

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

3M Company and 3M Innovative
Properties Company,

Plaintiffs,

v.

Illinois Tool Works, Inc., and ITW
Finishing LLC,

Defendant.

Court File No.

**Complaint
and Demand for Jury Trial**

Plaintiffs 3M Company and 3M Innovative Properties Company (collectively “3M”), for their Complaint against Defendants Illinois Tool Works, Inc. and ITW Finishing LLC, state as follows:

Nature of Action

1. This action arises from Defendants’ breach of their obligations under a 2008 Settlement Agreement (“Settlement Agreement”) and Supply and License Agreement (“Supply and License Agreement”) with 3M.

2. In 2006, 3M filed a patent infringement lawsuit against the Defendants in the United States District Court for the District of Minnesota, Court File No. 06-2459 (JRT/FLN) (“Underlying Case”) alleging infringement of 3M’s patent rights directed to paint preparation systems. In settlement of the Underlying Case, Defendants entered into the Settlement Agreement, in which they admitted they had infringed 3M’s valid and enforceable patent rights; agreed

not to further infringe those rights; and agreed to abide by the terms of the Supply and License Agreement.

3. In the Underlying Case, this Court entered a Consent Judgment in favor of 3M, finding 3M's United States Patent No. 6,820,824 ("the '824 patent") to be not invalid, not unenforceable, and infringed by ITW's DeKups products.

4. A true and correct copy of the '824 patent is attached as Exhibit A to this Complaint. A true and correct copy of the Consent Judgment and its exhibit are attached as Exhibit B to this Complaint.

5. This Court and Judge John Tunheim retain exclusive jurisdiction over disputes arising out of the Consent Judgment and the Settlement Agreement.

6. Defendants have breached the Settlement Agreement by infringing and inducing, or contributing to, the infringement by a third party of 3M's patent rights.

7. Defendants have breached the Supply and License Agreement by failing to comply with the terms of the limited license granted for the manufacture and sale of the infringing products.

8. Defendants' breaches retroactively void 3M's release of its patent infringement claims against Defendants in the Underlying Case.

9. Defendants' infringing acts further constitute contempt of the Consent Judgment entered in the Underlying Case.

10. Through this action, 3M seeks a declaration that Defendants' actions in breach of the Settlement Agreement and Supply and License Agreement have

relieved 3M of its obligations under the Supply and License Agreement. 3M also seeks recovery of damages for Defendants' breaches of contract, patent infringement, and contempt of the Consent Judgment entered by this Court.

Parties

Plaintiffs

11. Plaintiff 3M Company is a corporation organized and existing under the laws of the state of Delaware, with its principal place of business at 3M Center, St. Paul, Minnesota. 3M Company is in the business of manufacturing and selling a wide variety of consumer, commercial and industrial products, including products for the automotive aftermarket, such as paint preparation systems.

12. Plaintiff 3M Innovative Properties Company, a wholly-owned subsidiary of 3M Company, is a corporation organized and existing under the laws of the state of Delaware, with its principal place of business at 3M Center, St. Paul, Minnesota.

Defendants

13. Defendant Illinois Tool Works, Inc., is a Delaware corporation with its principal place of business in Glenview, Illinois.

14. Upon information and belief, Defendant ITW Finishing, LLC is a wholly-owned subsidiary of Illinois Tool Works, Inc., and is a Delaware corporation, with its principal place of business in Maumee, Ohio.

Jurisdiction and Venue

15. This Court has subject matter jurisdiction over the present action

because it involves contempt of the Consent Judgment and breach of the Settlement Agreement in the Underlying Action, over which this Court continues to exercise exclusive jurisdiction.

16. This Court also has subject matter jurisdiction over the present action pursuant to 28 U.S.C. § 1331 and 1338(a) because this action involves claims of patent infringement.

17. Venue in this Court is proper pursuant to 28 U.S.C. §§ 1391(b) and 1400(b).

18. In addition, Defendants have consented to venue in this district through their execution of the Settlement Agreement between the parties dated October 23, 2008. This Court and Judge Tunheim retain jurisdiction over disputes arising out of the Settlement Agreement.

Factual Background

Settlement of the Underlying Case

19. In August 2006, 3M sued Defendants for patent infringement. The patent infringement claims arose out of Defendants' infringement of the '824 patent. The '824 patent is owned by 3M Innovative Properties Company and 3M Company is the exclusive licensee.

20. 3M alleged and Defendants admitted that Defendants' manufacture, use, sale and/or offer for sale of DeKups products infringed and/or induced or contributed to the infringement of one or more claims of the '824 patent ("3M's Patent Rights").

21. The parties entered into a Settlement Agreement on October 23, 2008. As part of the Settlement Agreement, Defendants promised not to infringe, induce infringement, or contribute to the infringement of 3M's Patent Rights.

22. The Settlement Agreement referenced and incorporated a Supply and License Agreement. Defendants promised to comply with all terms of the Supply and License Agreement.

23. The Supply and License Agreement contains an Assignment clause that prohibits Defendants from assigning their rights under the agreement: 1) without the express written permission of 3M; or 2) as part of a sale of substantially all of the assets or a majority of stock of the business unit to which the DeKups products pertain, unless 3M has first been given the right of first refusal of any such purchase on the terms offered to the prospective purchaser.

24. The Settlement Agreement and the Supply and License Agreement (collectively, "the 3M Agreements") contain certain confidential terms.

25. On December 9, 2008, this Court issued a Consent Judgment in the Underlying Action. This Court found, among other things, that "[a]ll the claims of the '824 patent are valid and enforceable based on Defendants' past, present, and future products." This Court further ordered that "the issues of infringement are hereby finally concluded and disposed of and that this Consent Judgment bars Defendants from contending in this action or any other proceeding that the manufacture, use, sale, or offer for sale of the DeKups system and other products

that are only colorably different does not infringe or induce or contribute to the infringement of the ‘824 patent.”

ITW Sells Finishing Business to Graco, Inc.

26. On April 14, 2011, Defendants and Graco, Inc. (“Graco”) announced the sale of ITW’s Finishing Business to Graco. The Finishing Business included the DeVilbiss business unit, which makes and sells the DeKups products.

27. Prior to the announcement of the sale, Defendants did not offer 3M the right of first refusal to purchase the business unit to which the DeKups products pertain or seek 3M’s consent to assign the rights and obligations under the Settlement Agreement and Supply and License Agreements.

28. On April 20, 2011, Defendants purported to “provide notice” to 3M of their intent to assign their duties and obligations under the Settlement Agreement and Supply and License Agreements to Graco.

29. 3M advised Defendants it did not consent to the assignment of the rights and obligations under the Settlement Agreement and Supply and License Agreement to Graco and would consider such action to be a breach of the Settlement Agreement and Supply and License Agreements.

30. Shortly before the close of the sale to Graco, Defendants purported to withdraw the notice of intent to assign the Settlement Agreement and Supply and License Agreements to Graco.

31. When Defendants and Graco closed on the sale of the ITW Finishing Business, Defendants and Graco filed a First Amendment to Asset Purchase

Agreement with the SEC. The amendment listed the 3M Agreements under “Excluded Assets” and added to Seller’s Closing Deliveries, a distributor agreement purporting to grant Graco worldwide distribution rights for certain 3M products.

32. The Asset Purchase Agreement contains a Non-Competition and Non-Solicitation provision whereby Defendants agreed not to engage in the Finishing Business anywhere in the world.

33. Defendants sold all of their Finishing Business assets to Graco but continue to seek performance by 3M under the Supply and License Agreement to supply products related to the Finishing Business.

34. Defendants’ pass-through to Graco of the rights and benefits of the Supply and License Agreement is a breach of the plain language and the intent of the Settlement Agreement and Supply and License Agreements.

35. 3M provided Defendants with notice that 3M did not consent to the transfer to Graco of any rights and benefits under the Settlement Agreement and Supply and License Agreements.

36. By engaging in the conduct described herein after being advised by 3M that it did not consent to any transfer to Graco of any rights and benefits under the Settlement Agreement and Supply and License Agreements, Defendants knowingly infringed and / or induced Graco to infringe 3M’s Patent Rights by manufacturing and selling the DeKups products without authorization from 3M.

37. 3M has continued to supply product to Defendants under protest until it can obtain a determination that 3M is relieved of its obligations under the Supply and License Agreement without penalty.

COUNT I
(Declaratory Judgment)

38. 3M re-alleges the foregoing paragraphs, inclusive, as though fully set forth herein.

39. A real and justiciable controversy exists among the parties with respect to their rights and obligations under the Settlement Agreement and the Supply and Licensing Agreement. Pursuant to 28 U.S.C. § 2201, the Court has authority to declare the rights and obligations of 3M and Defendants with respect to this controversy.

40. 3M seeks a declaratory judgment as follows:

- a. That Defendants materially breached the Settlement Agreement and the Supply and License Agreement in connection with the sale of its Finishing Business to Graco;
- b. That Defendants' breach of the Settlement Agreement and Supply and License Agreements voids 3M's prior release of Defendants as to the patent infringement claims;
- c. That Defendants no longer have any license previously granted by 3M under the Settlement Agreement and Supply and License Agreements.

- d. That Defendants are infringing, and / or are inducing, or contributing to, the infringement of 3M's Patent Rights by Graco; and
- e. That Defendants' breaches relieve 3M from further obligations under the Supply and License Agreement.

COUNT II
(Breach of Settlement Agreement)

41. 3M re-alleges the foregoing paragraphs, inclusive, as though fully set forth herein.

42. In consideration for 3M's dismissal of the Underlying Case, Defendants made certain promises to 3M when they entered into the Settlement Agreement resolving 3M's claims for patent infringement.

43. As part of the Settlement Agreement, Defendants promised to refrain from infringing any claim of 3M's Patent Rights and from directly or indirectly inducing, or contributing to, the infringement of 3M's Patent Rights by any other party.

44. Defendants promised not to manufacture (or have manufactured for them) import, use, offer for sale or sell any DeKups product, except to the extent permitted by the Supply and License Agreement.

45. Defendants have breached the Settlement Agreement by manufacturing, or having manufactured for them, infringing DeKups products.

46. Defendants have induced, or contributed to, the infringement of 3M's Patent Rights by Graco.

47. Defendants' material breaches of the 3M Agreements retroactively void the release from patent infringement liability.

48. As a result of Defendants' breach of the Settlement Agreement, 3M has been harmed and has suffered damages in an amount to be determined at trial.

COUNT III
(Breach of Section 1.4 of Supply and License Agreement)

49. 3M re-alleges the foregoing paragraphs, inclusive, as though fully set forth herein.

50. Defendants bound themselves to the terms of the Supply and License Agreement. The Supply and License Agreement granted a limited license to Defendants only to make or have made DeKups products for sale by Defendants.

51. Defendants sold all of their Finishing Business assets to Graco and agreed not to engage in the Finishing Business anywhere in the world.

52. By granting Graco exclusive worldwide distribution rights after selling the ITW Finishing Business assets and promising not to engage in the Finishing Business anywhere in the world, Defendants have induced Graco to act as a manufacturer and seller of DeKups products, in breach of Section 1.4 of the Supply and License Agreement.

53. Defendants have breached the Supply and License Agreement by assigning to Graco the limited license to make, have made, use, offer for sale, sell or import DeKups products.

54. As a result of Defendants' breach of the Supply and License Agreement, 3M has been harmed and has suffered damages in an amount to be determined at trial.

COUNT IV
(Breach of Article 13 of Supply and License Agreement)

55. 3M re-alleges the foregoing paragraphs, inclusive, as though fully set forth herein.

56. The Supply and License Agreement prohibits the assignment of the rights and obligations under the agreement, except 1) with the express consent of 3M or 2) as part of a sale, unless 3M is first given a right of first refusal.

57. Defendants' attempt to characterize Graco as a distributor of DeKups products violates the terms and intent of the Supply and License Agreement.

58. Defendants have breached the Supply and License Agreement by assigning their rights and obligations to Graco without obtaining 3M's consent.

59. Defendants have further breached the Supply and License Agreement by assigning the benefits of the Supply and License Agreement through its sale to Graco without offering to 3M the right of first refusal to purchase the business to which the DeKups products pertain.

60. As a result of Defendants' breach of the Supply and License Agreement, 3M has been harmed and has suffered damages in an amount to be determined at trial.

COUNT V
(Patent Infringement)

61. 3M re-alleges the foregoing paragraphs, inclusive, as though fully set forth herein.

62. Defendants are infringing the '824 patent in violation of 35 U.S.C. § 271(a) by making, using, selling, and/or offering for sale the DeKups products in the United States.

63. Defendants are infringing the '824 patent in violation of 35 U.S.C. § 271(a), (b) and/or (c) by actively inducing others to infringe and/or contributing to the infringement by others in the making, use, sale, and/or offering for sale the DeKups products in the United States.

64. Defendants' infringing activities are taking place with the knowledge of the '824 patent, and in violation of the Consent Judgment, and are willful and deliberate.

65. As a result of Defendants' infringing activities, 3M will be damaged and will be irreparably injured unless and until such infringing activities are enjoined by this Court.

COUNT VI
(Contempt of Consent Judgment)

66. 3M re-alleges the foregoing paragraphs, inclusive, as though fully set forth herein.

67. Through their actions described herein, Defendants have violated the December 9, 2008 Consent Judgment issued by this Court in the Underlying Action.

68. 3M has been damaged by Defendants' violation of the December 9, 2008 Consent Judgment issued by this Court in the Underlying Action. 3M seeks an order from this Court holding Defendants in contempt of the Consent Judgment.

69. As a result of Defendants' contempt, 3M has been and will be damaged and will be irreparably injured unless and until Defendants cease violating the Consent Judgment and request that the Court use its equitable and other power to enjoin Defendants from violating the Consent Judgment.

70. As a result of Defendants' violation of the Consent Judgment, 3M has been harmed and has suffered damages in an amount to be determined at trial.

COUNT VII
(Breach of the Covenant of Good Faith and Fair Dealing)

71. 3M re-alleges the foregoing paragraphs, inclusive, as though fully set forth herein.

72. Defendants had a duty to act in good faith and fair dealing in carrying out their obligations under the Settlement Agreement and Supply and License Agreement.

73. By assigning and/or transferring the benefits of the 3M Agreements to Graco as part of, or in connection with, the sale of the ITW Finishing Business over 3M's objection, Defendants breached their implied duty to act in good faith. As a result of Defendants' breach of the covenant of good faith and fair dealing, 3M has been harmed and has suffered damages in an amount to be determined at trial.

Prayer For Relief

WHEREFORE, Plaintiffs pray for relief against Defendants as follows:

1. Declaring the rights and obligations of the parties as prayed for;
2. Directing an accounting to determine all gains, profits, savings and advantages obtained by Defendants as a result of their wrongful actions;
3. Entering an order holding Defendants in contempt of the Consent Judgment and awarding all applicable civil penalties, remedies, and relief;
4. Finding that Defendants have infringed, induced infringement of, and/or contributorily infringed one or more claims of the '824 patent, in violation of 35 U.S.C. § 271;
5. Preliminarily and permanently enjoining Defendants, their officers, agents, servants, representatives, and employees, and all persons acting in concert with them, and each of them, from infringing, inducing the infringement of, and contributorily infringing the '824 patent;

6. Awarding 3M damages for Defendants' infringement, inducement of infringement, and/or contributory infringement of '824 patent, together with pre-judgment and post-judgment interest and costs, pursuant to 35 U.S.C. § 284;

7. Finding that Defendants' infringement, inducement of infringement, and/or contributory infringement of '824 patent has been knowing and willful;

8. Increasing damages awarded to 3M in this case to three times the damages amount found by the jury or assessed by the Court pursuant to 35 U.S.C. § 284;

9. Declaring this case to be an exceptional case under 35 U.S.C. § 285 and awarding 3M its attorneys' fees and costs;

10. Compensation for damages suffered by 3M;

11. Award of reasonable attorneys' fees and costs and disbursements incurred herein;

12. Award of additional damages, remedies, and penalties available by law; and

13. Such other and further relief the Court deems just and equitable.

Demand for Jury Trial

3M hereby demands a trial by jury.

Dated: March 8, 2013

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