

**UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF NORTH CAROLINA
CHARLOTTE DIVISION
NO. 11CV104**

Porter’s Group, LLC,)
)
 Plaintiff,)
)
 v.)
)
)
 Pendleton Safe Company, Inc.,)
)
 Defendant.)

**COMPLAINT
(Jury Trial Demanded)**

Nature of the Action

1. This is a Declaratory Judgment action for a declaration of invalidity of U.S. Design Patent Nos. D586,525; D598,175; D619,775; D623,824; and D624,274; all titled “Safe” (hereinafter “the Safe Design Patents”). Copies of the Safe Design Patents are attached as Exhibits 1 through 5. By way of this Complaint, Porter’s Group, LLC also seeks a declaration that a restrictive covenant contained in the Limited Liability Company Agreement of Porter’s Pendleton Safes LLC (“LLC Agreement”) is unenforceable.

The Parties

2. Plaintiff Porter’s Group, LLC (“Porter’s Group”) is a limited liability company organized and existing under the laws of North Carolina, having its principal place of business at 1111 Oates Road, Bessemer City, North Carolina 28016.

3. Upon information and belief, Defendant Pendleton Safe Company, Inc. (“Pendleton Safe”) is a corporation organized and existing under the laws of Georgia,

having its principal place of business at 4630 Grady Smith Road, Loganville, Georgia 30052.

Jurisdiction and Venue

4. This Court has subject matter jurisdiction under 28 U.S.C. §§ 2201, 2202, and 1338, as a declaratory judgment action arising under the Patent Laws, Title 35 of the United States Code. Venue is proper in this district under 28 U.S.C. §§ 1391(b) and (c). This court has subject matter jurisdiction pursuant to 28 U.S.C. § 1332 over the non-patent related claims because there is complete diversity of citizenship and the amount in controversy exceeds \$75,000.

Facts

5. On July 13, 2009 Porter's Group and Pendleton Safe, pursuant to the terms of the LLC Agreement, formed a limited liability company known as Porter's Pendleton Safes LLC ("PPS") for the design, manufacture, and sale of gun safes. A copy of the LLC Agreement is attached as Exhibit 6.

6. At the same time, Pendleton Safe entered into a license agreement ("License Agreement") with PPS to manufacture and sell gun safes. A copy of the License Agreement is attached as Exhibit 7.

7. Under the terms of the License Agreement, Pendleton Safe granted PPS an exclusive license to certain design patents allegedly owned by Pendleton Safe.

8. Among those patents licensed are the Safe Design Patents at issue in this lawsuit.

9. Also, at the same time, Porter's Group and PPS entered into a manufacturing agreement (the "Manufacturing Agreement") to manufacture gun safes.

10. By letter dated February 16, 2011, a copy of which is attached as Exhibit 8, counsel for Pendleton Safe accuses PPS of failing to abide by the terms of the License Agreement, and notifies Porter's Group of Pendleton Safe's intent to terminate the LLC Agreement, the License Agreement, and the Manufacturing Agreement.

11. In paragraph B.1. of its February 16, 2011 letter, counsel for Pendleton Safe gives notice that "if all royalties due to Pendleton are not paid in full with[in] ten (10) business days after receipt of this letter, Pendleton will terminate the License Agreement and initiate proceedings to recover the royalties plus other available remedies if a resolution is not reached."

12. In paragraph D. of its letter, counsel for Pendleton Safe states that "[g]iven the possibility that all or some of the matters addressed in this letter could lead to litigation, Porter's is notified of its obligation to preserve all information, data, and documents (whether stored in hard copy or electronically) that Porter's has in its possession, custody, or control that is or may be relevant to the matters addressed herein, including but not limited to . . . c. the manufacture, sale, invoicing, revenue, costs, expenses, profit, income, and royalties relating to the Licensed Products (as defined in the Licensing Agreement)."

13. The LLC Agreement contains the following restrictive covenant:

For so long as Porter's and Pendleton are each Members, neither Porter's nor Pendleton shall, and each shall ensure that its Affiliates do not, directly or indirectly . . . own, manage, operate, join, control or participate in the ownership, management, operation or control, of any business, whether in corporate, proprietorship or partnership form or otherwise where such business is engaged in the Competitive Business within the Territory.

14. The LLC Agreement defines “Competitive Business” as “the manufacture, marketing, distribution or sale of products related to, or used in, (i) the valuables management market (to the extent the Licensed Patents or Licensed Products (as those terms are defined in the License Agreement)) are applicable thereto or to the extent embodied in [PPS’s] products. . . .”

15. The LLC Agreement defines “Territory” as “the world.”

16. Porter’s Group has at all times relevant hereto manufactured and sold safes in accordance with the Manufacturing Agreement, continues to manufacture and sell safes, and has no intention of stopping the manufacture and sales of the safes.

17. If Pendleton Safe terminates the License Agreement, then Porter’s Group believes that the Manufacturing Agreement will also be terminated. If the Manufacturing Agreement is terminated, then Porter’s Group anticipates that Pendleton Safe will attempt to preclude Porter’s Group from manufacturing the safes based on the Safe Design Patents.

18. Porter’s Group believes that the Safe Design Patents are invalid and cannot be used to preclude Porter’s Group from manufacturing its safes.

19. This case thus presents an actual controversy within 28 U.S.C. § 2201.

**FIRST CAUSE OF ACTION
(Invalidity of the Safe Design Patents)**

20. Porter’s Group refers to and incorporates the preceding paragraphs as if set forth fully herein.

21. Although Porter’s Group has not yet undertaken a full investigation of the question of enforceability and validity of the Safe Design Patents, in preservation of its

right to raise all defenses against Pendleton Safe's threats of litigation and likely action to enjoin Porter's Group from manufacturing the safes, Porter's Group alleges that each of the Safe Design Patents is invalid for one or more of the following reasons:

- (a) The alleged inventor of the Safe Design Patents was not the first, true inventor of the alleged ornamental designs shown in the Safe Design Patents. On the contrary, the same "lazy-susan" designs were invented, known to, or used by others in this country before the inventor's alleged invention, were patented or described in a printed publication in this or a foreign country, or in public use or on sale in this country before the respective filing dates of the applications which became the Safe Design Patents.
- (b) By reason of the proceedings in the Patent and Trademark Office during the prosecution of the applications which resulted in the Safe Design Patents, as shown by the file histories thereof, Pendleton Safe is estopped to claim for said patents a construction that would cause the Safe Design Patents to cover or include any product manufactured, used, or sold by Porter's Group.
- (c) The alleged ornamental design claimed in each of the Safe Design Patents was made by another in this country before the inventor's alleged invention, and such other person has not abandoned, suppressed, or concealed it.
- (d) The Safe Design Patents are invalid under 35 U.S.C. § 103 because the differences between the subject matter that Pendleton Safe seeks to enforce and the prior art are such that the subject matter as a whole would have been obvious at the time of the alleged invention to a person having ordinary skill in the art.

- (e) The Safe Design Patents are invalid under 35 U.S.C. § 171 because the design of the inventions is primarily functional rather than ornamental.
- (f) Before the alleged invention of the ornamental design by the inventor, the alleged invention of each of the Safe Design Patents was known or used by others and was on sale in this country or was patented or described in printed publications in this or in a foreign country.

SECOND CAUSE OF ACTION
(Declaratory Judgment that the Restrictive Covenant is Unenforceable)

- 22. Porter's Group refers to and incorporates the preceding paragraphs as if set forth fully herein.
- 23. As set forth above, Pendleton Safe, has threatened to initiate litigation regarding the LLC Agreement, the Manufacturing Agreement and the other agreements between the parties.
- 24. Based on Pendleton Safe's threats of litigation, Porter's Group believes that, among other things, Pendleton Safe will attempt to enforce the restrictive covenant set forth above contained in the LLC Agreement.
- 25. Because it is eminent that Pendleton Safe will attempt to enforce the restrictive covenant, this case thus presents an actual and justiciable controversy.
- 26. Porter's Group believes that the restrictive covenant is unenforceable because, among other reasons, it is overbroad and not narrowly tailored to protect the legitimate business interests of Pendleton Safes.
- 27. Porter's Group, therefore, seeks a declaration that the restrictive covenant is invalid or is wholly or partially unenforceable.

WHEREFORE, Plaintiff Porter's Group prays that this Court enter judgment that:

- (a) U.S. Design Patent Nos. D586,525; D598,175; D619,775; D623,824; and D624,274 are invalid or unenforceable;
- (b) Pendleton Safe, its officers, agents, counsel, servants, employees, and all persons in active concert or participation with any of them, be enjoined from charging infringement or instituting any action for infringement of U.S. Design Patent Nos. D586,525; D598,175; D619,775; D623,824; or D624,274 against Porter's Group or its customers;
- (c) This is an exceptional case under 35 U.S.C. § 285, and Porter's Group be awarded its reasonable attorneys' fees, expenses, and costs in this action;
- (d) the restrictive covenant is invalid or is wholly or partially unenforceable; and
- (e) Porter's Group be granted such further necessary and proper relief as justice may require.

Demand for Jury Trial

Plaintiff demands trial by jury as to all issues triable by jury in this case as a matter of right.

Respectfully submitted, this 3rd day of March 2011.

s/Albert P. Allan
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