that, among other things, he did not consent to Afremov's private sale and that such a sale would not alter Dr. Brown's right to reversion of the Brown Technology under the Brown Technology Agreement, including the '082 Patent. A true and correct copy of the March 2, 2012 letter is attached hereto as **Exhibit F**.

26. The Brown Technology Agreement only allows the assignment or transfer of the rights and obligations set forth in the Brown Technology Agreement subject to the provisions of the Agreement and with the express written consent of the other party. (Ex. B, ¶ 10).

27. More than 60 days have passed since MMDI received Dr. Brown's January 17, 2012 notice, and MMDI has not made any payment to Dr. Brown and has not cured its breaches of the Brown Technology Agreement. Accordingly, pursuant to the terms of the Brown Technology Agreement, all MMDI's rights to the Brown Technology, including license rights, have been terminated.

28. Upon information and belief, MMDI or Afremov have sold or plan to sell MMDI's rights to the '082 Patent at private auction to John Does sometime after March 15, 2012. To date neither MMDI nor Afremov has been willing to identify the purchaser of any portion of the Brown Technology, including the '082 Patent.

29. Upon information and belief, MMDI, Afremov and/or John Does continue to develop, manufacture, use, sell and/or offer for sale Licensed Products. Such actions infringe the '082 Patent.

30. After termination of MMDI's rights under the Brown Technology Agreement, MMDI's website hosted at the domain <http://www.2mdinc.com> continues to claim rights in the '082 Patent, the exclusive right to manufacture and market products developed under that patent, and the ability to manufacture and sell the Licensed Products. A true and correct copy of pages from MMDI's website as of March 19, 2012 are attached hereto as **Exhibit G**.

COUNT I
DECLARATORY JUDGMENT OF OWNERSHIP
(All Defendants)

31. Dr. Brown hereby reasserts and realleges the allegations above as if fully set forth herein.

32. Because of MMDI's failure to make the Required Minimum Payments under the Brown Technology Agreement, MMDI's rights in the '082 Patent were terminated, and all rights in the '082 Patent and the Brown Technology reverted to Dr. Brown.

33. In addition, MMDI's license rights under the Brown Technology Agreement have been terminated because MMDI breached the Brown Technology Agreement, by among other things, failing to make the Required Minimum Payments, royalty payments, or an accounting to Dr. Brown, and because MMDI failed to cure its breaches and/or defaults within 60 days after notice of the breach from Dr. Brown.

34. MMDI had no ability to assign, sell, or otherwise transfer rights in the '082 Patent to Afremov or any John Does under the Brown Technology Agreement without Dr. Brown's express consent.

35. MMDI, Afremov, and/or John Does have asserted that they continue to have certain ownership rights in the '082 Patent and do not recognize that ownership of all rights in the '082 Patent have reverted to Dr. Brown, pursuant to the Brown Technology Agreement.

36. Accordingly, Dr. Brown is entitled to a declaratory judgment that he is the sole owner of the '082 Patent and that neither MMDI nor any other party claiming its rights through MMDI has any rights to make, sell, market, or distribute products under the '082 Patent.

COUNT II
INFRINGEMENT OF THE '082 PATENT
(MMDI and John Does)

37. Dr. Brown hereby reasserts and realleges the allegations above as if fully set forth herein.

38. Dr. Brown is the exclusive owner of the '082 Patent and all other Brown Technology as set forth in Brown Technology Agreement.

39. MMDI and/or any John Does that manufacture, license the manufacture of, sell and/or offer for sale the Licensed Products on or after March 19, 2012 infringe the '082 Patent.

40. MMDI and/or John Does have actual knowledge of the '082 Patent's reversion to Dr. Brown and the cancellation of MMDI's license under the Brown Technology Agreement, and MMDI and/or John Does have willfully, deliberately and intentionally infringed the '082 Patent since March 19, 2012.

41. MMDI's and/or John Doe's infringement has damaged Dr. Brown in an amount to be proven at trial.

42. MMDI's and/or John Doe's infringement also has caused Dr. Brown irreparable harm and will continue to cause Dr. Brown irreparable harm unless enjoined by this Court.

COUNT III
BREACH OF THE BROWN TECHNOLOGY AGREEMENT
(MMDI)

43. Dr. Brown hereby reasserts and realleges the allegations above as if fully set forth herein.

44. MMDI has breached the Brown Technology Agreement by, among other things, failing to pay royalties or the Required Minimum Payments under the Brown Technology Agreement and failing to comply with its obligations after the Reversion of Technology to Dr. Brown under the Brown Technology Agreement.

45. Dr. Brown has suffered damages as a result of MMDI's breach in an amount to be determined at trial.

COUNT IV
DEMAND FOR ACCOUNTING
(MMDI)

46. Dr. Brown hereby reasserts and realleges the allegations above as if fully set forth herein.

47. MMDI has failed to provide an accounting to Dr. Brown of its sales of Licensed Products as required by the Brown Technology Agreement.

48. Dr. Brown hereby demands an accounting from MMDI of sales of the Licensed Product and the disposition of proceeds from sales of the Licensed Products.

COUNT V
BREACH OF THE CONSULTING AGREEMENT
(MMDI)

49. Dr. Brown hereby reasserts and realleges the allegations above as if fully set forth herein.

50. MMDI breached the Consulting Agreement by failing to pay Dr. Brown for his services, travel time, and expenses, as required by the Consulting Agreement.

51. Dr. Brown has suffered damages as a result of MMDI's breach in an amount to be determined at trial.

COUNT VI
TORTIOUS INTERFERENCE WITH CONTRACT
(Michael Afremov)

52. Dr. Brown hereby reasserts and realleges the allegations above as if fully set forth herein.

53. Afremov knew that the Brown Technology Agreement prohibited MMDI from assigning its rights or obligations under the agreement without the consent of Dr. Brown and that Dr. Brown had not given such consent.

54. Despite this knowledge, upon information and belief, Afremov procured a breach of the Brown Technology Agreement by holding a private sale of MMDI's and/or Afremov's alleged rights in the '082 Patent.

55. Afremov procured this breach of the Brown Technology Agreement intentionally and without justification.

56. The breach of the Brown Technology Agreement has caused Dr. Brown to be damaged in an amount to be determined at trial.

PRAYER FOR RELIEF

WHEREFORE, Dr. Brown prays for a judgment as follows:

- A. For a decree that all MMDI's rights as a licensee of the Brown Technology, and specifically as a licensee of the '082 Patent, have been terminated;
- B. For a decree that all rights in the Brown Technology have reverted to Dr. Brown;
- C. For a decree that Dr. Brown is the sole owner of the '082 Patent;

D. For a decree ordering MMDI and/or any John Does to execute documentation sufficient to record the assignment of the '082 Patent to Dr. Brown at the United States Patent and Trademark Office;

E. For a decree ordering MMDI to execute the documents and transfer the prototypes and materials to Dr. Brown as required under paragraph 2(d)(ii) of the Brown Technology Agreement;

F. For a decree that MMDI and John Doe(s) have infringed the '082 Patent;

G. For a preliminary and permanent injunction restraining and enjoining MMDI, Afremov, John Does, and their respective agents, servants, officers, directors, employees, and all person acting in concert with them, directly or indirectly, from infringing, inducing other to infringe or contributorily infringing the '082 Patent;

H. For all damages Dr. Brown is entitled to under applicable law as a consequence of MMDI's and John Does' acts of infringement concerning the '082 Patent;

I. For damages in an amount equal to three times the damages found or assessed to compensate Dr. Brown for the willful, deliberate and intentional acts of infringement by MMDI and/or John Does pursuant to 35 U.S.C. § 284;

J. For an accounting from MMDI to Dr. Brown of all royalties and/or Required Minimum Payments owed under the Brown Technology Agreement, all sales of the Licensed Products, and all payments made from the proceeds of sales of the Licensed Products;

K. For payment from MMDI to Dr. Brown of all amounts owed under to him under the Brown Technology Agreement;

L. For payment from MMDI to Dr. Brown of all amounts owed under the Consulting Agreement;

M. For payment from Afremov to Dr. Brown of all damages Dr. Brown is entitled to under applicable law as a consequence of Afremov's tortious interference with the Brown Technology Agreement;

N. For an award of reasonable attorneys' fees pursuant to 35 U.S.C. § 285, plus interest and all costs and disbursements of this action; and

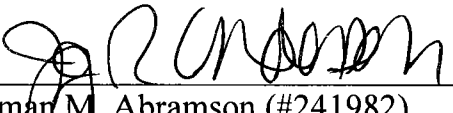
O. For any such other and further relief as the Court may deem just and appropriate.

JURY DEMAND

Dr. Brown hereby demands a trial by jury as to all issues triable before a jury.

Dated: March 20, 2012

**GRAY, PLANT, MOOTY,
MOOTY & BENNETT, P.A.**

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