

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS

Case No. 1:12-cv-08360

SUNCAST CORPORATION,
an Illinois corporation,

Plaintiff,

vs.

SORENSEN RESEARCH &
DEVELOPMENT TRUST,
a California trust entity,

Defendant.

AMENDED COMPLAINT FOR DECLARATORY JUDGMENT

The Plaintiff, SUNCAST CORPORATION, sues the Defendant, SORENSEN RESEARCH & DEVELOPMENT TRUST, for a declaratory judgment of its rights under the Patent Act, and complains as follows:

JURISDICTION AND VENUE

1. This is an action for declaratory relief arising under the Declaratory Judgment Act, 28 U.S.C. § 2201, and the Patent laws of the United States, 35 U.S.C. § 271, et seq.
2. This court has subject matter jurisdiction of this action pursuant to 28 U.S.C. §§ 1331 and 1338(a).
3. On information and belief, this court has personal jurisdiction over Defendant, pursuant to 735 Ill. Comp. Stat. 5/2-209, by virtue of its substantial, continuous and not isolated activity in this District and throughout the State of Illinois, including transacting its business of

seeking, negotiating and entering patent license agreements with alleged infringers situated therein. By its own admission, Defendant has transacted such business with several targets based in this District, as well as other business entities having operations in this District and throughout the State of Illinois. Discovery is needed as to the full nature and extent of such activity.

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

THE PARTIES

5. Plaintiff is an Illinois corporation having its principal place of business at 701 North Kirk Road, Batavia, Illinois 60510. Plaintiff is a manufacturer of a wide variety of products for use in the home and garden.

6. Defendant is a California trust entity having its principal place of business at 7040 Avenida Encinas, Suite 104-277, Carlsbad, California 92011. Defendant is in the business of acquiring and holding patents, including those purportedly covering inventions of its trustee, Jens O. Sorensen, and seeking, negotiating and entering licenses under such patents.

BACKGROUND

7. Defendant is the owner by assignment of U.S. Patent No. 6,599,460, entitled “Prevention of Void-Based-Irregularity Formation in Thin-Wall, Injection-Molded Plastic Product” and issued on July 29, 2003 (“the ‘460 Patent”). A copy of the ‘460 Patent is attached as Exhibit “A” hereto.

8. On September 14, 2012, Defendant sent a letter to Plaintiff, alleging infringement of “at least Claim 1” of the ‘460 Patent by virtue of Plaintiff’s manufacture and sale of the Suncast® Slide Trak™ Hosehandler™ hose reel. Claim 1 of the ‘460 Patent is directed toward a method of injection molding. A copy of the letter is attached as Exhibit “B” hereto.

9. In its September 14, 2012 letter, Defendant states:

A. “This letter constitutes a notice of patent infringement in violation of 35 U.S.C. § 271”;

B. “Suncast must obtain a license and release under the ‘460 Patent for the Accused Products [i.e., the Slide Trak™ Hosehandler™] it imported into, manufactured, offered for sale and/or sold within the United States”;

C. “Suncast is ultimately responsible for infringement of the ‘460 Patent in making, importing, offering for sale or selling its products and components”;

D. “Suncast is liable as a direct infringer for those products made by a process that infringe United States patents, including the ‘460 Patent”;

E. “This notice of infringement is an affirmative communication of a specific charge of infringement against the Accused Products satisfying the actual notice requirement for tolling damages”;

F. “Suncast must recognize that licensing the ‘460 patented technology will allow it to continue to enjoy all the benefits and competitive advantages offered by this useful patent. By contrast, failure to license its usage of the ‘460 patented technology can only lead to the risk and expense of litigation, an award of damages, and attorneys’ fees”;

G. “To protect Sorensen R&D’s intellectual property rights, we cannot allow Suncast’s unlicensed usage to continue”; and

H. “Sorensen R&D has established a pre-litigation floor for a reasonable royalty rate by licensing the ‘460 Patent for a standard royalty rate of \$240,000 or 6% of the total gross sales of the Accused Products for a release of the Accused Products.”

10. On October 18, 2012, Plaintiff sent a response letter to Defendant. A copy of the response letter is attached as Exhibit “C” hereto. In this letter, supported by a sworn declaration of Plaintiff’s Executive Vice President Stephen Whitehead and attaching several authenticated design drawings, Plaintiff advised that it has not infringed any claim of the ‘460 Patent and, alternatively, if it has, then the claims of the ‘460 Patent are invalid. Specifically, Plaintiff explained that:

A. It has manufactured plastic injection-molded hose reel cranks since 1982, and that the particular crank design referenced in Defendant’s letter has been manufactured since 1997 – three years prior to the filing date of the patent application that became the ‘460 Patent; and

B. If its crank design were somehow found not to predate the ‘460 Patent, it nevertheless would not infringe any claim of the Patent due to a design modification implemented in 2011.

11. On November 23, 2012, Defendant sent a response to Plaintiff’s October 18th letter. A copy of this response is attached as Exhibit “D” hereto. In this letter, Defendant advised that it did not consider the crank designs predating the ‘460 Patent to include the physical characteristics Defendant alleges to read on the Patent. However, Defendant advised that it considers the current design to read on the Patent. Specifically, Defendant stated that:

A. The “ribs” on current hose reel crank act as the “flow chambers” for purposes of the ‘460 Patent; and

B. The ribs are thicker than the thin-walled portion, and fluid plastic flows faster within the ribs than within the thin-walled cavity sections. “This is a basic fluid dynamics principle.”

12. Defendant's allegation that the ribs in the current design evidence an infringement, despite having acknowledged that the previous design – including the same ribs – did not, ignores the statement in the sworn declaration of Mr. Whitehead that the rib construction remained unchanged from the version of the crank that predated the '460 Patent's priority date by three years.

13. Defendant's November 23rd letter further included a figure from a textbook, the Injection Molding Handbook (Hanser Pubs., 2nd Ed., 2008), to demonstrate increased wall thickness where a flow chamber meets a thin-walled section. From there, Defendant's letter claimed that: it had exceeded the requirements of Fed. R. Civ. P. 11 in investigating and alleging infringement; it would demand a substantially higher licensing fee if its demands were not met by December 21, 2012; it has previously litigated its patents with several large companies, who ultimately paid Defendant's demanded monies after expensive, time-consuming litigation; and that it would be immune to the exercise of personal jurisdiction by any federal or state court situated outside the State of California.

14. Based on the positions and arguments set forth in Defendant's letters, it appears nothing Plaintiff could say or do would dissuade Defendant from persisting in its unjustified demand for exorbitant licensing fees.

15. The Slide TrakTM HosehandlerTM hose reel lacks particular elements and its manufacture does not include certain steps required for literal infringement of the '460 Patent, nor do these elements or steps occur under the doctrine of equivalents.

16. The '460 Patent is invalid in light of the prior art. It is also invalid because its claims are indefinite in scope. The Patent teaches nothing, and only recites the observation of basic principles and occurrences long known in field of plastics injection molding.

17. As a result of Defendant's September 14, 2012 letter and the aforementioned subsequent correspondence, an actual controversy exists between the parties. Defendant's unfounded accusations of patent infringement and demands for royalty payments threaten potentially serious consequences to the business operations of Plaintiff.

18. Plaintiff is entitled to be able to continue its longstanding manufacture, marketing and sale of hose reels in an atmosphere free of Defendant's unfounded accusations and demands, and therefore believes that it is necessary to invoke the protections of the Federal Declaratory Judgment Act in this matter.

19. Because of the serious nature of Defendant's infringement accusations and demands for licensing fees and royalties, Plaintiff believes that these accusations and demands must be addressed now, or else they will persist and cause damage to Plaintiff as a result.

COUNT I
DECLARATORY JUDGMENT OF NON-INFRINGEMENT OF THE '460 PATENT

20. This Count seeks a declaration of rights pursuant to the protections of the Federal Declaratory Judgment Act, 28 U.S.C. § 2201. Plaintiff reasserts and incorporates herein by reference the allegations of paragraphs 1-15 and 17-19 of this Complaint as if fully set forth herein.

21. Plaintiff has not made, used, offered to sell or sold or imported any products covered by any claim of the '460 Patent, nor manufactured any product according to the method of injection molding claimed therein. For example, the manufacture of Plaintiff's hose reel crank does not include having the ribs act as "flow chambers" directing the injected fluid plastic material, nor does it include the determination of a "threshold rate" of increasing wall thickness to prevent gaseous voids, as required by the claims of the '460 Patent.

22. Plaintiff has not contributorily infringed or induced the infringement of the '460 Patent.

23. Plaintiff is in need of, and entitled to, a judicial declaration that it has not directly or indirectly infringed the '460 Patent via its manufacture, marketing and sales of the Slide Trak™ Hosehandler™ hose reel, or any of its other products.

COUNT II
DECLARATORY JUDGMENT OF INVALIDITY OF THE '460 PATENT

24. This Count seeks a declaration of rights pursuant to the protections of the Federal Declaratory Judgment Act, 28 U.S.C. § 2201. Plaintiff reasserts and incorporates herein by reference the allegations of paragraphs 1-14 and 16-19 of this Complaint as if fully set forth herein.

25. The '460 Patent is invalid as anticipated by the prior art, pursuant to 35 U.S.C. § 102. For example, if the current design of the Accused Product would read upon the claims of the Patent, as Defendant alleges, then the Patent is invalid as anticipated by the previous design used by Plaintiff at least as early as 1997 – three years prior to the priority date for the Patent – because the relevant design features remained unchanged when the overall design was modified in 2011.

26. Plaintiff has reason to further question the validity of the '460 Patent pursuant to 35 U.S.C. § 102, although it is still in the process of gathering evidence of patent invalidity for anticipation in light of other prior art. Further investigation and discovery are required in this regard.

27. The '460 Patent is invalid as obvious in light of the prior art, pursuant to 35 U.S.C. § 103. For example, one of ordinary skill in the art would have known from reading U.S. Patent No. 4,117,950 to Allen and U.S. Patent No. 5,839,603 to Smith how to increase the thickness of a thin-wall section in the direction of the flow of fluid plastic and prevent the formation of gaseous voids in

thin wall injection molding. The '460 Patent does not teach a new way of preventing gaseous voids that could not already be accomplished by Allen and Smith. All the '460 Patent discloses is an observation, not an invention – namely, that gaseous voids do not occur below some “threshold rate” of increasing thin wall thickness. The Patent merely repeats common knowledge within the molding industry. The increase in thickness of any thin wall product that does not have gaseous voids would by definition be below the “threshold rate” for that product.

28. The '460 Patent is invalid as indefinite, pursuant to 35 U.S.C. § 112, ¶2. For example, the term “threshold rate” is so ambiguous that one of skill in the art would not be able to determine the scope of the Patent. The “threshold rate” is an entirely circular concept, undefined and undeterminable. It appears to be a value observed only after repeated testing, during the manufacture of a particular mold into which fluid plastic is injected, shows the rate of increasing thin wall thickness at which gaseous voids are prevented.

29. Plaintiff is in need of, and entitled to, a judicial declaration that the '460 Patent is invalid and unenforceable.

STATEMENT OF EXCEPTIONAL CASE UNDER 35 U.S.C. § 285

Plaintiff prays that this Court deem this case exceptional and award Plaintiff its attorney fees incurred in this litigation, pursuant to 35 U.S.C. § 285. Defendant has sought to extort a licensing fee and/or royalties from Plaintiff through the bad-faith enforcement of the '460 Patent, despite having knowledge of the clear non-infringement and/or invalidity thereof.

Defendant owns several patents issued in the name of its principals, Jens O. Sorensen, Jens E. Sorensen and/or Paul P. Brown. Defendant's business consists of seeking, negotiating and entering license agreements with alleged infringers under these patents, including the '460 Patent. In

furtherance of its primary business, Defendant issues what appears to be a standard form “Offer of Compromise” letter in which it alleges that the target of the letter has infringed a patent through the manufacture of a plastic injection molded product. The letter attaches drawings and a claim chart purporting to depict how the Accused Product infringes, when in fact they are founded entirely on attorney argument and inaccurate conclusions. The letter further includes an offer to license the patent in exchange for a licensing fee, which Defendant advises will only increase in amount if its demands are not met by a certain date. This licensing fee is couched as an economically sensible alternative to patent litigation. The letter then advises the target that Defendant can persist in these demands without fear of consequence, such as litigation in a federal or state court situated outside the State of California or the award of monetary sanctions against Defendant in any such litigation. Defendant is believed to have employed this methodology in soliciting licenses against scores of targeted entities, including several situated within this District and the State of Illinois.

Defendant issued such a letter to Plaintiff on September 14, 2012, alleging infringement of the ‘460 Patent through the manufacture and sale of the SunCast® Slide Trak™ Hosehandler™ hose reel. Three weeks earlier, however, another of Defendant’s targets, Homeland Housewares, LLC, had won summary judgment of non-infringement of the ‘460 Patent in the case styled *Homeland Housewares, LLC v. Sorensen Research & Development Trust*, Case No. 2:11-cv-03720-GW(JEMx) (C.D. Cal.). In its summary judgment Order, attached as Exhibit “E” hereto, the court also denied Defendant’s motion to reconsider its claim construction of the term “threshold rate,” in which the court construed the term to mean “the rate of increase in the thickness of the thin wall section as empirically determined by conducting test strips at the time the mold is made in order to prevent gaseous voids.” In its motion, Defendant went as far as to argue that it is not necessary to determine

the “threshold rate” to prevent gaseous voids, despite the fact that Defendant only obtained patentability over the Allen and Smith references in the U.S. Patent Office by arguing that neither reference suggested increasing thickness at less than a threshold rate. In its Order, the court openly questioned how any accused infringer could determine the “threshold rate” and infringe the ‘460 Patent, as well as how the Patent could be valid in light of concerns pertaining to obviousness under 35 U.S.C. § 103 and indefiniteness under 35 U.S.C. § 112, ¶2. Homeland Houseware’s pending Motion for Summary Judgment of Invalidity of U.S. Patent No. 6,599,460 is scheduled for hearing on February 7, 2013.

Despite being on prior notice of the judicial construction of the term “threshold rate” to require empirical testing at the time a mold is made, as well as the serious questions of invalidity against the ‘460 Patent, Defendant issued its September 14, 2012 standard form demand letter to Plaintiff. Plaintiff’s response letter of October 18, 2012 clearly demonstrated how the manufacture of the Accused Product is not read upon by the ‘460 Patent and, if it was, it nevertheless predated the priority date of the Patent by three years. Mindful of Defendant’s warning that it would consider only admissible evidence as part of any response, Plaintiff supported its response with the sworn declaration of its Executive Vice President, including authenticated design drawings of the mold for the accused product as it has evolved over the years.

Though Defendant’s November 23, 2012 response acknowledged that previous designs of the Accused Product did not read on the ‘460 Patent, it nevertheless rejected Plaintiff’s response as mere attorney argument lacking admissible evidentiary support, while shifting its infringement allegations to include only the current version of the Accused Product featuring a redesign implemented in 2011. In so doing, Defendant ignored the clear statement in the sworn declaration that, despite the redesign,

the rib construction that is the focus of Defendant's infringement allegation has in fact remained unchanged from the previous design, which predated the '460 Patent's priority date by at least three years. Rather, Defendant stated that infringement somehow must be present due to "basic fluid dynamics principle[s]" – which only further begs the question as to the exact nature of Defendant's purported invention in light of the prior art. Defendant's response then repeated its prior themes – namely, a licensing demand that would only increase in amount after a certain date but remain more cost-effective than litigation, and Defendant's purported immunity from both monetary sanctions and the exercise of personal jurisdiction in any court situated outside of California.

The manufacture of the Accused Product does not read on the claims of the '460 Patent. Otherwise, the Patent is invalid because the relevant characteristics of the Accused Product have remain unchanged since at least three years prior to the '460 Patent's priority date, to say nothing further of the Allen and Smith references (and perhaps others) in the prior art.

Despite being aware of the adverse rulings in its litigation against Homeland Housewares, and despite Plaintiff having demonstrated non-infringement and/or the invalidity of the '460 Patent, Defendant persists in its licensing demands. Plaintiff, based on the response it has received from Defendant, as well as its awareness of Defendant's activities in other litigations involving the '460 Patent, has reason to believe Defendant will accept nothing other than full capitulation. Defendant's enforcement of the '460 Patent, despite knowing that Plaintiff has not infringed and/or that the Patent is invalid, is ripe with what the Federal Circuit has generally recognized as "indicia of extortion." Plaintiff therefore prays that this Court enter judgment in its favor in this action, and award its reasonable attorney fees incurred in connection therewith under 35 U.S.C. § 285.

JURY DEMAND

Plaintiff requests that all issues in this case be tried to a jury.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays that this court enter judgment that:

- A. Plaintiff has not committed any act of infringement of the '460 Patent with respect to the Slide Trak™ Hosehandler™, or any of its other products;
- B. The '460 Patent is invalid and unenforceable;
- C. This case is exceptional, under 35 U.S.C. § 285, and that Defendant reimburse Plaintiff's reasonable attorney fees and costs incurred in connection therewith; and
- D. Plaintiff is granted any such other relief as this Court deems appropriate.

Respectfully submitted,
McHALE & SLAVIN, P.A.

s/ Brian M. Taillon

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