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7
 8 **UNITED STATES DISTRICT COURT**
 9 **IN AND FOR THE DISTRICT OF ARIZONA**

10
 11 SOILWORKS, LLC, an Arizona
 corporation,
 12
 Plaintiff / Counterdefendant /
 13 Counterclaimant,

NO.: 2:06-CV-2141-DGC

**PLAINTIFF’S STATEMENT OF
 FACTS IN SUPPORT OF MOTION
 FOR SUMMARY JUDGMENT**

14 v.

15 MIDWEST INDUSTRIAL SUPPLY, INC.,
 an Ohio corporation authorized to do
 16 business in Arizona,

17 Defendant / Counterclaimant /
 Counterdefendant.
 18

19 Pursuant to LRCiv 56.1 Plaintiff Soilworks submits its Statement of Facts in support
 20 of its Motion for Summary Judgment as follow:

21 1. Soilworks distributes (among other products) a dust control product named
 22 Durasoil. (*See* Volumes I and II of Deposition Transcripts of Chad Falkenberg (“CF depo”)
 23 **filed under seal** as **Exhibit 1** at 302:17-22).

24 2. Midwest distributes dust control products as well, some of which embody two
 25 United States Patents, Nos. 7,081,270 (the “270 Patent”) and 7,074,266 (the “266 Patent”)
 26 (collectively, hereinafter referred to as the “Midwest Patents”) (*See* **Exhibits 2 and 3**).

27 3. It is undisputed that Soilworks and Midwest are competitors. *See* Midwest
 28

1 30 (b)(6) deposition transcript **filed under seal** as **Exhibit 4** at 35:14-36:4.

2 4. On June 8, 2006, prior to the date of issuance of the Midwest Patents,
3 Midwest's outside counsel sent a letter to counsel for Soilworks (June 8th Letter) asserting,
4 among other things, that Midwest "fe[lt] that at least some of the claims in [our] two patent
5 applications cited above could potentially affect your client's ability to make, use and sell
6 Durasoil in the future . . . While no legal actions are contemplated by Midwest at this time,
7 we ask you to kindly review the claims in the Applications, which are enclosed herewith . . ."
8 *See Exhibit 5.*

9 5. Midwest admits that it had not performed any tests to determine whether the
10 Durasoil product infringed the Midwest Patents prior to its June 8th Letter. *See Exhibit 4* at
11 37:10-25-38:1-3.

12 6. Midwest admits it drew no conclusions from its testing of the Durasoil
13 Product. *See Exhibit 4* at 38:14-21.

14 7. On July 27, 2006, just two days after the latter issuance of the Midwest
15 Patents, Midwest sent a letter to Soilworks' client, Polar Supply Company, Inc. ("Polar
16 Supply") ("July 27th Letter"). *See Exhibit 6.*

17 8. Again, at the time it sent the July 27th Letter, Midwest had not performed any
18 infringement analysis which compared Durasoil to the Midwest Patents, and drew no
19 conclusions from its general analysis of the product. *See Exhibit 4* at 37:10-38:3.

20 9. Midwest informed Polar Supply that "[t]he granting of the U.S. patent now
21 allows Midwest to pursue those who make, use, **sell, offer for sale**, and / or import knock-off
22 or imitators of EK35 or Envirokleen." (Id.) (Emphasis in original). *See Exhibit 6.*

23 10. Then, Midwest specifically referred to Soilworks' allegedly infringing
24 conduct:

25 We have appraised (sic) Soilworks LLC, 681 N Monterey Street,
26 Gilbert, AZ 85233 of this patent and to date have not received a
27 substantive response. As you may or may not be aware, U.S. patent
28 law requires that a response be received by the patent owner **when
someone has been accused of infringement.** *See Exhibit 6.*

1 11. In addition to these direct threats, Midwest made general claims to the trade of
2 Soilworks' infringement. ("Marketing Materials"). *See Exhibit 7.*

3 12. In its Marketing Materials, Midwest provided product literature entitled
4 "Compare Midwest and EnviroKleen to the Competition." (*Id.*)

5 13. Again, Midwest specifically addressed Soilworks as an imitator of its
6 products. "**Soilworks, LLC is an imitator** of synthetic organic dust suppressant
7 technology." (*Id.*)

8 14. In its promotional materials, Midwest further states that competitors, like
9 Soilworks, are either not supplying synthetic organic dust control product or they are
10 infringing:

11 Others claiming to offer products similar to EnviroKleen [and]
12 EK35 are either not supplying Synthetic Organic Dust
13 Control or are infringing on Midwest Industrial Supply's patents.
14 The granting of the U.S. Patent now allows Midwest to pursue
15 those who make, use, sell, offer for sale and/or import knock-off
16 or imitators infringing Midwest's technology. *See Exhibit 8.*

16 15. Soilworks manufactures Durasoil at its facility in Gilbert, Arizona, blending
17 and mixing ingredients to meet the specific needs of its customers. *See Exhibit 1* at 165:1-
18 16; 173:17-18; 235:5-11

19 16. As a result, the Durasoil product can contain varying levels of viscosities and
20 mixture ratios. *Id.* at 165:17-166:6.

21 17. The Material Safety Data Sheet ("MSDS") for Durasoil describes the
22 ingredients as a "complex mixture of severely hydrotreated, branched alkanes and alkylated
23 saturated ring compounds" and "proprietary ingredients." *See Exhibit 9.*

24 18. The proprietary ingredients include any one or combination of the following:
25 (i) white mineral oil, (ii) hydrotreated light paraffinic petroleum distillates, and/or (iii)
26 hydrotreated middle petroleum distillates. *See Exhibit 10 filed under sealed (i.e.*
27 **September 18, 2007 "CONFIDENTIAL" ingredients).**

28 19. Midwest is the owner of two United States Patents, Nos. 7,081,270 (the "270

1 Patent”) and 7,074,266 (the “’266 Patent”) (See **Exhibits 2 and 3**).

2 20. Essentially, the ‘266 Patent references a compound and the ‘270 Patent
3 references a method of process for application of the compound described in the ‘266 Patent.
4 (*Id.*)

5 21. Pursuant to their claims, both Midwest Patents must consist of or refer to
6 essentially of the following substances: (a) a binder consisting essentially of a carboxylic
7 acid, an ester, or a thermoplastic polyolefin; and, (b) a synthetic isoalkane. (*Id.*).

8 22. In Count III of its Counterclaim, Midwest seeks Declaratory Judgment that the
9 Midwest Patents are valid and infringed by Soilworks’ Durasoil product. (*See Midwest’s*
10 **Answer and Counterclaim already e-filed with the Court on March 26, 2007**; *see also*
11 **Exhibit 4** at 42:2-3).

12 23. In its pleadings, Midwest identifies the “marks” at issue in this case. Those
13 “marks” are: Soil-Sement[®], Envirokleen[®], EK35[®], Road Oyl[®], Road ProNT[®], Haul Road
14 Dust Control[®], Dustfyghter[®], and Diamond Dr[®], Arena Rx[®], Base-Bldr[®], and ROAD-
15 BLDR[®]. (*See Midwest’s Answer and Counterclaim at p. 6, ¶ 7.*)

16 24. In addition to its claim of patent infringement of the Midwest Patents, Midwest
17 asserts that Soilworks has infringed upon the Midwest Marks by (i) “embark[ing] on a
18 scheme to trade upon and injure the substantial goodwill and reputation” of Midwest and (ii)
19 us[ing] Midwest’s Marks in commerce to divert sales and goodwill from Midwest.” (*See*
20 **Midwest’s Answer and Counterclaim at p.7, ¶ 13**)

21 25. Instead, as best can be gleaned from the record, Midwest’s Lanham Act claims
22 arise from the following five (5) statements:

- 23 • Soilworks, LLC is the innovator and manufacturer of
24 Soiltac soil stabilizer and dust control agent; *See Exhibit 4* at
25 68:6-10.
- 26 • Soilworks, LLC is the innovator and manufacturer of
27 Gorilla-Snot soil stabilizer and dust control agent; *Id.*
- 28 • Soilworks, LLC is the innovator and manufacturer of
Durasoil dust control agent.” *Id.*

1 • Durasoil is an “ultra-pure, synthetic organic fluid []
2 formulated to meet the highest standards of environmental
3 efficacy” (See **Exhibit 4** at 73:1-18)

4 • Durasoil is “Oil-Sheen Free (No Rainbow Effect)” (See
5 **Exhibit 4** at 76:9-23)
6 (collectively, the “Alleged False Statements”)

7 26. Midwest has failed to produce any evidence that Soilworks has used in
8 commerce any of the Midwest Marks. See **Exhibit 4** at 64:7-67:8.

9 27. In fact, it concedes that none of the Midwest Marks have been infringed. See
10 **Exhibit 4** at 64:10-13.

11 28. Indeed, it admits no confusion exists. See **Exhibit 4** at 66:10-23.

12 29. Central to Midwest’s false advertising claim is Soilworks statement that it is a
13 “manufacturer” of the Durasoil, Soiltac and Gorilla-Snot products. See **Exhibit 11**

14 30. Midwest’s claim of falsity is based upon Midwest’s conclusory statement that
15 because of Midwest’s “location and knowledge of [Soilworks] by [Midwest’s]
16 representatives” Soilworks manufactures “no product whatsoever.” See **Exhibit 12** Midwest
17 Responses to Second Set of Interrogs. at 8.

18 31. In fact, the record demonstrates that Soilworks is, indeed a manufacturer of
19 Durasoil (See **Exhibit 1** at 165:1-16;173:17-24, 234:20-23, 235:5-11; 238:4-8, 302:17-22;).

20 Q. Is Soilworks a manufacturer of Durasoil?

21 A. I believe us to be.

22 Q. And we have gone over that, you believe you are a
23 manufacturer because at times you blend Durasoil, correct?

24 A. I think that's the primary reason.

25 32. Furthermore, by Midwest’s own definition of “manufacture”, Soilworks
26 manufactures the Durasoil, Surtac, Soiltac and Gorilla-Snot products. Midwest agrees that
27 when a company blends, forms or creates a formula and mixes the components together, it is
28 a “manufacturer.” See **Exhibit 4** at 115:4-8.

33. Indeed, Midwest believes the term “blender” and “manufacturer” can be used

1 interchangeably. *See Exhibit 4.* at 115:9-11.

2 34. In addition, Midwest states that when a company provides a product
3 specification to a supplier and the supplier meets the product specification, that company that
4 provides that specification should also be considered a manufacturer. *See Exhibit 4* at
5 69:20-25-70:1-5.

6 35. In essence, Midwest considers a company to be a “manufacturer” so long as
7 the company is not purchasing an “off-the-shelf product . . . that is now just being re-
8 labeled.” *Id.* at 69:4-18.

9 36. Soilworks mixes and blends the Durasoil, Surtac, Soiltac and Gorilla-Snot
10 products. [*See* Deposition Transcript of Dorian Falkenberg **filed under seal** as **Exhibit 13** at
11 31:1-5.

12 37. Also, Soilworks provides product specifications for the Soiltac, Durasoil and
13 Gorilla-Snot products to certain suppliers, who meet those product specifications. *Id.* at
14 31:1-11.

15 38. Midwest admits no deception has occurred. *See Exhibit 4* at 66:10-23.

16 39. Instead, Midwest makes only conclusory and unsupported allegations that it
17 has lost business from the Alaska Department of Transportation, the US Military, and a
18 “project in Hawaii” as a result of “Soilworks’ conduct.” *See* 30(b)(6) Depo.. *See Exhibit 4*
19 at 61:4-18.

20 40. In addition, Midwest alleges that Petro-Canada terminated a supply agreement
21 with Midwest based upon Petro-Canada’s “general displeasure” with the “volume of product
22 that [Midwest] has bought from them.” *See Exhibit 4* at 62:10-25-63:1-16.

23 41. However, Petro-Canada continues to be a “large supplier” of products to
24 Midwest. *See Exhibit 4* at 75:16-18.

25 42. Midwest admits that Petro-Canada terminated its supply agreement with
26 Midwest because Midwest “ha[s]n’t purchased the volumes that [it] had projected.” *See*
27 **Exhibit 4** at 63:5-13.

28 43. Midwest claims this is the result of Soilworks’ conduct “if they infringe the

1 patent or if they are falsely advertising and diverting and/or winning business that they
2 otherwise would not be able to get, then that has caused us harm.” See **Exhibit 4** at 63:17-
3 23.

4 44. As already stated, Midwest has not presented any evidence of a likelihood of
5 confusion. Furthermore, Midwest makes no claim of ownership to the terms “oil-sheen free”
6 and “ultra-pure.” See **Exhibit 4** at 73:1-18.

7 45. The Midwest Patents’ Claims require the presence of organic acids (i.e.
8 carboxylic and fatty acids). See **Exhibit 14**.

9 46. The paraffinic components of the Durasoil product are non-acidic, that is, it
10 does not contain an organic acid. *Id.*

11 47. The Midwest Patents’ Claims require the presence of an emulsifier. *Id.*

12 48. Soilworks’ Durasoil product does not contain an emulsifier. *Id.*

13 49. The Midwest Patents’ claims require the presence of a synthetic iso-alkane.

14 50. Durasoil does not contain any synthetic iso-alkanes. *Id.*

15 51. The Midwest Patents’ Claims require the presence of a polyolefin to be used as
16 a binder. *Id.*

17 52. The Durasoil product does not utilize any polymeric materials or a binder. *Id.*
18 See **Exhibit 1** at 162:5-9, 173:25-174:1-5, 207:9-11); see also **Exhibit 14**

19 53. Soilworks’ Durasoil product does not contain any substances substantially
20 similar to a synthetic isoalkane, a binder, carboxylic acid or a thermoplastic polyolefin as
21 taught in the claims of the Midwest Patents. *Id.*

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Dated this 9th day of May, 2008.

KUTAK ROCK LLP

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CERTIFICATE OF SERVICE

I hereby certify that on May 9, 2008, the foregoing Plaintiff's Statement of Facts in Support of its Motion for Summary Judgment by Soilworks, LLC was filed electronically. Notice of this filing will be sent to all parties by operations of the Court's electronic filing system. Parties may access this filing through the Court's system.

/s
Amy S. Fletcher