

JUDGE ENGELMAYER

13 CIV 5633

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

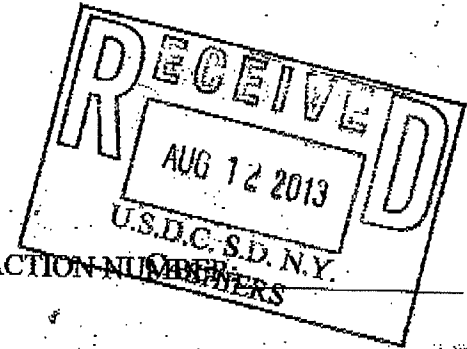
ERGOWERX INTERNATIONAL LLC,
d/b/a SMARTFISH TECHNOLOGIES
LLC,

Plaintiff,

v.

MAXELL CORPORATION OF
AMERICA,

Defendant.



JURY TRIAL DEMANDED

**COMPLAINT FOR DAMAGES, PENALTIES, AND
INJUNCTIVE RELIEF**

Plaintiff Ergowerx International LLC, d/b/a Smartfish Technologies LLC ("Smartfish" or "Plaintiff") alleges as follows based upon knowledge as to its own acts, and upon information and belief as to all other allegations:

1. This is an action for breach of contract, patent infringement, trademark infringement, and other claims listed below arising from the Defendant's breach of an agreement with Smartfish and Defendant's sale of products that infringed upon Smartfish's patents and trademarks.

The Parties

2. Plaintiff Smartfish is a corporation organized under the laws of the State of New York with a principal place of business at 1588 3rd Avenue, New York, New York, 10128.

3. Defendant Maxell Corporation of America (“Maxell” or “Defendant”) is a corporation organized under the laws of the State of New Jersey with a principal place of business at 3 Garret Mountain Plaza, 3rd Floor, Suite #300, Woodland Park, NJ 07424-3352. Maxell may be served with process through the New York Secretary of State which indicates it will serve Maxell by serving Charles Friedrich, Scarinci Hollenbeck, 1100 Valley Brook Ave. P.O. Box 790, Lyndhurst, NJ, 07071-0790.

Jurisdiction and Venue

4. This Court has subject matter jurisdiction of this civil action under 28 U.S.C. §§ 1331, 1332, 1338(a), and 1367(a), and 35 U.S.C. §§ 271 and 281.

5. The amount in controversy exceeds the sum or value of \$ 75,000 exclusive of interest and costs.

6. Venue in this Court is proper under 28 U.S.C. §§ 1391(b) and (c) and 1400(b).

7. This Court has personal jurisdiction over Maxell under the New York Long Arm Statute, N.Y. C.P.L.R. §§ 301 and 302 (McKinney 2007) and Fed. R. Civ. P. 4(h).

8. Maxell has committed acts of patent infringement in this judicial district.

9. Maxell has committed acts of trademark infringement in this judicial district.

Factual Allegations

10. Utilizing the experience and creative ideas of its founder Jack Atzmon, Smartfish developed the world’s first intelligent and healthy range of “injury avoidance” ergonomic computer keyboards and mice. These patented and innovative products were designed to eliminate risks of repetitive stress injury and carpal tunnel syndrome for the user. Smartfish’s computer keyboards and mice slowly adapt and adjust to the user’s typing style and device usage. Smartfish’s proprietary Dynamic Positioning Controller studies a user’s usage pattern,

and makes periodic, yet imperceptible adjustments to the height, angle and radial position of the devices employing the controller. Smartfish's revolutionary computer keyboards and mice were designed in collaboration with the Hospital for Special Surgery in New York, a highly rated Orthopedics Hospital.

11. Combining the science of ergonomics with the technology of motion, Smartfish's ErgoMotion technology was, at the time it was introduced, the industry's most advanced computer peripheral solution designed to relieve discomfort and repetitive stress injuries (RSI) related to extended computer usage. The technology formed the basis for a new generation of solutions, including computer keyboards and mice that promote comfort and productivity for a wide range of computer users during long hours of daily usage, whether at work or at home. ErgoMotion technology enabled computer peripherals to automatically adjust the user's natural hand and wrist positions throughout the day, providing for a more comfortable, healthier, and enjoyable computer lifestyle.

12. Smartfish designed two key computer peripherals that responded to consumer usage: computer keyboards and mice.

13. The Smartfish ErgoMotion Keyboard was the world's first intelligent keyboard that could subtly shift its angle throughout extended computer use, creating an entirely new keyboard experience for the user by tracking the typing speed and self-adjusting its position according to user needs. With a unique design that looked as good as it felt, key features of the new keyboard included an auto-prompt exercise program, an integrated wrist rest and sensor lights. The ErgoMotion Keyboard only required a single USB connection, enabling simple plug-and-play use without the need for additional wires or connections.

14. The Smartfish ErgoMotion Mouse was the first laser mouse for the PC that featured a patented swivel mechanism to promote a fluid movement, allowing the mouse to intuitively adapt to the user's hand position. Smartfish's technology enabled forward, backward and lateral pivots, creating a wave-like movement for the wrist every time the mouse was in use. The ErgoMotion Mouse boasted a sleek design, and featured both left and right click, four-way scroll wheel and a discreet wireless USB plug-in. The device was compatible with MACs and PCs, and featured an ambidextrous design for both right and left-handed users.

15. Smartfish secured patent protection for its revolutionary technology and devices including the following United States patents 8,130,197 B2; D615,976 S; D616,442 S; D616,444 S; and D645,863 S. Smartfish also has a number of other pending patent applications that cover these devices as well. Smartfish also secured trademark protection for various marks including the Smartfish name that were used on these devices and to market these devices including their accompanying packaging and other materials.

16. Smartfish's computer peripherals won numerous awards including: Best of Retailvision – Spring 2009; Design & Engineering Showcase Honors – Innovations International CES – Health + Wellness – 2010; Design & Engineering Showcase Honors – Innovations International CES – Health + Wellness – 2011; Design & Engineering Showcase Honors – Innovations International CES – Computer Peripherals – 2011; GQ Gadget of the Month POPSCI Gadget of the Month, PC World Best Products of 2010; The Macworld Gear Guide - Number 1 mouse – 2010; and the International Design Excellence Awards Finalist – 2011. When PC World rated Smartfish's computer mouse as the number 1 mouse and one of the top 100 best products of 2010, it actually received a higher ranking than Facebook.

17. Smartfish began to capitalize on the innovative nature of its products and the positive reviews, favorable press and high rankings its products were receiving. It began to set up distribution channels and started selling its products. It also sought out distributors who could help Smartfish expand into new areas.

18. In 2009 Smartfish met with Maxell and began discussing the possibility of having Maxell distribute Smartfish's computer keyboards and mice.

19. Maxell represented that it had numerous existing distribution relationships and channels. Maxell represented that Smartfish would benefit from Maxell's existing relationships and resources. Unbeknownst to Smartfish, Maxell falsely represented its relationships and capabilities. Maxell's primary products were items such as tapes and cds that were being eclipsed by technological advances. Rather than using its existing relationships and product lines to open up opportunities for Smartfish's computer peripherals, Maxell sought to have Smartfish's innovative products and technology open doors that had been closing for Maxell and its existing product lines.

20. Based on Maxell's representations about Maxell's capabilities, resources, existing relationships with brick and mortar stores and other distribution channels, Smartfish agreed to enter into a contractual relationship with Maxell.

21. On December 22, 2009, Smartfish and Maxell entered into a contract (the "Agreement") whereby Maxell would buy computer keyboards and mice from Smartfish. This contract is attached hereto as Exhibit A.

22. On January 7, 2010, Maxell issued a press release that confirmed its agreement with Smartfish and announced that "Maxell Partners with Smartfish Technologies to Deliver Innovative Ergonomic Products" and that as a result "Maxell unveils new line of healthy

computer peripherals at CES.” The press release confirmed the “revolutionary” nature of the products covered by the agreement and that Smartfish’s technology was “patented technology” and further stated:

Maxell Corporation of America (www.maxell-usa.com), a technology and marketing leader, today announced that it has partnered with Smartfish Technologies to introduce its new line of ergonomically designed keyboards and mice. Maxell’s products powered by Smartfish’s breakthrough ErgoMotion technology are developed by doctors, backed by the Hospital for Specialized Surgery, and help alleviate and even prevent stress pain.

“Consumers spend countless hours on their personal computers, and often can develop stress pain in their wrists and hands. We are very excited to launch a product line that will help consumers alleviate and prevent stress pain associated with heavy computer usage,” said Gordon Tetreault, Maxell’s director of accessory products sales and marketing.

The Maxell powered by ErgoMotion keyboard is a revolutionary product that uses patented technology, which allows the keyboard to react and move to the user’s typing style. This eliminates the repetitive position of the user’s hands, ultimately decreasing stress positions that cause repetitive strain injury (RSI). The keyboard also features a sleek, streamlined and attractive design, allowing it to fit seamlessly into any stylish office space. It retails for \$149.99.

In addition to the keyboard, two types of Maxell powered by ErgoMotion mice will launch later this year; a Wireless Laser Mouse and an Optical version available in several colors. Incorporating the same technology as the keyboard, Maxell powered by ErgoMotion mice will feature a pivoting base that allows the wrist to move in a more natural motion. The 3D axis pivot motion adjusts to natural hand and wrist positions. The mice are ambidextrous and feature a convenient scroll wheel. Maxell’s Laser mouse will retail for \$49.99 and the Optical mouse will retail for \$29.99.

23. Shortly after the execution of the Agreement, Gordon Tetreault, Maxell’s Director of Sales & Marketing was quoted in various publications as stating “Smartfish’s ErgoMotion technology is not only innovative in its design, but it solves the inherent problem of discomfort and injury caused by repetitive use of computer peripheral devices.” “Through this partnership, Hitachi Maxell [the parent company of Maxell] will immediately expand its line of computer products to bring next-generation technology and peripherals to our customer base. Smartfish has

provided Hitachi Maxell with a new and unique innovation which will only strengthen our broader portfolio of products.”

Maxell’s Breach Of Its Contract With Smartfish

24. Following the execution of the Agreement by both parties and notwithstanding its contractual obligations and its obligations of good faith and fair dealing, Maxell immediately began to make unreasonable demands on Smartfish and to condition its own performance on Smartfish’s acquiescence to Maxell’s unreasonable and extra-contractual demands. For example, seeking to wrest additional profits from its agreement with Smartfish, Maxell refused to accept delivery of products until Smartfish purchased and obtained Maxell brand batteries. In order to ensure Maxell’s payment for products so that Smartfish had sufficient capital to fund operations, Smartfish was forced by Maxell to locate and purchase at Smartfish’s cost Maxell brand batteries. The Maxell batteries proved unsuitable for Smartfish’s products and caused operational problems attributable solely to the batteries. Maxell refused to reimburse Smartfish for the cost of the batteries.

25. Similarly, Maxell demanded that Smartfish produce the products in a range of custom colors. This demand resulted in Smartfish’s having to incur significant additional costs to send its personnel to China to obtain colors acceptable to Maxell. Over Smartfish’s objections, and for reasons unknown to Smartfish, Maxell selected unusual colors that limited the merchantability of the products.

26. Maxell also demanded that Smartfish re-tool product packaging and demanded packaging that Maxell was counseled by Smartfish would hurt efforts to market the patented products and to secure distribution channels for the products. Despite express contractual provisions requiring Maxell to pay the costs for such efforts, Maxell failed either to pay or to

reimburse Smartfish for the costs associated with such efforts. In particular, the Agreement specified that “Maxell shall be solely responsible for the cost and creation of any and all artwork, including but not limited to Packaging, Instruction Booklets, Product Labels, Product Graphics, Packaging Contents, etc. to be used in connection with the Products.” Notwithstanding this express obligation, Maxell refused to pay for any such costs or to reimburse Smartfish for any costs incurred at Maxell’s request. Maxell also failed to pay or reimburse Smartfish for artwork developed at Smartfish’s cost that Maxell utilized.

27. Pursuant to the terms contained in the Agreement, Maxell was to purchase products from Smartfish and then distribute those products to specified distribution channels in North America and Latin America. The Agreement reserved certain distribution channels exclusively for Smartfish, and Maxell was not authorized to distribute products through such channels. In particular, Maxell was prohibited from distributing products to Amazon, e-Tailers, catalogs of e-tailers, Education or B2B opportunities other than 28 specifically enumerated accounts, or anywhere outside of North America or Latin America. Maxell was only authorized to distribute to brick and mortar customers, their respective online venues or retail distributors, mail order and non-online catalog customers, and 28 specified education and B2B accounts. Notwithstanding this contractual restriction, Maxell marketed and distributed products covered by the Agreement through unauthorized distribution channels. Maxwell even went so far as to establish its own online shop, shopmaxell.com, through which it directly sold products that it was contractual prohibited from selling through such a channel.

28. Maxell’s failure to abide by the contractual restrictions on the distribution of contractual products cannibalized sales from Smartfish which had reserved its own distribution channels including smartfish.com. Maxell’s actions also resulted in a pricing collapse as products

purchased by Maxell continually found their way to distribution channels at prices far below the suggested retail prices agreed to by Maxell or the prices at which Smartfish was selling the products. In some instances the products were effectively being given away once non-Smartfish rebates that were approximately the same as the purchase price were factored in to the calculation. Maxell's breach of the contractual restrictions on Maxell's distribution of contractual products greatly injured Smartfish which was forced to shutter smartfish.com and to shelve its other independent efforts to distribute and sell its products.

29. The Agreement required Maxell to use commercially feasible efforts to gain distribution for the products covered by the Agreement. Commercially reasonable efforts were expressly defined to include educating Maxell's sales force about the products, actively seeking distribution with Maxell's partners, and actively marketing the products. Notwithstanding these contractual obligations, Maxell failed to use commercially reasonable efforts to market the products.

30. Maxell not only failed to adequately market the products but also took counter-productive actions that resulted in the loss of accounts and stores where Smartfish had made prior inroads. Smartfish was injured by Maxell's failure to fulfill its contractual obligations. Smartfish had depended on Maxell to assist it in capitalizing on Smartfish's products and the accolades they were receiving. Maxell's inadequate efforts cost Smartfish sales, new markets and opportunities. Smartfish's injury was attributable to Maxell's failure to capitalize on the positive buzz surrounding the products due to its failure to use commercially feasible efforts to gain distribution for the products covered by the Agreement.

31. Because the products in question were specially manufactured goods that had been customized to Maxell's specifications and whose packaging and product casings bore the

Maxell logo, the Agreement imposed a “purchase obligation” on Maxell that required it to purchase Smartfish products with a minimum dollar value of \$1,804,800 every 18 months that the Agreement was in effect. While Maxell was allowed some flexibility in the mix of products it purchased to satisfy this minimum “purchase obligation,” the Agreement provided that:

In no event, however, ... shall Maxell’s total Product purchases (measured by the aggregate purchase price) be less than \$1,804,800 during such eighteen (18) month period.

32. The Agreement further specified that Maxell would make an initial payment toward its “purchase obligation” of \$437,664 at the time the Agreement was executed. Maxell made this payment utilizing a check dated December 23, 2009, one day after contract execution. The Agreement also required Maxell to make a separate wire transfer payment of \$451,200 to Smartfish at the time Maxell accepted delivery of the initial products. Maxell failed to pay the full amount required by the Agreement and despite accepting delivery of the initial products, Maxell paid only \$751,561 of the \$888,864 specified in the Agreement for the first two payments leaving an unpaid balance \$137,303 due to Smartfish.

33. In addition to failing to make the required initial payments required by the Agreement, Maxell failed to satisfy its minimum “purchase obligation” imposed by the Agreement. In the first 18 month period of the Agreement Maxell purchased only \$751,561 worth of products covered by the Agreement. Maxell thus had an outstanding “purchase obligation” of \$1,053,028 during the initial 18 month period that the Agreement was in effect.

34. While Maxell continues to sell products covered by the Agreement, Maxell has refused to make any further purchases pursuant to its “purchase obligation” in the two subsequent 18 month periods that the Agreement has remained in effect.

35. Therefore, in addition to its outstanding purchase obligation of \$1,053,028 for the initial 18 month period the Agreement was in effect, Maxell has incurred an additional outstanding “purchase obligation of \$3,600,000. Thus, Maxell’s total outstanding balance on its unsatisfied “purchase obligation” is now \$4,653,028.

36. While Smartfish has repeatedly attempted to have Maxell perform all of Maxell’s obligations under the Agreement, Maxell has refused to meet its minimum purchase obligations under the Agreement. Maxell has disingenuously sought to justify its non-performance by arguing that it only had a “good faith” duty to purchase products and not a true “purchase obligation.” This argument is disingenuous for several reasons. First, it ignores the express language of the Agreement which refers to the requirement to purchase a minimum dollar amount of products as a “purchase obligation.” Second, the “good faith” language that Maxell relies upon applies not to the minimum dollar amount required to be purchased which is an unconditional obligation, but rather to which specific products and product quantities will be required to fulfill that unconditional obligation. While Maxell had limited flexibility in choosing the exact mix of products to satisfy its unconditional obligation, it did not have any ability to evade its unconditional obligation to purchase \$1,804,800 of products from Smartfish every 18 months the Agreement remained in effect. This is confirmed by the express contractual language which states:

In no event, however, ... shall Maxell’s total Product purchases (measured by the aggregate purchase price) be less than \$1,804,800 during such eighteen (18) month period.

Third, even if it were true, which it is not, Maxell’s argument that it only had a good faith duty to purchase the specially manufactured and customized products, does not help Maxell given that performance is excused only for a force majeure, and Maxell cannot possibly avoid its purchase

obligation by arguing it was acting in good faith without arguing that it was unable to purchase for some reason beyond its control.

37. Smartfish's ability to survive as an ongoing concern has been significantly weakened by Maxell's actions. Smartfish 1) has incurred costs running into six figures to produce Maxell specific product molds as well as product related artwork and other materials utilized by or developed for Maxell; 2) has incurred additional costs to customize colors and packaging for Maxell, 3) has incurred costs to locate and purchase Maxell brand batteries; and 4) has incurred costs trying to compete against unauthorized low-priced competitors dumping products traceable to Maxell on the market.

38. Due to the acts and failures to act by Maxell, Smartfish has had to lay off employees and shut down its independent sales efforts. Smartfish has seen its corporate valuation greatly impacted by Maxell's contractual breaches. Lacking the revenue it was entitled to receive under the Agreement while simultaneously having its independent sales efforts compromised by Maxell's breach of contractual restrictions on the distribution channels Maxell was authorized to utilize, caused Smartfish to experience significant cash flow problems that have impacted its operations, intellectual property portfolio and its survival.

39. As a result of Maxell's actions, Smartfish's prospects and opportunities are greatly diminished.

40. Smartfish repeatedly tried to get Maxell to cease breaching its contractual obligations, but each time it was rebuffed by Maxell.

Count I
Breach of Contract

41. Smartfish repeats and realleges each and every allegation set forth above.

42. The Agreement is a valid and subsisting Agreement between Smartfish and Maxell. The Agreement is supported by adequate consideration. Neither Smartfish nor Maxell has terminated the Agreement.

43. Maxell has materially breached the Agreement by failing to satisfy its minimum purchase obligations and other contractual obligations detailed above in this Complaint.

44. Maxell has materially breached the Agreement in other ways, the details of which are unknown at this time.

45. In view of Maxell's breach of the Agreement, Smartfish is entitled to receive the outstanding \$4,653,028 balance due under the Agreement pursuant to Maxell's minimum payment obligation.

46. In view of Maxell's breach of the Agreement, the outstanding \$4,653,028 balance due under the Agreement pursuant to Maxell's minimum payment obligation is now immediately due and payable, and Smartfish is entitled to injunctive relief and/or confession of judgment for such unpaid balances, and an award of its reasonable attorneys' fees and costs for enforcement of such agreements.

47. In addition to the outstanding \$4,653,028 balance due under the Agreement pursuant to Maxell's minimum payment obligation, Smartfish has suffered monetary and other damages, in an as-yet undetermined amount, as the direct and proximate result of Maxell's material breach of the Agreement.

Count II
Fraud In The Inducement

48. Smartfish repeats and realleges each and every allegation set forth above.

49. On or about December 22, 2009, Smartfish, as a result of fraudulent misrepresentations made by Maxell and/or its employees while acting within the scope of their authority and in furtherance of the business interests of Maxell, did enter into an Agreement with Maxell, whereby Smartfish agreed to allow Maxell to act as its distributor for present and future sales of Smartfish's products through delineated distribution channels and Maxell agreed to so act, in a fiduciary capacity and on behalf of Smartfish, as Smartfish's distributor for these products.

50. Upon information and belief, on, about or immediately preceding the making of the Agreement, Maxell, through its agents and/or employees, fraudulently represented to Smartfish, for the sole purpose of inducing Smartfish to enter into the aforesaid Agreement, and with the intent to deceive, cheat and defraud Smartfish, and with full knowledge that the statements so made by them were not true, that:

- a. Maxell would at all times act as Smartfish's fiduciary and distributor and would protect and promote the best interests of Smartfish and its aforesaid products; that Maxell would faithfully adhere to and perform all of its obligations under the aforesaid Agreement; and would distribute Smartfish's products in a good faith and diligent manner, and would promote Smartfish's products in all markets through commercially reasonable efforts; and
- b. All minimum payment obligations pursuant to the Agreement would be timely made and accounted for; that Maxell would carry out the distribution of Smartfish's products using good business distribution practices; and would protect Smartfish's products as a protected patented

device; would protect and promote Smartfish's property right in said device; that new sales and markets for Smartfish's products would be pursued by Maxell on behalf of Smartfish within and without the country; that Maxell would not compete in the manufacture and/or distribution of said product or any likeness thereof, nor commit a breach of its fiduciary duty by entering into contracts for Smartfish's products or any likeness thereof with any existing or future customers desiring Smartfish's products or any facsimile thereof; and that Maxell would at all times protect the integrity and solvency of Smartfish's products and business; and

c. That Maxell would not act in any manner contrary to its fiduciary capacity as a distributing agent for Smartfish's products; and

d. That Smartfish's business and/or its products protected by a registered patent and/or trademark and/or its mark would be accurately promoted and protected in the general market for the benefit of Smartfish.

51. On or about December 22, 2009, Smartfish wholly believing and relying upon the statements and representations made by Maxell and having no opportunity to ascertain the proof of any falsity thereof prior to the commencement of their Agreement, did enter into an Agreement with Maxell whereby Smartfish did hold out Maxell to be its lawful distributor and non-exclusive licensee; and did allow Maxell to market Smartfish's products pursuant to the terms of the Agreement and did thereafter provide products to Maxell for subsequent sale pursuant to the terms of the Agreement.

52. Upon information and belief, at the time of the making of the Agreement, Maxell had notice of each and every term and condition and representation so made by its representatives and knew that Smartfish was relying thereon.

53. Upon information and belief, each and every statement, representation, covenant and promise made by Maxell herein was false and untrue and known by Maxell to be so at the time the statement was made and all of Maxell's statements were intentionally and fraudulently made with the intent to cheat and defraud Smartfish herein.

54. From the inception of Maxell's knowledge and possession of Smartfish's products and contact with Smartfish's customers and market, Maxell has failed to perform its obligations under the Agreement and has acted in breach of its fiduciary responsibility to Smartfish.

55. Maxell's unlawful acts committed since 2009 were committed with gross malice and without the knowledge and/or consent of Smartfish and represent a continuing course of conduct against Smartfish and other entities similarly situated. These acts include but are not limited to the following:

- a. Maxell marketed and sold products through unauthorized distribution channels in direct competition to Smartfish's own marketing and sales operations; and
- b. Maxell established and created an unauthorized internet website (shopmaxell.com) for the sale and distribution of products which diverted sales from Smartfish's operations.

56. Maxell has refused to act in the best interests of Smartfish as its fiduciary and instead, acted in a competitive, unlawful manner for the purpose of stealing Smartfish's protected products, sales and market.

57. At all times hereinafter mentioned, Maxell was and still is in default of its contractual obligations to Smartfish herein.

58. Smartfish has allowed Maxell numerous opportunities to cure its defaults and/or unlawful conduct and Maxell has failed and/or refused to remedy same and/or refrain from such unlawful conduct in the future.

59. As a direct and foreseeable result of Maxell's failure and/or refusal to cease its unlawful conduct and remedy its default and deceptive practices, Smartfish has sustained lost profits in sales, together with ancillary damages and continues to suffer from same, a diminishing market, together with damage to its good name, reputation product, and other unwarranted costs and damages.

60. Smartfish has fully performed all of its duties and obligations under the distributorship Agreement.

61. As a result of the foregoing, Smartfish has fully performed its obligations under the aforesaid agreement but the obligations to be performed by Maxell have not been met.

62. Maxell has refused and/or failed to meet its obligations and as a result, Maxell has defaulted.

63. Smartfish has demanded in a timely and reasonable manner that Maxell fully perform its obligations pursuant to the Agreement and that Maxell refrain from the unlawful conduct set forth herein, but Maxell has wrongfully failed, refused or neglected to do so as of this date.

64. Due to Maxell's unlawful conduct of unfair business practice and deception, Smartfish has sustained the loss of its past, present and/or future customers and market and has otherwise sustained additional compensatory damages.

65. The aforesaid conduct of Maxell was willful, grossly malicious, and reckless and was calculated to cause and did cause harm to Smartfish which has no adequate remedy at law,

66. By reason of the false and fraudulent statements made by Maxell to Smartfish herein and the deceptions and fraud practiced by Maxell upon Smartfish, Maxell has unlawfully obtained and deprived Smartfish of profits to which it is entitled and rendered Smartfish's investments in its product useless.

67. As a result of the foregoing, Smartfish has sustained damages in an amount to be determined at trial.

Count III Fraud

68. Smartfish repeats and realleges each and every allegation set forth above.

69. Due to the acts set forth in Smartfish's complaint, committed by Maxell with gross malice and with the intention of stealing Smartfish's trade secrets and protected products, Smartfish has been defrauded herein due to the loss of sales and market growth.

70. As a result of the foregoing, Smartfish has sustained damages in an amount to be determined at trial.

Count IV Conversion

71. Smartfish repeats and realleges each and every allegation set forth above.

72. Maxell has converted monies and the proceeds of sales due Smartfish without the knowledge and consent of Smartfish and as a result of those diverted sales and inducements of breaches of contract; and breaches of a fiduciary relationship, Maxell has taken possession for its own use and benefit proceeds from the sale of Smartfish's product and monies due Smartfish from 2009 up to and including the present. As a result of its contractual breaches Maxell has also converted Smartfish products.

73. As a result of the foregoing, Smartfish has sustained damages in an amount to be determined at trial.

Count V
Action For An Award Of Attorney's Fees And Costs

74. Smartfish repeats and realleges each and every allegation set forth above.

75. As a result of the continued fraudulent actions of Maxell while acting as a fiduciary and in breach of that duty to Smartfish, Smartfish has sustained legal fees and incurred disbursements in seeking compensatory damages and injunctive relief. As a result of the foregoing, Smartfish is entitled to an award of attorney's fees and costs of litigation in a sum deemed reasonable by the Court.

76. In addition, the Agreement provides that the prevailing party be awarded attorney's fees. Smartfish is also entitled to attorney's fees as a result of Maxell's acts of infringement.

Count VI
Patent Infringement

77. Smartfish repeats and realleges each and every allegation set forth above.

78. By breaching the contractual restrictions limiting the distribution channels through which it was authorized to sell products covered by the Agreement, Maxell has infringed and is continuing to infringe, literally and/or under the doctrine of equivalents, the Smartfish patents listed above by practicing one or more claims of the patents in their manufacture, use, offering for sale, sale, and/or importation of products, and/or by inducing or contributing to the infringement of the Smartfish patents, under 35 U.S.C. § 271.

79. In addition to Smartfish's breach of contract claim with respect to the Agreement, Maxell has infringed and is continuing to infringe, literally and/or under the doctrine of equivalents, the Smartfish patents listed above by practicing one or more claims of the patents in their manufacture, use, offering for sale, sale, and/or importation of products, and/or by inducing or contributing to the infringement of the Smartfish patents, under 35 U.S.C. § 271.

80. The Smartfish patents are valid and subsisting and Smartfish is entitled to a presumption of validity under 35 U.S.C. § 282.

81. Smartfish is the owner of all rights, title, and interest in and to the Smartfish patents and possesses all rights of recovery under those patents.

82. Maxell had knowledge of the Smartfish patents at all times relevant to this action. Maxell even referenced the fact that Smartfish's products utilized patented technology in Maxell's press releases about the products and its Agreement with Smartfish.

83. The infringement of the Smartfish patents by Maxell has been and continues to be willful, and therefore Smartfish is entitled to treble damages in an amount to be determined at trial under 35 U.S.C. § 284 and attorney's fees under 35 U.S.C. § 285.

84. Smartfish has suffered monetary and other damages in an as-yet undetermined amount, and irreparable injury, as the direct and proximate result of the infringement of the Smartfish patents by Maxell. Smartfish has no adequate remedy at law. Unless enjoined, Maxell will continue to infringe and to damage Smartfish irreparably.

Count VII Trademark Infringement

85. Smartfish repeats and realleges each and every allegation set forth above.

86. This count arises under 15 U.S.C. § 1114 with respect to the infringement of Smartfish's federally registered protected trademark and service mark.

87. By virtue of Smartfish's aforesaid extensive use, advertising and promotion of its trademark, the trade and public have come to associate use of this trademark with Smartfish and the activities conducted by them, and Smartfish's trademark has acquired secondary meaning in the trademark.

88. Upon information and belief, Maxell, with actual and constructive notice of Smartfish's prior use and registration of its mark, have utilized Smartfish's mark and marks confusingly similar thereto to sell its merchandise.

89. Maxell's unlawful uses of Smartfish's mark and marks confusingly similar thereto are likely to cause confusion, mistake or deception as to the source of origin of Maxell's products and to mislead the public into believing that Maxell's products originate from, are affiliated with, or are sponsored, authorized or approved by Smartfish.

90. Maxell's aforesaid actions will cause sales of Smartfish's merchandise to be lost and/or diverted to Maxell. Further, Maxell's false designations of origin will irreparable harm and injure Smartfish's goodwill and reputation. Such irreparable harm will continue unless enjoined by this Court.

91. The aforesaid acts of Maxell constitute a violation of Smartfish's rights under 15 U.S.C. §§ 1114 and 1125(a) and § 360 *et seq.* of the General Business Law of the State of New York.

92. Maxell's infringing activities have been committed with the knowledge and the intent that such infringement would cause confusion and mistake and with the specific intent to deceive and to harm Smartfish's business.

93. As a result, Smartfish is entitled to recover Maxell's profits and Smartfish's damages in this action.

94. Smartfish requests that the Court increase the damages to three times the amount found or assessed at trial in accordance with 15 U.S.C. § 1117 and award all penalties and relief available under 15 U.S.C. § 1117 and any other applicable law.

95. Smartfish will have no adequate remedy at law if Maxell's activities are not enjoined and will suffer irreparable harm and injury to Smartfish's image and reputation as a result thereof.

Count VIII Violations of the Lanham Act

96. Smartfish repeats and realleges each and every allegation set forth above.

97. This count arises under 15 U.S.C. § 1125(a) which relates to trademarks, trade names and unfair competition entitled "False Designations of Origin and False Descriptions Forbidden," and involves false description in commerce.

98. Smartfish's mark has been used widely throughout the United States to identify products and services of Smartfish. As a result of same, Smartfish's mark has developed and now has a secondary and distinctive trademark meaning to purchasers of goods which bear Smartfish's mark.

99. Maxell, by misappropriating and using Smartfish's mark and/or a trade name and/or mark so similar to Smartfish's, has misrepresented and falsely described to the general public the source of origin of the merchandise so as to create the likelihood of confusing by the ultimate purchaser as to both the source and sponsorship of the merchandise.

100. Smartfish will be damaged by the sale of the merchandise bearing Smartfish's mark.

101. The unlawful merchandising activities of Maxell, as described above, are without permission or authority of Smartfish and constitute express and implied misrepresentations that the merchandise was created, authorized or approved by Smartfish.

102. The aforesaid acts of Maxell are in violation of 15 U.S.C. § 1125(a) in that Maxell will use, in connection with goods and services, a false designation or origin and have caused and will continue to cause said goods the merchandise to enter into interstate commerce,

103. Smartfish has no adequate remedy at law and, if Maxell's activities are not enjoined, will suffer irreparable harm and injury.

Count IX
Violations Of Section 360 *et seq.* Of The General Business Law Of The State Of New York

104. Smartfish repeats and realleges each and every allegation set forth above.

105. This count arises under Section 360 *et seq.* of the General Business Law of the State of New York.

106. Maxell's activities are likely to dilute the distinctive quality of Smartfish's mark and/or trade name and injure the business reputation of Smartfish in violation of its rights under 360 *et seq.* of the General Business Law of the State of New York.

107. Smartfish has no adequate remedy at law and, if Maxell's activities are not enjoined, will suffer irreparable harm and injury.

Count X
Breach of the Implied Covenant of Good Faith and Fair Dealing

108. Smartfish repeats and realleges each and every allegation set forth above.

109. Maxell has breached the implied covenant of good faith and fair dealing in performing its obligations under the Agreement.

110. As described above, Maxell and Smartfish entered into the Agreement. Implied in the Agreement were covenants that the parties would deal with each other in good faith and fairly and not act in a manner that would deprive the other party of the benefits of the agreement.

111. Maxell's failure to perform its obligations under the Agreement and its breach of the Agreement's restrictions of the distribution channels Maxell was authorized to utilize and its acts of infringement knowingly and willfully deprives Smartfish of the benefits of the Agreement and breaches the implied covenants of good faith and fair dealing in the Agreement.

112. As a result of Maxell's breach of the implied covenants of good faith and fair dealing in the Agreement, Smartfish has suffered and will continue to suffer irreparable harm and damages to its business and reputation.

113. Unless enjoined by this Court, Maxell's breach of the implied covenants of good faith and fair dealing in the Agreement will continue to cause irreparable harm to Smartfish's business and reputation.

114. Smartfish has no adequate remedy at law.

Count XI
Unjust Enrichment

115. Smartfish repeats and realleges each and every allegation set forth above.

116. The acts of Maxell complained of herein have unjustly enriched said Maxell and said acts were committed without the consent and/or knowledge of Smartfish and were committed for that purpose.

117.

Count XII
Accounting

118. Smartfish repeats and realleges each and every allegation set forth above.

119. Smartfish is entitled to an accounting of Maxell's with respect to sales, collections, receipts, disbursements, charges, payments, and profits in specific detail with respect to the products which were the subject of the Agreement.

120. Smartfish is entitled upon such accounting to judgment against Maxell directing Maxell to pay over such sums as are found to be due together with costs and interests in this action or in the alternative, if not paid, to judgment against Maxell for the amounts shown to be due thereon.

121. Smartfish has no adequate remedy at law.

Prayer for Relief

122. Wherefore Smartfish requests that this Court enter judgment in its favor on each and every claim for relief set forth above and award it relief, including but not limited to a judgment and order as follows:

- A. holding Defendant Maxell liable for breach of contract, specifically, the Agreement;
- B. holding Defendant Maxell liable for patent infringement for its sales of products covered by the Agreement through unauthorized distribution channels prohibited by the Agreement;
- C. holding Defendant Maxell liable for trademark infringement for its sales of products covered by the Agreement through unauthorized distribution channels prohibited by the Agreement;
- D. in addition to Smartfish's breach of contract claim relating to the Agreement, holding Defendant Maxell liable for patent infringement;

- E. in addition to Smartfish's breach of contract claim relating to the Agreement, holding Defendant Maxell liable for trademark infringement;
- F. directing Maxell to pay to Smartfish its actual damages for:
 - a. Defendant Maxell's breach of contract; or
 - b. Defendant Maxell's patent infringement
 - c. Defendant Maxell's trademark infringement
- G. directing Defendant Maxell to pay the entire remaining unpaid \$4,653,028 balance for its minimum purchase obligation pursuant to the Agreement, and directing Defendant Maxell to confess judgment for such amounts;
- H. directing Defendant Maxell to pay Smartfish's other damages, including but not limited to direct, consequential, indirect, compensatory, and punitive damages;
- I. holding that Defendant Maxell's patent and trademark infringement has been and continues to be willful and trebling Smartfish's damages;
- J. enjoining Defendant Maxell from making, having made, using, importing, or selling products covered under the Agreement under 35 U.S.C. § 283, and/or from continuing to breach the Agreement as well as any other injunctive relief this Court deems just and appropriate;
- K. directing Defendant Maxell to pay Smartfish's attorneys' fees and costs under 35 U.S.C. § 285 and/or the Agreement;
- L. directing Defendant Maxell to pay prejudgment and post-judgment interest;
- M. providing such other and further relief as this Court deems just and appropriate.

123. Smartfish demands a jury trial on all claims set forth in this Complaint.

Date: August 12, 2013

Respectfully submitted,


Jay Nelkin

Attorney Bar Code No. JN7743

Carol Nelkin

Texas State Bar No. 14884000

(*pro hac vice* motion to be filed)

NELKIN & NELKIN, P.C.

5417 Chaucer

Houston, TX 77005

713-526-4500 (Tel)

281-825-4161 (Fax)

jnelkin@nelkinpc.com

cnelkin@nelkinpc.com

Jay Nelkin

NELKIN & NELKIN, P.C.

C/O Fleischman Law Firm PLLC

565 Fifth Avenue, 7th Floor

New York, New York 10017

Telephone: 212-880-9571

jnelkin@nelkinpc.com

ATTORNEYS FOR PLAINTIFF