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 10  
 11 Attorneys for Defendant/Counterclaimant  
 12 Midwest Industrial Supply, Inc.

13 **IN THE UNITED STATES DISTRICT COURT**  
 14 **FOR THE DISTRICT OF ARIZONA**

15 Soilworks, LLC, an Arizona corporation,  
 16  
 17 Plaintiff,  
 18  
 19 v.  
 20 Midwest Industrial Supply, Inc., an Ohio  
 21 corporation authorized to do business in  
 22 Arizona,  
 23  
 24 Defendant.

No. 2:06-CV-02141-DGC

25 Midwest Industrial Supply, Inc., an Ohio  
 26 corporation authorized to do business in  
 27 Arizona,  
 28  
 29 Counterclaimant,  
 30  
 31 v.  
 32 Soilworks, LLC, an Arizona corporation,  
 33  
 34 Counterdefendant.

35 **MIDWEST INDUSTRIAL SUPPLY, INC.'S**  
 36 **ANSWER AND COUNTERCLAIMS**

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1 **MIDWEST INDUSTRIAL SUPPLY, INC.’S ANSWER**

2 Defendant, Midwest Industrial Supply, Inc. (“Defendant”), through the undersigned  
3 counsel of record, hereby Answers the Complaint of Plaintiff, Soilworks, LLC,  
4 (“Plaintiff”) as follows:

5 **JURISDICTION AND VENUE**

6 1. Defendant admits that Plaintiff purports to allege a Complaint for an  
7 injunction, damages and other relief. Defendant admits that Plaintiff purports to allege a  
8 violation of the Lanham Act, the Arizona Deceptive Trade Practices Act, and of Arizona  
9 common law. Defendant admits that Plaintiff purports to seek a declaratory judgment but  
10 otherwise denies each and every remaining allegation of Paragraph 1 of the Complaint.

11 2. Defendant denies the allegations of Paragraph 2 of the Complaint.

12 3. Defendant admits that it does business within this judicial district but  
13 otherwise denies each and every remaining allegation of Paragraph 3 of the Complaint.

14 4. Defendant denies the allegations of Paragraph 4 of the Complaint.

15 **THE PARTIES**

16 5. Upon information and belief, Defendant admits that Soilworks is a limited  
17 liability company with its principal place of business located at 681 North Monterey  
18 Street, Suite 101, Gilbert Arizona 85233. Defendant is without sufficient information to  
19 form a belief as to the remaining allegations of Paragraph 5 of the Complaint and, on that  
20 basis, denies the same.

21 6. Defendant admits the allegations of Paragraph 6 of the Complaint.

22 **FACTUAL BACKGROUND**

23 7. Defendant is without sufficient information to form a belief as to the  
24 allegations of Paragraph 7 of the Complaint and, on that basis, denies the same.

25 8. Defendant admits that Defendant competes with Plaintiff but otherwise  
26 denies each and every remaining allegation of Paragraph 8 of the Complaint.

27 9. Defendant denies the allegations of Paragraph 9 of the Complaint.

28 10. Defendant denies the allegations of Paragraph 10 of the Complaint.

1 11. Defendant denies the allegations of Paragraph 11 of the Complaint.

2 12. Defendant admits that is has obtained U.S. Patent No. 7,081,270. Defendant  
3 denies that it has made any false statement and/or misrepresentation to any of Plaintiff's  
4 distributors, customers and end users. Defendant is without sufficient information to form  
5 a belief as to what meaning Plaintiff gives regarding "Midwest owns a proprietary  
6 position" and, on that basis, denies the allegation of Paragraph 12 of the Complaint.  
7 Defendant denies any remaining allegation of Paragraph 12 of the Complaint.

8 13. Defendant denies the allegations of Paragraph 13 of the Complaint.

9 14. Defendant denies the allegations of Paragraph 14 of the Complaint.

10

11

**COUNT I  
FALSE REPRESENTATION UNDER LANHAM ACT, § 43(A)**

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15. Defendant repeats and realleges its answers to paragraphs 1-14 as if fully set  
forth herein.

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16. Defendant denies the allegations of Paragraph 16 of the Complaint.

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17. Defendant denies the allegations of Paragraph 17 of the Complaint.

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18. Defendant denies the allegations of Paragraph 18 of the Complaint.

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19. Defendant denies the allegations of Paragraph 19 of the Complaint.

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**COUNT II  
DECLARATORY JUDGMENT UNDER 28 U.S.C. § 2201**

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20. Defendant repeats and realleges its answers to paragraphs 1-19 as if fully set  
forth herein.

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21. Defendant admits that it has averred "U.S. Patent No. 7,081,270 was duly  
and legally issued [to Defendant], that [it] is the lawful owner, including the right to sue  
and to recover for any and all infringement (sic) of U.S. Patent No. 7,081,270" but  
otherwise denies that Defendant has averred Plaintiff "infringes said patent."

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1           22. Paragraph 22 of the Complaint sets forth legal and factual conclusions to  
2 which no response is required. To the extent a response is required, Defendant denies each  
3 and every allegation of Paragraph 22 of the Complaint.

4           23. Defendant denies the allegations of Paragraph 23 of the Complaint.

5                           **COUNT III**  
6                           **MISAPPROPRIATION OF GOODWILL**

7           24. Defendant repeats and realleges its answers to paragraphs 1-23 as if fully set  
8 forth herein.

9           25. Defendant denies the allegations of Paragraph 25 of the Complaint.

10          26. Defendant denies the allegations of Paragraph 26 of the Complaint.

11                           **COUNT IV**  
12                           **TORTIOUS INTERFERENCE WITH BUSINESS**  
13                           **RELATIONSHIP AND EXPECTANCY**

14          27. Defendant repeats and realleges its answers to paragraphs 1-26 as if fully set  
15 forth herein.

16          28. Defendant is without sufficient information to form a belief as to the  
17 allegations of Paragraph 28 of the Complaint and, on that basis, denies the same.

18          29. Defendant denies the allegations of Paragraph 29 of the Complaint.

19          30. Defendant denies the allegations of Paragraph 30 of the Complaint.

20                           **COUNT VI**  
21                           **ARIZONA COMMON LAW AND UNFAIR COMPETITION**

22          31. Defendant denies there is a Count VI since there is no Count V. Defendant  
23 repeats and realleges its answers to paragraphs 1-30 as if fully set forth herein.

24          32. Defendant denies the allegations of Paragraph 32 of the Complaint.

25          33. Defendant denies the allegations of Paragraph 33 of the Complaint.

26                           **AFFIRMATIVE DEFENSES**

27          34. The Complaint, in whole or in part, fails to state a claim upon which relief  
28 may be granted.

          35. Plaintiff is not entitled to the damages sought in the Complaint.

1           36. Plaintiff's claims for unfair competition are barred, in whole or in part, on  
2 the ground that Defendant's business practices are not unfair.

3           37. The Complaint is barred, in whole or in part, by the doctrine of unclean  
4 hands.

5           38. The Complaint is barred, in whole or in part, because Plaintiff has not  
6 suffered any damages or injury to its business or property as a result of the acts alleged to  
7 have been committed by Defendants.

8           39. Plaintiff's state law claims are preempted by federal statutes.

9           WHEREFORE, Defendant Midwest Industrial Supply, Inc. prays for judgment as to  
10 Plaintiff's Complaint as follows:

11           A. Plaintiff be required to pay Defendant its attorneys' fees and costs pursuant  
12 to the defense of this Complaint;

13           B. That Plaintiff be afforded such other and further relief as the Court may  
14 deem just and equitable;

15           C. That Plaintiff take nothing by way of its Complaint;

16           D. That judgment be entered in favor of Defendant and that Plaintiff's  
17 Complaint be dismissed with prejudice;

18           E. The Court enter judgment in favor of Defendant in the amount of its actual  
19 damages sustained as a consequence of Plaintiff's unlawful conduct, trebled as provided  
20 by law;

21           F. That judgment be entered declaring that Defendant's patent is not invalid;

22           G. That judgment be entered declaring that Plaintiff is not entitled to injunctive  
23 relief;

24           H. That this be declared an exceptional case pursuant to 35 U.S.C. § 285; and,

25           I. Such other and further relief as the Court may deem appropriate.  
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1                                   **MIDWEST INDUSTRIAL SUPPLY, INC.’S COUNTERCLAIMS**

2           For its counterclaims against Soilworks, LLC (“Soilworks”), Midwest Industrial  
3 Supply, Inc. (“Midwest”) restates and incorporates by reference the allegations set forth in  
4 its Answer as if fully set forth herein and further states as follows:

5                                   **THE PARTIES**

6           1.       Midwest is an Ohio corporation that maintains its principal place of business  
7 in Canton, Ohio.

8           2.       Based on information and belief, Soilworks is a limited liability company  
9 that maintains its principal place of business at 681 North Monterey Street, Suite 101,  
10 Gilbert, Arizona 85233. Based on information and belief, each of the members of  
11 Soilworks is a resident and citizen of the State of Arizona.

12                                   **JURISDICTION AND VENUE**

13           3.       This Court has subject matter jurisdiction over this action pursuant to 28  
14 U.S.C. § 1332(a), as there is complete diversity between Midwest and Soilworks and the  
15 amount in controversy exceeds \$75,000. This Court also has subject matter jurisdiction  
16 over Midwest’s federal claims under the Lanham Act, 15 U.S.C. §§ 1041 *et seq.*, and the  
17 Declaratory Judgment Act, 28 U.S.C. §§ 2201 *et seq.*, pursuant to 15 U.S.C. §§ 1121 and  
18 28 U.S.C. §§ 1331, 1338, and has supplemental jurisdiction over Midwest’s state law  
19 claims against Soilworks pursuant to 28 U.S.C. § 1367.

20           4.       This Court has personal jurisdiction over Soilworks by virtue of the facts that  
21 Soilworks has its principal place of business in the State of Arizona in this judicial district,  
22 does business in the State of Arizona in this judicial district, and has committed tortious  
23 conduct in this judicial district.

24           5.       Venue is proper in this Court and this judicial district pursuant to 28 U.S.C.  
25 § 1391(b) by virtue of the facts that Soilworks resides in this judicial district and a  
26 substantial part of the events or omissions giving rise to Midwest’s claims against  
27 Soilworks occurred in this judicial district.

28

**FACTUAL BACKGROUND**

1  
2 6. Midwest manufacturers, distributes, promotes, markets, and sells dust  
3 control, erosion control, soil stabilization and anti-icing/de-icing products and related  
4 services for use to a number of customers in various industries located throughout the  
5 United States and the world.

6 7. During the course of its thirty years in business, Midwest has developed a  
7 substantial reputation and good will as a manufacturer of chemical soil stabilization and  
8 dust control products, including its products promoted and marketed under the federally  
9 registered trademarks of Soil-Sement<sup>®</sup>, Envirokleen<sup>®</sup>, EK35<sup>®</sup>, Road Oyl<sup>®</sup>, Road Pro NT<sup>®</sup>,  
10 Haul Road Dust Control<sup>®</sup>, Dustfyghter<sup>®</sup>, and Diamond Dr<sup>®</sup>, Arena Rx<sup>®</sup>, Base-Bldr<sup>®</sup>, and  
11 ROAD-BLDR<sup>®</sup> (collectively, Midwest's Marks).

12 8. Midwest has received U.S. Patent No. 7,074,266 and U.S. Patent No.  
13 7,081,270 for its innovative soil stabilization and dust control technology, trademarked as  
14 "synthetic organic dust control<sup>TM</sup>". Midwest's patented technology is made available  
15 under the registered trademarks EnviroKleen<sup>®</sup>, EK35<sup>®</sup>, Arena Rx<sup>®</sup>, and Diamond Dr<sup>®</sup>  
16 (collectively, "Midwest's Products")

17 9. Midwest has expended substantial money, good will, and other resources in  
18 advertising and promoting each of its products using Midwest's Marks and Midwest's  
19 Products for commercial purposes.

20 10. As a result of Midwest's extensive and continuous use of Midwest's Marks  
21 in connection with Midwest's Products, Midwest's customers and the relevant market  
22 recognize and understand Midwest's Marks as indicating Midwest's proprietary products  
23 and services as emanating from a single source, Midwest.

24 11. Soilworks is a competitor of Midwest. On information and belief, Soilworks  
25 distributes and markets soil stabilization and dust control agents in interstate commerce.

26 12. Midwest has not licensed or otherwise authorized Soilworks to use any of  
27 Midwest's Marks or its patented technology.  
28

1         13. In connection with the advertising and promotion of its soil stabilization and  
2 dust control agents, Soilworks has embarked on a scheme to trade upon and injure the  
3 substantial goodwill and reputation that Midwest has developed in the soil stabilization  
4 and dust control industry. Soilworks has used Midwest's Marks in commerce in an  
5 attempt to divert sales and goodwill from Midwest, thereby causing confusion, mistake  
6 and/or deception as to the affiliation, connection, or association of Soilworks with  
7 Midwest, and/or the origin, sponsorship, or approval of Soilworks' products, services, or  
8 commercial activities from Midwest.

9         14. Soilworks has also made false or misleading statements of fact in its  
10 commercial advertisements and promotions that misrepresent the nature, characteristics,  
11 qualities, or origin of its own services, products, or commercial activities.

12         15. Soilworks' conduct was intended to cause mistake, deception, and consumer  
13 confusion, and was undertaken with the intention of damaging Midwest's goodwill,  
14 reputation, and business in the soil stabilization and dust control industries.

15         16. As a result of Soilworks' conduct, Midwest's goodwill, reputation, and  
16 business has been and continues to be severely and irreparable damaged.

17                                   **COUNT I**  
18                   **Federal Trademark Infringement; False Designation; Unfair Competition**  
19                   **(15 U.S.C. §1125(a); §43(a) of the Lanham Act)**

20         17. Midwest restates and incorporates by reference the allegations set forth in  
21 Paragraph 1 through 16 of its Counterclaims as if fully set forth herein.

22         18. Soilworks has used, and continues to use, one or more of Midwest's Marks  
23 in commerce without Midwest's authorization.

24         19. Soilworks' use of Midwest's Marks has caused and is likely to cause  
25 confusion, mistake, and deception as to the affiliation, connection, or association of  
26 Soilworks with Midwest.

27         20. Soilworks' use of Midwest's Marks has likely caused the consuming public  
28 to mistakenly believe that the Soilworks' products originate from, are sponsored by, or are  
associated with Midwest.





1 29. Soilworks' false or misleading statements have actually deceived, or have a  
2 tendency to deceive, a substantial portion of Soilworks' intended audience.

3 30. Soilworks' false or misleading statements are material in that the statements  
4 are likely to influence potential customers' purchasing decisions.

5 31. As a result of Soilworks' false or misleading statements, Midwest has  
6 suffered and will continue to suffer injury and damages, including losses and irreparable  
7 injury to its sales, business reputation, and goodwill.

8 32. Soilworks' unlawful conduct has caused and continues to cause Midwest  
9 severe and irreparable harm that cannot be adequately remedied solely by monetary  
10 damages. Unless restrained and enjoined by this Court, Soilworks' unlawful actions are  
11 likely to continue, to Midwest's harm and detriment.

12 **COUNT III**  
13 **Declaratory Judgment for Validity and Infringement of U.S. Patent No. 7,081,270**  
14 **(22 U.S.C. § 2201)**

15 33. Midwest restates and incorporates by reference the allegations set forth in  
16 Paragraph 1 through 32 of its Counterclaims as if fully set forth herein.

17 34. In its Complaint, Soilworks has asserted that Midwest's U.S. Patent No.  
18 7,081,270 is invalid and that Soilworks has not infringed any valid and/or enforceable  
19 claim of U.S. Patent No. 7,081,270. Soilworks further alleges that an actual controversy  
20 exists between Soilworks and Midwest as to the validity and scope of U.S. Patent No.  
21 7,081,270.

22 35. Given Soilworks' assertions, an actual and substantial controversy presently  
23 exists between Soilworks and Midwest with respect to the validity and infringement of  
24 U.S. Patent No. 7,081,270 by Soilworks, and warrants the issuance of a declaratory  
25 judgment by the Court.

26 **COUNT IV**  
27 **Arizona Common Law and Unfair Competition**

28 36. Midwest restates and incorporates by reference the allegations set forth in  
Paragraphs 1 through 35 of its Counterclaims as if fully set forth herein.

1 37. Soilworks' conduct has been and continues to be likely to deceive the public,  
2 and constitutes unfair competition in violation of Arizona common law.

3 38. Soilworks' conduct has caused and continues to cause Midwest severe and  
4 irreparable harm that cannot be adequately remedied solely by monetary damages. Unless  
5 restrained and enjoined by this Court, Soilworks' unlawful actions are likely to continue,  
6 to Midwest's harm and detriment.

7 **COUNT V**  
8 **Unjust Enrichment**

9 39. Midwest restates and incorporates by reference the allegations set forth in  
10 Paragraphs 1 through 38 of its Counterclaims as if fully set forth herein.

11 40. Soilworks has been unjustly and inequitably enriched, to the detriment of  
12 Soilworks, by the conduct alleged above.

13 41. Soilworks is obligated to compensate Midwest for the substantial benefit  
14 conferred upon it and unjustly retained by it.

15 **PRAYER FOR RELIEF**

16 WHEREFORE, Midwest prays that this Court enter an Order comprising:

17 A. Judgment against Soilworks that it has committed the wrongful acts as  
18 described herein.

19 B. Declaratory relief that U.S. Patent No. 7,081,270 is a fully valid and  
20 enforceable patent, and Soilworks has infringed U.S. Patent No. 7,081,270.

21 C. A preliminary and permanent injunction issued enjoining Soilworks from  
22 making, importing, using, offering for sale or selling products that infringe U.S. Patent No.  
23 7,081,270;

24 D. An accounting for damages resulting from Soilworks' infringement and  
25 contributory infringement and the trebling of such damages because of the knowing,  
26 willful, and wanton nature of Soilworks' conduct;

27 E. Temporary, preliminary, and permanent injunctive relief against Soilworks,  
28 and Soilworks' officers, agents, representatives, servants, employees, attorneys,

1 successors, and assigns, and all other in active concert or participation with Midwest  
2 enjoining them from:

- 3 1. using Midwest's Marks or any other mark confusingly similar to  
4 Midwest's Marks and from otherwise infringing Midwest's Marks;
- 5 2. falsely designating the origin of the Soilworks' products and services;
- 6 3. falsely advertising or promoting its products, services, or commercial  
7 activities; and
- 8 4. competing unfairly with Midwest; and

9 F. Judgment for an award of actual damages in favor of Midwest and the  
10 trebling of such damages because of the knowing, willful, and wanton nature of  
11 Soilworks' conduct.

12 G. Judgment for an award of punitive damages against Soilworks and in favor  
13 of Midwest.

14 H. Judgment that the costs of this action, attorney's fees, and prejudgment  
15 interest be awarded to Midwest.

16 I. Such other and further relief as this Court may deem just and proper.

17 **DEMAND FOR JURY TRIAL**

18 Midwest hereby demands a trial by jury in the above-entitled action.

19 DATED this 26th day of March, 2007.

20 Bryan Cave LLP

21  
22 By s/ George C. Chen  
23 Lawrence G. Scarborough  
24 George C. Chen  
Two N. Central Avenue, Suite 2200  
Phoenix, AZ 85004-4406

25 Attorneys for Defendant/Counterclaimant  
26 Midwest Industrial Supply, Inc.  
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**CERTIFICATE OF SERVICE**

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I hereby certify that on March 26, 2007, the foregoing Answer and Counterclaims of Midwest Industrial Supply, Inc. was filed electronically. Notice of this filing will be sent to all parties by operation of the Court’s electronic filing system. Parties may access this filing through the Court’s system.

s/ Denise M. Aleman \_\_\_\_\_  
Denise M. Aleman

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