

**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF ILLINOIS
PEORIA DIVISION**

MAUI JIM, INC., and Illinois Corporation)
)
Plaintiff,)
)
v.)
)
BARGAIN DEPOT ENTERPRISES,)
LLC d/b/a BARTAINDEPOT.NET and)
SIMONSAVES.COM,)
)
Defendant.)

No. 06-cv-01169-MMM-JAG

**DEFENDANT’S RESPONSE TO MAUI JIM’S
MOTION FOR SUMMARY JUDGMENT**

Defendant, Bargain Depot Enterprises, LLC, (“BDE”) by and through its undersigned attorneys, and for its Response to Plaintiff’s (“Maui Jim”) Motion for Summary Judgment, states as follows:

I. INTRODUCTION

In August of 2006, BDE tendered an executed settlement Agreement to Maui Jim along with a check for \$250, representing the full amount of damages Maui Jim could claim under the circumstances of this case. Maui Jim sought to have BDE outright attest to the validity of the ‘059 patent. BDE explained to Maui Jim that it could not opine to the actual validity of Maui Jim’s patent so it struck this part of the agreement. However, BDE readily proposed multiple alternatives to Maui Jim’s validity language such as the following: “BDE had no reason to doubt the validity of Maui Jim’s patent;” or “BDE, based on Maui Jim’s filing of its patent, recognizes the validity of such patent;” or “BDE has no reason to doubt the validity of Maui Jim’s patent.” Maui Jim at first agreed to the alternative language in February of 2007, but then held the settlement hostage to its demand for fees and costs for having to litigate this matter. Maui Jim

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

AFFIDAVIT OF JOSEPH L. KISH

I, Joseph L. Kish, under oath states as follows:

1. I am competent to testify and I have personal knowledge of the matters stated in this affidavit and can and will truthfully testify as to those matters.

2. I am a partner with the law firm of Synergy Law Group, L.L.C. which serves as counsel to Defendant Bargain Depot Enterprises, LLC (“BDE”) in this case.


3. On April 19, 2007 I telephoned Mr. Trevor Copeland, attorney for Plaintiff Maui Jim, Inc. (“Maui Jim”), in an attempt to again settle this case, particularly in light of Magistrate Gorman’s ruling denying Maui Jim’s request for attorney fees. (Docket No. 24).

4. I conveyed the offer to settle this case under the terms of the August 2006 settlement, the only exception being that language pertaining to patent validity would be along the lines discussed and what I believe was agreed to on February 13, 2007—that BDE had no reason to contest or doubt the validity of Maui Jim’s ‘059 patent.

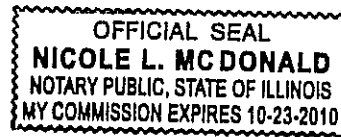
5. In response to Mr. Copeland’s letter of April 19, 2007 (See Exhibit B to BDE’s Response to Plaintiff’s Motion for Summary Judgment), I requested legal authority to support Maui Jim’s demand that BDE admit to the validity of the ‘059 patent (Exhibit C to BDE’s Response to Plaintiff’s Motion for Summary Judgment).

As of the filing of this response, I have received no response to my April 19, 2007 inquiry.

Further Affiant Sayeth Naught.


Joseph L. Kish

Signed and Sworn to before me on
this 20th day of April 2007




Notary Public

(Seal)

now claims that this case is “exceptional” as used in 35 U.S.C. § 285 even though (1) Maui Jim never sought to enforce the August 2006 settlement agreement; (2) never sought a judicial declaration as to the validity of its ‘059 patent; and (3) in February of 2007 conceded that there existed alternative language that would satisfy Maui Jim’s concerns and that the admission of validity Maui Jim sought to impose on BDE was wholly unnecessary.

BDE has not, and does not, dispute the issues Maui Jim raises regarding patent validity or infringement. Maui Jim’s attempt to cast this matter as exceptional, however, is not only disputed by BDE, but is contradicted by Magistrate Gorman’s recent ruling and findings contained in his order pertaining to Maui Jim’s earlier attempt to obtain attorneys fees. (Docket # 24.) This case should not be deemed exceptional.

II. RESPONSE TO UNDISPUTED FACTS

A. Undisputed Material Facts

1. *Maui Jim is the lawful owner of U.S. Design Patent No. D481,059. (Exh. 16, USPTO Record of Patent Assignment Recordal).*

Undisputed.

2. *BDE has not contested validity of the ‘059 patent. (Exh. 8; Exh. 15, ¶ 7).*

Undisputed.

3. *Maui Jim’s U.S. Design Patent No. D481,059 is valid. (35 U.S.C. § 282).*

Based on Maui Jim’s filing of the ‘059 patent, BDE has no basis to dispute the validity of this patent. (See Exhibit 16 to Maui Jim’s Motion for Summary Judgment).

4. *The ‘059 patent is directed to an ornamental design for sunglasses. The claimed design is depicted in FIGS. 1-6 of the ‘059 patent. (Exh. 1).*

Undisputed.

5. *Maui Jim's presentation of a claim interpretation for the '059 patent in the Expert Report of David Burch has not been rebutted. (Exh. 17, Expert Report of David Burch).*

Undisputed.

6. *The ornamental appearance of the 6601 sunglasses is substantially identical to the claimed ornamental sunglasses design claimed in the '059 patent. (Exh. 17, pp. 1-6 and at its Exh. 2; see Exh. 18, Declaration of Trevor K. Copeland verifying photographs).*

Undisputed.

7. *BDE sold and offered for sale sunglasses under the name "Compare to Maui Jim 6601" ("6601 Sunglasses"). (Exh. 8 at ¶ 11)*

Undisputed.

9. *An ordinary purchaser would mistake the 6601 sunglasses for the sunglasses design of the '059 patent. (Exh. 17, p. 6 and at its Exh. 2).*

BDE admits that it is concluded by David Burch in his Expert Report and that conclusion has not been controverted by BDE. On this basis this fact is undisputed.

10. *BDE did not plead noninfringement. (Exh. 8).*

Undisputed.

12. *The agreed-upon settlement terms retain jurisdiction for enforcement of the settlement agreement in the United States District Court for the Central District of Illinois pursuant to Kokkonen v. Guardian Life Ins. Co., 511 U.S. 375 (1994). (Exh. 19, 7/27/2006 Settlement Agreement, ¶ 11; see Exh. 4).*

Undisputed.

B. Disputed Material Facts

8. *The 6601 sunglasses appropriate the points of novelty of the '059 patented design. (Exh. 17, pp. 6-7 and at its Exh. 2).*

Disputed. This statement calls for a legal conclusion.

11. *BDE agreed in writing to terms settling this case, including agreeing that BDE “does not contest Maui Jim's allegation of infringement and admits only that Maui Jim's patent is valid.” (Exh. 4).*

Disputed: BDE upon a final review of the clause requiring its admission that Maui Jim's patent is valid, realized that it could not determine the actual validity of Maui Jim's patent, which required a judicial determination, and therefore offered alternative language in an attempt to complete the settlement.

13. *BDE reneged upon its written commitment to settle upon agreed terms by hand-altering material terms of the settlement agreement. (Exh. 6, at p. 2 of the Settlement Agreement).*

Disputed. BDE never reneged on its settlement agreement but only sought proper clarification of its ability to attest to the validity of Maui Jim's patent. At all times BDE agreed to not dispute the validity of the '059 patent based on Maui Jim's filing with the United States Patent and Trademark Office BDE agreed to all other terms of the settlement agreement and also tendered the \$250 representing Maui Jim's full damages (See Exhibit 16 to Maui Jim's Motion for Summary Judgment and Exhibit A and B to this Response).

C. Immaterial Facts

14. *BDE flatly denied infringement and has not produced any evidence that it had a basis under Fed. R. Civ. P. 11(b) for doing so. (Exh. 8; Exh. 15; Exh. 20, BDE's 2/7/2007Resp. to Pl.'s First Requests for Produce. Nos. 1–10).*

Immaterial.

15. *BDE's answer was due August 7, 2006, but was not filed until September 27, 2006, upon compulsion by the Court. (Exh. 23, Dkt. No. 7 – 7/17/2006 Affidavit of Service of Complaint; Exh. 8; Exh. 7).*

Immaterial.

16. *BDE's Fed. R. Civ. P. 26(a) disclosures were due November 15, 2006, but not provided until February 8, 2007, upon compulsion by the Court. (Exh. 24, Dkt. No. 11 – Report of Rule 26(f) Planning Meeting; Exh. 21, BDE's 2/8/2007 Rule 26 Disclosures; Exh. 14).*

Immaterial.

17. *BDE's responses to written discovery were due November 27, 2006, but not provided until February 7, 2007, upon compulsion by the Court. (Exhs. 9, 10, 15, 20; Exh. 14).*

Immaterial.

D. Additional Material Facts

1. BDE has at all times since August of 2006 agreed to all the terms imposed on it by Maui Jim to resolve the disputes arising from the allegations in Maui Jim's complaint. (See BDE's Response to Maui Jim's Motion for Expenses, Docket # 21).

2. Maui Jim agreed to alternate language that would have resolved the issue of validity on February 13, 2007 and stated: "In your email, you are correct on the point of wording—we do believe that wording for DL's [David Linhardt, BDE's President] not disputing the validity of Maui Jim's '059 patent can be agreed upon, provided the other settlement facets can also be agreed upon." (See Exhibit A to this Response).

3. The "other settlement facets" referred to in the email dated February 13, 2007 were for attorney fees and costs for litigation occurring after August of 2006. (See Exhibit A to this Response).

4. In a letter dated April 19, 2007 Maui Jim reversed its position regarding the alternative language it agreed to on February 13, 2007 and demanded an admission of patent validity in a letter responding to BDE's further attempts to settle this case. (See Exhibit C to this Response).

5. In an email response to Maui Jim's April 19, 2007 letter, BDE sought legal authority for the Maui Jim's requirement that BDE admit patent validity. (See Exhibit C to this Response).

III. ARGUMENT

A. BDE Does Not Contest Validity Or Infringement

Maui Jim requests that this Court (1) Declare that Maui Jim's patent is valid; (2) Declare that Maui Jim's patent is infringed by BDE's sunglasses; (3) Grant Maui Jim relief in the form of damages equal to the minimum statutory damages; (4) Adjudge that BDE's bad faith and dilatory conduct makes this case exceptional under 35 U.S.C. § 285; and to (5) Compensate Maui Jim by awarding its reasonable attorney fees for its costs incurred. (Maui Jim's Motion for Summary Judgment, p. 5).

BDE has never contested Maui Jim's '059 patent. Indeed, as BDE previously pointed out to Maui Jim, under 35 U.S.C. § 282, a patent is presumed valid. *See e.g., Innovative Scuba Concepts, Inc. v. Feder Indus., Inc.*, 26 F.3d 1112, 1115 (Fed.Cir.1994). (See Docket # 21.) As Magistrate Gorman found, BDE has repeatedly acknowledged its technical but unintentional violation of Maui Jim's patent, and Maui Jim concedes that BDE ceased selling the sunglasses even before the settlement agreement was exchanged. (See Docket # 24).

On August 11, 2006, less than two months after Maui Jim's claim was filed, BDE agreed to pay all of Maui Jim's actual, statutory damages, which totaled less than \$250.00 but that was the amount that was agreed upon. BDE also agreed to Maui Jim's proposed language pertaining to infringement, and initially to Maui Jim's proposed language pertaining to validity. Upon reflection, however, it was clear that the language Maui sought to impose on BDE - - that the '059 patent was valid - - was really a determination that could only be rendered by this Court. BDE offered alternative language that would serve to both facilitate settlement and allow Maui Jim to obtain the judicial determination it apparently sought, though misguidedly, from BDE instead of this court. Maui Jim refused, then set out on a course of litigation that was

unwarranted in light of BDE's concessions and cooperation and what even Magistrate Gorman called miniscule damages totaling no more than \$250.

Thus, BDE does not contest validity or infringement, or even that Maui Jim is entitled to damages, which Maui Jim has pegged at \$250 and, therefore, does not oppose summary judgment based on the first three requests for relief sought by Maui Jim on page 5 of its motion.

B. This Case Is Not "Exceptional" Under 35 U.S. C. §285.

BDE has never contested the validity of Maui Jim's patent. Maui Jim's demand that BDE, instead of this Court, declare its patent valid was and remains wholly unreasonable where the patent remains presumably valid and where no challenges have been made against the patent. BDE offered all that it could, statements that BDE had no reason to question or contest the validity of the '059 patent. This representation was not good enough for Maui Jim until February of 2007. (See Exhibit A attached to this Response.) But then Maui Jim held up settlement of this matter by inappropriately and baselessly demanding that its attorney fees totaling some \$20,000.00 be paid before it would settle this case.

In light of the recent ruling by Magistrate Gorman, BDE attempted to settle this matter again. Counsel for BDE telephoned counsel for Maui Jim on April 19, 2007 and again offered to settle this case on the same terms as offered previously in August of 2006, with the only modification to the settlement agreement being that to which Maui Jim had agreed to on February 13, 2007. (See Kish affidavit at ¶ 4). Instead of accepting this offer, Maui Jim inexplicably reverted to its earlier position of demanding that BDE admit patent validity in a consent judgment. (See Exhibit B attached to this Response). Maui Jim continued to link the ultimate settlement of this case to the payment of Maui Jim's attorneys' fees, which Maui Jim would not even discuss until it extracted the admission on validity that BDE has always

maintained needed to be obtained from this Court. Maui Jim disavowed that it was willing to agree to alternative language as discussed in mid-February of this year.

Maui Jim has never provided any authority for the proposition that BDE, as opposed to this Court, was the proper entity from which to obtain a determination of validity. In response to Maui Jim's April 19, 2007 letter, BDE requested this authority, but has not received it from Maui Jim. (See Kish affidavit at ¶ 5). BDE believes no such authority exists.

Maui Jim cites three cases on the proposition that litigation tactics can form the basis for a finding of exceptional circumstances. That much the parties can agree on. Here, however, the circumstance that give rise to this motion, and indeed virtually every aspect of the litigation was and continues to be driven by Maui Jim's insistence on (1) obtaining a declaration of validity from BDE that only this Court could provide; (2) refusing to accept viable alternative language to the out right declaration Maui Jim sought from BDE; (3) agreeing to alternative language but only if BDE pays Maui Jim's attorneys fees; and (4) again demanding an out right declaration of validity from BDE *and* payment of fees. These circumstances are far removed from those found in any of the cases cited by Maui Jim in support of its request that this case be deemed exceptional and that Maui Jim's attorneys fees and costs be deemed damages. BDE has found no authority for the proposition that under circumstances similar to those here, where there has been no violations of court orders, where there has not been years of delay and where, as here, a single motion to compel, while granted, was fully complied with and the attendant request for attorneys fees was denied.

It is respectfully submitted that Maui Jim's "damages" represented by the unnecessary fees and costs it incurred exist solely by Maui Jim's own doing. BDE has been trying to keep this \$250 molehill from becoming a mountain, admittedly to no avail. Given BDE's complete

cooperation with Maui Jim and its agreement on all settlement points material to this case (including conceding on points of infringement and validity arguably raised in BDE's answer), BDE should not be faulted to the extent that Maui Jim Now seeks - - full payment of the overblown litigation that Maui has engaged in.

This is particularly so in light of what Maui Jim did not do all the while it was trying to extract the validity declaration from BDE. Maui Jim did not seek to enforce the settlement agreement it claims was binding in August of 2006 although now it claims that the alleged breach of this agreement should provide a basis for finding this case exceptional. Maui Jim did not, until March 27, 2007, seek summary judgment on the issue of validity (or infringement or statutory damages, none of which BDE would have opposed).

Moreover, Maui Jim's attempts to cast BDE in as bad of light a possible on page 13 of its motion, Maui Jim attempts to convey a "caught red handed" revisionist history of the events leading up to this dispute. Maui Jim does so with no evidentiary support, and BDE respectfully requests that this Court strike that this part of Maui Jim's motion, specifically the last two paragraphs of page 13. Moreover, given the events as conveyed by Maui Jim did not happen, and in fact Maui Jim has acknowledged BDE's cooperation upon learning that the sunglasses, provided by a third party not involved in this suit, infringed Maui Jim's patent, BDE requests that Maui Jim withdraw these two paragraphs pursuant to Fed. R. Civ .P.11 as these allegations, as counsel for Maui Jim knows, have no basis whatsoever in fact.

In the final analysis, this matter is not exceptional under the cases offered by Maui Jim, or any cases discussing whether litigation can be deemed exceptional pursuant to 35 U.S.C. §285. The fourth and fifth request for relief found at page 5 of its motion should be denied.

IV. CONCLUSION

For the reasons stated above, BDE does not oppose this motion to the extent Maui Jim seeks the relief it requests in Nos. 1-3 on page 5 of its motion. BDE respectfully requests that this motion be denied as to the fourth and fifth request on page 5 of Maui Jim's motion.

Respectfully submitted,

BARGAIN DEPOT ENTERPRISES, LLC,
Defendant.

By: /s/ Joseph L. Kish
One of Its Attorneys

Joseph L. Kish
Synergy Law Group, LLC
730 West Randolph Street, 6th Floor
Chicago, Illinois 60661
Telephone: 312/454-0015
Facsimile: 312/454-0261

**IN THE UNITED STATES DISTRICT COURT FOR
THE CENTRAL DISTRICT OF ILLINOIS**

CERTIFICATE OF SERVICE

I hereby certify that on April 20, 2007 I electronically filed the foregoing Notice of Filing Defendant's Response to Plaintiff's Motion for Summary Judgment with the Clerk of Central District of Illinois using the CM/ECF system which will send notification of such filing to the following:

James R. Sobieraj jsobieraj@usebrinks.com

Trevor Kyle Copeland tcopeland@usebrinks.com

Jason C. White jwhite@brinkshofer.com

s/ Joseph L. Kish
Joseph L. Kish (6197916)
Synergy Law Group, LLC
730 West Randolph Street, 6th Floor
Chicago, Illinois 60661
312/454-0015
312/454-0261 (facsimile)

EXHIBIT

A

Joseph L. Kish

From: Copeland, Trevor [tcopeland@brinkshofer.com]
Sent: Tuesday, February 13, 2007 3:37 PM
To: Joseph L. Kish
Cc: Villani (Wolski), Christine
Subject: RE: Maui Jim
Importance: High

Joe,

First, I respectfully request that you notify me as soon as possible whether you will agree to extend the agreed-upon deadline to produce expert reports today - specifically in light of our ongoing dialogue related to concluding this matter. Please let me know by reply email at your earliest convenience. (Our expert has already completed his analysis, but as soon as you and I renewed discussions late last week, we delayed his finalizing the report to avoid increasing our client's expense).

Having addressed that initial matter, we can proceed in our mutual attempt to find a resolution to this matter. It's unfortunate that the voicemail quality of my message to you was poor, and I apologize if the problem originated in our phone system. As you are generally unavailable to speak by phone, I am writing to address open issues. With regard to your email messages below, actually, BDE never made any offer. The initial settlement agreement between the parties (*see attached, including Bart Loethen's written confirmation of the settlement terms*) was BDE's agreement to pay Maui Jim's suggested amount of \$250 with "no contest" of infringement and an admission of patent validity. After DL reneged on the terms that had been agreed to by submitting the hand-edited settlement contract, Maui Jim made a later settlement offer (~12/5/06) for the same terms of admission, with an increased recompense of \$2000 to slightly defray its mounting legal costs.

In your email, you are correct on the point of wording -- we do believe that wording for DL's not disputing the validity of Maui Jim's '059 patent can be agreed upon, provided the other settlement facets can also be agreed upon.

Due to BDE's delays and a need to file motions to compel first an answer, and then to compel Rule 26 and other discovery responses, Maui Jim has continued to incur increased legal expenses now totaling between \$15-20k. That expense -- combined with the dilatory nature of BDE's responses after the case was believed to have been settled 6 months and thousands of dollars ago -- compels Maui Jim to expect some appropriate financial consideration as a necessary condition of settlement. The Court has invited Maui Jim to file its request for sanctions to recompense the added expenses of having to pursue compelled discovery responses, which it will do if this matter continues forward. With regard to Maui Jim's likelihood of getting attorneys' fees under the patent statute, if you have an associate research the types of cases that have been declared exceptional under 35 USC 285, you will find that they are often characterized by the type of delay, and the complete lack of any supportable defenses, that have defined BDE's role in this case (e.g., BDE's delaying to an extreme in answering the complaint and in producing discovery, and its flatly denying infringement in its Answer, without any apparent Fed.R.Civ.P. 11(b)(4) basis for doing so - and, contrary to its referential Interrogatory response - without disclamatory cover of pleading under "information and belief").

As noted in my voicemail, to effect a settlement ending this matter Maui Jim will entertain a reasonable settlement offer that will significantly defray its costs and recompense its damages, in combination with a consent judgment wherein BDE does not dispute the validity of Maui Jim's patent and does not contest infringement by the BDE sunglasses of Maui Jim's patent (with exact wording to be decided upon agreement to a settlement amount). Thus, I would encourage your client to make a good faith final offer commensurate with the scope of expense and, frankly, the aggravation to which Maui Jim has been subjected in the months since its early attempt to settle the case was aborted. The less pleasant, but very real, alternative will be to proceed at expense to both of our clients to a Court judgment.

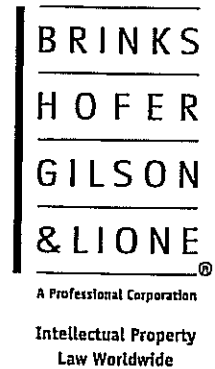
Sincerely,

4/20/2007

EXHIBIT

B

Trevor K. Copeland
312-222-8104
E-mail: tcopeland@usebrinks.com



April 19, 2007

VIA FACSIMILE and EMAIL
(312) 454-0261
jkish@synergylawgroup.com


Joseph Kish, Esq.
Synergy Law Group, LLC
730 W. Randolph St.; 6th Floor
Chicago, Illinois 60661

Re: *Maui Jim, Inc. v. Bargain Depot Enterprises, LLC d/b/a
BargainDepot.net and SimonSaves.com,*
C.D. IL Case No. 1:06-cv-1169
BHGL Ref. No. 12555/9

Dear Joe:

During our telephone call today, you mischaracterized Maui Jim's settlement position: Maui Jim has already made settlement offers that Bargain Depot ignored or refused, but Maui Jim has not agreed to any settlement terms at present. However, Maui Jim is still willing to settle this case. To effect a settlement, Bargain Depot must admit patent infringement and patent validity in a consent judgment. When those terms are accepted in writing, a financial amount can be negotiated that is commensurate with Maui Jim's damages due to Bargain Depot's conduct. If Bargain Depot is unwilling to accept the terms, Maui Jim is confident in its ability to prevail on the merits of its motion for summary judgment and to have this case declared exceptional. If Bargain Depot is willing to accept the proposed terms, please advise us at your earliest convenience.

Sincerely,



Trevor K. Copeland

cc: Mr. Tim Krueger
James R. Sobieraj, Esq.
Jason C. White, Esq.

EXHIBIT

C

Joseph L. Kish

From: Joseph L. Kish
Sent: Thursday, April 19, 2007 4:32 PM
To: Copeland, Trevor
Subject: RE: 2007-04-19_FAX_Copeland_to_Kish_re__Maui_Jim_settlement_position.PDF

Trevor, with all due respect, we had discussed and you agreed that the modified language I suggested, that Mr. Linhardt had no reason to doubt the validity of Maui Jim's patent, was acceptable. As you well know Mr. Linhardt's only qualm with the language originally suggested by you was the fact that he has no basis to evaluate nor opine on the validity of Maui Jim's patent. Unless I misunderstand what Maui Jim is seeking, it wants an out-and-out admission of the validity of the 059 patent, not that Mr. Linhardt, based on Maui Jim's filing of its patent, recognizes that validity or has no reason to doubt its validity.. These are very different concepts. If I'm wrong, please provide some legal authority that supports that language of the admissions you now demand and I will gladly evaluate it. Let's settle this.

From: Copeland, Trevor [mailto:tcopeland@brinkshofer.com]
Sent: Thu 4/19/2007 3:39 PM
To: Joseph L. Kish
Cc: Villani (Wolski), Christine
Subject: 2007-04-19_FAX_Copeland_to_Kish_re__Maui_Jim_settlement_position.PDF

Joe,

Attached is a copy of the letter faxed to you today in response to your telephonic inquiry.

--Trevor

Trevor K. Copeland
Intellectual Property Attorney
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USEBRINKSsm

Intellectual Property Law Worldwide

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4/20/2007