

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ALABAMA**

KARL STORZ ENDOSCOPY-
AMERICA INC.,

Plaintiff,

V.

INTEGRATED MEDICAL SYSTEMS
INTERNATIONAL, INC.,

Defendant.

Civil Action No. 2:12-cv-02716-KOB

SECOND AMENDED COMPLAINT FOR PATENT INFRINGEMENT

Plaintiff, for its complaint against Defendant, alleges as follows:

The Parties

1. Plaintiff Karl Storz Endoscopy-America Inc. (“Plaintiff”) is a company organized and existing under the laws of California, and having an office and place of business at 2151 E. Grand Avenue, El Segundo, California 90245.

2. On information and belief, Defendant Integrated Medical Systems International, Inc. (“Defendant”) is a Delaware corporation having a place of business at 3316 2nd Avenue North, Birmingham, Alabama, 35222.

Jurisdiction and Venue

3. This action by Plaintiff is for damages and injunctive relief from patent infringement by Defendant, and arises under the United States Patent Laws, particularly 35 U.S.C. §271 et seq.

4. This Court has subject matter jurisdiction based on 28 U.S.C. §§ 1331 and 1338(a).

5. Venue is proper in the United States District Court for the Northern District of Alabama under 28 U.S.C. §1391(b), 1391(c), and/or 1400(b). A substantial part of the wrongful events giving rise to this action took place in this District and Plaintiff has suffered harm in this District.

6. On information and belief, Defendant has offered products and/or services, sold products and/or services, and/or supplied products and/or services, including but not limited to, endoscopes and medical instrument care, reconstruction, restoration, and support for healthcare facilities, in the Northern District of Alabama and is subject to personal jurisdiction in this District.

The Patents

7. Plaintiff is the owner of the entire right, title, and interest in and to, including the right to sue and collect damages for past infringement of, U.S. Patent No. 7,530,945 (“the ‘945 patent”), entitled “Endoscope and Method for Assembling Components of An Optical System,” which was duly and legally issued by the United

States Patent and Trademark Office (“USPTO”) on May 12, 2009. A copy of the ‘945 patent is attached as Exhibit A.

8. Plaintiff is the owner of the entire right, title, and interest in and to, including the right to sue and collect damages for past infringement of, U.S. Reissued Patent No. RE47,044 (“the ‘044 patent”), entitled “Endoscope and Method for Assembling Components of An Optical System,” which was duly and legally reissued by the USPTO on September 18, 2018. A copy of the ‘044 patent is attached as Exhibit B.

Background

9. Plaintiff brings this action to protect its reputation as an innovator, retain control over its intellectual property, prevent its technology from being unlawfully exploited by Defendant, and to avoid irretrievably lost sales. Plaintiff is known throughout the world as a technology innovator and provider of medical products, including endoscopes, which are distributed under the famous KARL STORZ® brand. KARL STORZ® and the products sold under this brand are known to be synonymous with superior technology and quality.

10. Defendant purports to be a repairer and reseller of medical products, including endoscopes. Defendant “repairs” Plaintiff’s endoscopes by “reconstructing” them. Defendant also markets for sale pre-owned endoscopes that it has reconstructed. As a result, Plaintiff’s endoscopes are re-introduced into the stream of commerce by

Defendant, after having been modified to be of inferior quality. This is not only a danger to patients but damages Plaintiff's reputation.

11. Attached at Exhibit C are photographs showing an endoscope that was obtained by Plaintiff in 2007 after it had been reconstructed by Defendant ("Endoscope 1"). The photographs in Exhibit C show optical components removed from Endoscope 1 that are contained within a transparent tube of shrunk material.

12. Attached at Exhibit D are photographs showing an endoscope that was obtained by Plaintiff in December of 2011 after it had been reconstructed by Defendant ("Endoscope 2"). The photographs in Exhibit D show optical components removed from Endoscope 2 that are contained within a transparent tube of shrunk material. The illumination of the tube shows that the positions of the optical components are visible through the see-through material.

13. Attached at Exhibit E are photographs showing an endoscope that was obtained by Plaintiff in December of 2011 after it had been reconstructed by Defendant ("Endoscope 3"). The photographs in Exhibit E show optical components removed from Endoscope 3 that are contained within a transparent tube of shrunk material.

14. Attached at Exhibit F is a true and correct copy of a "Repair Estimate" prepared by Defendant, which outlines the reconstructive work performed by Defendant on Endoscopes 2 and 3. On information and belief, Defendant reconstructed Endoscopes 2 and 3 in or around December 2011.

15. Attached at Exhibit G are photographs showing an endoscope that was obtained by Plaintiff in 2013 after it had been reconstructed by Defendant (“Endoscope 4”). The photographs in Exhibit G show optical components removed from Endoscope 4 that are contained within a transparent tube of shrunk material. The illumination of the tube shows that the positions of the optical components are visible through the see-through material. Some of the rod lenses are bone-shaped while others are cylindrical. Plaintiff uses bone-shaped rod lenses in its endoscopes but does not sell rod lenses to Defendant.

16. Attached at Exhibit H are photographs showing optical components (rod lenses) taken from an endoscope that was obtained by Plaintiff in 2016 after it had been reconstructed by Defendant (“Endoscope 5”). The photographs in Exhibit H show rod lenses removed from Endoscope 5 are contained within a transparent tube of shrunk material. Some of the rod lenses are from Plaintiff while others are from third-parties.

17. Endoscopes 1, 2, 3, 4, and 5 evidence that Defendant continues to infringes the ‘945 and ‘044 patents. The desire for a see-through material that permits inspection of the optical components (e.g., is transparent, etc.) is described and claimed in the ‘945 and ‘044 patents. In contrast, the prior art used a material that was not see-through and did not permit inspection of the optical components (e.g., was opaque). The material used by Defendant is see-through, although the photographs in the exhibits may not reflect this very well. The transparency of this see-through material can be seen where

tubes are illuminated in Exhibits D and G. In support of its Opposition to Defendant's Motion to Dismiss First Amended Complaint (Dkt. 74), Plaintiff submitted two declarations from people who personally inspected IMS' endoscopes and found the material to be transparent. (*See* Declaration of Crit Fisher (Dkt. 74-1); Declaration of Albert Juergens (Dkt. 74-2).)

18. Through discovery, Plaintiff has confirmed that the same endoscopes are being sold after September 2018. Defendant continues to use a see-through shrunk tube that is the same or substantially the same as the see-through shrunk material seen in Exhibits D, E, G, and H.

19. The exhibits also show that Defendant mixes different types of rod lenses from different companies. This can cause problems that may affect endoscope use and, as a result, patient safety. As an example, rod lenses with different diameters can affect the viewing capabilities of an endoscope.

20. Plaintiff's employees have repeatedly come across Defendant's reconstructed endoscopes in the field, which are identified by a stamping of Defendant's name on the endoscope. However, they are still branded with Plaintiff's name and, having been modified by Defendant to be of inferior quality, tarnish Plaintiff's reputation.

21. Defendant has known about Plaintiff's technology at least since March 12, 2009, when Plaintiff's representative sent Defendant a copy of U.S. Publication No.

2006/0041187, which would mature into the '945 patent. The invention claimed in the '945 patent is substantially identical to the invention claimed in U.S. Publication No. 2006/0041187 (the '044 patent is related to the '945 patent).

22. Defendant responded to the March 12, 2009 letter by simply denying infringement, but failed to provide any supporting analysis or evidence. Plaintiff's representative asked Defendant to provide the basis for its belief that it does not infringe or, in the alternative, to certify in writing that it does not performed the method claimed in U.S. Publication No. 2006/0041187. Defendant refused.

23. Plaintiff filed this lawsuit on August 15, 2012. In response, Defendant requested reexamination of the '945 and '437 patents on September 14, 2012, and this lawsuit was stayed. The USPTO denied the reexamination request for all claims of the '945 Patent and for claims 1-7 of the '437 Patent, but ordered reexamination of claims 8-14 of the '437 Patent.

24. The USPTO issued a reexamination certificate for the '437 Patent on May 26, 2017. Claims 8-13, as amended during reexamination, were determined to be patentable, and the patentability of claim 14 was confirmed.

25. Plaintiff had filed a reissue application for the '437 patent on June 19, 2013. The USPTO issued the '044 Patent on September 18, 2018, which added new claims 15-32.

26. On July 11, 2019, the Court granted-in-part and denied-in-part Defendant's Motion to Dismiss First Amended Complaint and Initial Memorandum in Support of Motion (Dkt. 64). (*See* Dkt. 77 at 1.) The Court dismissed Plaintiff's infringement claims as they relate to claims 15–32 of the '044 patent, holding that "KSEA's [First Amended Complaint] . . . fails to clear the threshold of establishing IMS plausibly infringed those claims," because the First Amended Complaint relies on evidence of IMS-reconstructed endoscopes that preceded the September 2018 issue date of claims 15–32 of the '044 patent. (*Id.* at 12.) IMS has since produced documents in this case which evidence that the endoscopes sold after September 2018 are the same as the endoscopes sold prior to September 2018, including having the same or substantially the same see-through shrunk material, and therefore infringe for the same reasons.

COUNT I
Infringement of United States Patent No. 7,530,945

27. The foregoing paragraphs are incorporated by reference as if fully restated herein.

28. On information and belief, Defendant has been and still is directly infringing claims 1–7 of the '945 patent pursuant to 35 U.S.C. § 271 et seq. by assembling endoscopes according to the methods claimed in the '945 patent.

29. On information and belief, Defendant at least infringes the '945 patent under the doctrine of equivalents because the differences, if any, between Defendant's

process and the limitations of the '945 patent are insubstantial and because Defendant's process has substantially the same function, and operates in substantially the same way to achieve the same result as the limitations of the '945 patent.

30. Defendant's reconstruction of endoscopes shown in the attached exhibits evidence infringement of the '945 patent. Regarding representative claim 1 of the '945 patent, on information and belief, Defendant performs a method for assembling an endoscope having a tubular shaft, an optical system having several components, said components of said optical system contained in an interior of said tubular shaft, said components of said optical systems at least partially surrounded by a tube made of both a transparent and a shrinkable material. On information and belief, Defendant introduces said components into a tube of transparent and shrinkable material to form a unit. On information and belief, Defendant shrinks said shrinkable material of said tube for fixing the position of said components contained within said tube relative to one another. On information and belief, Defendant checks a position of said components relative to one another through said transparent shrinkable material, of said shrinkable tube. On information and belief, Defendant introduces said unit composed of said shrinkable tube and said components contained therein into said tubular shaft. Examples of Defendant's reconstructed endoscopes are found in the attached exhibits, which show components in a tube of transparent and shrinkable material. This permits Defendant to inspect the

position of the components relative to one another prior to inserting the tube into the endoscope.

31. It is anticipated that Defendant will argue that its material is not “transparent.” However, as shown by the attached exhibits this material is see-through to permit visual inspection of the optical components inside, in accordance with the claims of the ‘945 patent.

32. Plaintiff has been damaged by loss of sales and customers by Defendant’s infringement of the ‘945 patent, and claims all damages, including but not limited to, lost profits and reasonable royalties, to which it is entitled.

33. Defendant’s infringement has been and continues to be willful, making this an exceptional case under 35 U.S.C. § 285 and entitling Plaintiff to attorney’s fees under 35 U.S.C. § 285 and treble damages under 35 U.S.C. § 284.

34. The harm to Plaintiff resulting from the infringing acts of Defendant is irreparable, continuing, not fully compensable by money damages, and will continue unless permanently enjoined by this Court.

COUNT II
Infringement of United States Reissued Patent No. RE47,044

35. The foregoing paragraphs are incorporated by reference as if fully restated herein.

36. On information and belief, Defendant has been and still is directly infringing and inducing the infringement of claims 1–32 of the ‘044 patent pursuant to 35 U.S.C. § 271 et seq. by making, using, and selling endoscopes according to the systems claimed in the ‘044 patent.

37. On information and belief, Defendant at least infringes the ‘044 patent under the doctrine of equivalents because the differences, if any, between Defendant’s reconstructed endoscopes and the limitations of the ‘044 patent are insubstantial and because they have substantially the same function, and operate in substantially the same way to achieve the same result as the limitations of the ‘044 patent.

38. Defendant’s reconstruction of the endoscopes shown in the attached exhibits evidence infringement of the ‘044 patent. Regarding representative claim 1 of the ‘044 patent, on information and belief, Defendant’s endoscopes have a tubular shaft, having an inside face, an optical system having several components, said components of said optical system contained in an interior of said tubular shaft. On information and belief, said components comprise at least two of the following: a lens, a spacer, a diaphragm, a prism and a filter. On information and belief, said components are directly surrounded by a support piece made of a shrunk material. On information and belief, said shrunk material is a transparent material. On information and belief, said support piece made of said transparent material has a shape of a tube. On information and belief, said tube containing said components of said optical system has been shrunk prior to

inserting said tube into said interior of said tubular shaft, for allowing a visual check of a position of said components relative to one another. On information and belief, a gap is located between an outside surface of said tube of shrunk material and said inside face of said tubular shaft. Examples of Defendant's reconstructed endoscopes are found in the attached exhibits, which show components in a tube of transparent and shrinkable material. This permits Defendant to inspect the position of the components relative to one another prior to inserting the tube into the endoscope. A gap allows the insertion.

39. It is anticipated that Defendant will argue that its material is not "transparent." However, as shown by the attached exhibits this material is see-through to permit visual inspection of the optical components inside, in accordance with the claims of the '044 patent.

40. In addition, independent claims 15 and 23 of the '044 patent do not require that the material be "transparent." Accordingly, Defendant infringes these claims at least for the reasons discussed with respect to claim 1.

41. Plaintiff has been damaged by loss of sales and customers by Defendant's infringement of the '044 patent, and claims all damages, including but not limited to, lost profits and reasonable royalties, to which it is entitled.

42. On information and belief, Defendant's infringement has been and continues to be willful, making this an exceptional case under 35 U.S.C. § 285 and

entitling Plaintiff to attorney's fees under 35 U.S.C. § 285 and treble damages under 35 U.S.C. § 284.

The harm to Plaintiff resulting from the infringing acts of Defendant is irreparable, continuing, not fully compensable by money damages, and will continue unless permanently enjoined by this Court.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for judgment as follows:

A. That Defendant be adjudicated and decreed to have directly infringed the '945 patent.

B. That Defendant be adjudicated and decreed to have directly infringed and to have induced the infringement of the '044 patent.

C. That a permanent injunction be entered against Defendant, its officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with Defendant who receive actual notice of the injunction by personal service or otherwise, from any further infringement of the '945 patent and '044 patent pursuant to 35 U.S.C. § 283;

D. That Plaintiff be awarded its damages, suffered by reason of the infringements by Defendant, together with prejudgment interest;

E. That the damages awarded to Plaintiff be trebled pursuant to 35 U.S.C. § 284 due to the willful acts of infringement complained of herein;

- F. That this be declared an exceptional case pursuant to 35 U.S.C. § 285;
- G. That Plaintiff be awarded its attorney's fees and costs; and
- H. That Plaintiff be awarded any other and further relief that this Court may deem just and proper or otherwise provided by law.

Jury Demand

Plaintiff demands a trial by jury on all claims and issues so triable.

Respectfully submitted,

Dated: October 23, 2019

/s/ Wesley W. Whitmyer, Jr.
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CERTIFICATE OF SERVICE

This is to certify that on this 23rd day of October, 2019, a true copy of the foregoing Plaintiff's Second Amend Complaint for Patent Infringement and Exhibits A – H were filed electronically filed with the Clerk of the Court using the CM/ECF system. Notice of this filing will be sent by e-mail to all parties by operation of the Court's electronic filing system or by mail to anyone unable to accept electronic filing. Parties may access this filing through the Court's CM/ECF system.

October 23, 2019

/s/ Joan M. Burnett