

1 BRYAN CAVE LLP, 00145700
2 Lawrence G. Scarborough, 006965
3 George C. Chen, 019704
4 Two N. Central Avenue, Suite 2200
5 Phoenix, AZ 85004-4406
6 Telephone: (602) 364-7000
7 Facsimile: (602) 364-7070
8 Email: lgscarborough@bryancave.com
9 Email: george.chen@bryancave.com

7 Attorneys for Defendant
8 Midwest Industrial Supply, Inc.

10 **IN THE UNITED STATES DISTRICT COURT**
11 **FOR THE DISTRICT OF ARIZONA**

12 Soilworks, LLC, an Arizona corporation,

13 Plaintiff,

14 v.

15 Midwest Industrial Supply, Inc., an Ohio
16 corporation authorized to do business in
17 Arizona,

18 Defendant.

No. 2:06-CV-02141-DGC

**MOTION TO DISMISS
PLAINTIFF'S COMPLAINT**

ORAL ARGUMENT REQUESTED

19
20 Defendant Midwest Industrial Supply, Inc. ("Midwest"), through its undersigned
21 counsel, respectfully submits this motion and supporting memorandum, pursuant to Rules
22 12(b)(1) and 12(b)(6) of the Federal Rules of Civil Procedure, to dismiss Counts I, II and
23 III of Plaintiff Soilworks' ("Soilworks") complaint ("Complaint"). Specifically, Counts I
24 and III should be dismissed for failure to state a claim upon which relief can be granted,
25 and Claim II should be dismissed for lack of subject matter jurisdiction.
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1 In view of the dismissal of Counts I through III, Defendant further moves the
2 Court to refrain from exercising supplemental jurisdiction over the remaining state law
3 claims (Counts IV and VI)¹ and correspondingly dismiss the action in its entirety.

4 **I. INTRODUCTION**

5 Soilworks' claim under Count I of the Complaint, which is premised on the
6 allegation that "Midwest's conduct constitutes false designation of origin and association
7 in violation of the Lanham Act, 15 U.S.C. § 1125(a)" should be dismissed. Soilworks
8 has failed to make any allegation in the Complaint which would support this cause of
9 action – a cause of action that requires proof of Midwest's use of a trademark that is
10 similar or the same as Soilworks' mark to create a likelihood of consumer confusion.
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13 Count III of the Complaint is for "misappropriation of goodwill." This count
14 should be dismissed as there is no Arizona common law cause of action for goodwill
15 misappropriation. "Goodwill" sounds in trademark infringement or disparagement,
16 which, if so, falls within Count I and should be dismissed for the reasons set forth in
17 Count I.
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19 Soilworks' Count II, an action for declaratory judgment of non-infringement and
20 invalidity, should also be dismissed.² Soilworks cannot have an objectively reasonable
21 apprehension of being sued by Midwest for patent infringement, and no "controversy"
22 exists as described by Soilworks in its Complaint. Rather, Soilworks is using the pretext
23 of a declaratory judgment action against Midwest to try and support its other Counts.
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27 ¹ The Complaint does not include a Count V.

28 ² To the extent that Count II also includes a declaratory judgment count for unenforceability, that portion of Count II should also be dismissed for the same reasons.

1 A party seeking a declaration of non-infringement and invalidity must
2 demonstrate: (1) a sufficient immediacy in its claim to warrant a court's rendering what
3 would otherwise be an impermissible advisory opinion, and (2) a reasonable
4 apprehension that it will face an infringement suit if it commences or continues the
5 activity in question. No immediacy in Soilworks' claim exists. In addition, Soilworks
6 has failed to plead any facts in the Complaint supporting its allegation that a reasonable
7 apprehension of suit exists and, in fact, has notably left out all pertinent discussions
8 between the parties that demonstrate the lack of an objectively reasonable apprehension.
9 Accordingly, Count II should be dismissed for lack of subject matter jurisdiction.
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11 Because Soilworks' Federal Lanham Act and Declaratory Judgment claims should
12 be dismissed, this Court should also dismiss the remaining supplemental state law claims.
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14 **II. STATEMENT OF FACTS**

15 **A. The Parties**

16 Midwest is a leading provider of dust control, erosion control, soil stabilization
17 and anti-icing/de-icing products. Midwest, for over thirty (30) years, has manufactured,
18 researched, distributed, and otherwise met its customer's needs with respect to the
19 aforementioned products. Midwest recently was awarded U.S. Patent No. 7,074,266
20 entitled Method of Chemical Soil Stabilization and Dust Control and U.S. Patent No.
21 7,081,270 entitled Method of Chemical Soil Stabilization and Dust Control (collectively,
22 hereinafter referred to as "Midwest Patents").
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25 Soilworks is a relatively new competitor to Midwest. By its own admission,
26 Soilworks is not a manufacturer of products, but merely, a sourcer, distributor, and
27 marketer of competitive products. (Complaint at ¶7.)
28

1 **B. Dust Control Products**

2 Midwest invented a dust control product covered by the Midwest Patents.
3 Midwest’s brand name for one of its dust control products is Envirokleen[®].

4 Durasoil is the name for Soilworks’ formulation of a dust control product that
5 competes with Midwest’s Envirokleen[®] product. The Durasoil product is, on information
6 and belief, the subject of Count II in Plaintiff’s Declaratory Judgment Action.
7

8 **C. Communications Between Soilworks and Midwest Regarding the**
9 **Midwest Patents.**

10 On June 8, 2006, counsel for Midwest wrote to counsel for Soilworks³ inviting
11 Soilworks to discuss issues relating to two (2) patent applications. (June 8, 2006 letter
12 from John M. Skeriotis to Douglas H. Allsworth (“Initial Midwest Letter”), attached
13 herein as Exhibit 1.)
14

15 First, Midwest wanted to inform Soilworks that it was awarded a Notice of
16 Allowance by the United States Patent and Trademark Office for two (2) pending U.S.
17 patent applications. Second, Midwest wanted to discuss with Soilworks whether
18 Soilworks’ Durasoil product infringes the soon-to-be-issued Midwest Patents.
19

20 The letter did not threaten suit, either explicitly or implicitly. In fact, Midwest
21 emphasized that its desire was to discuss and resolve all issues *amicably*. Midwest wrote:

22 We are hopeful we can resolve the issues regarding your client’s sales of
23 Durasoil in view of our two pending patent applications. ***While no legal***
24 ***actions are contemplated by Midwest at this time***, we ask you to kindly
25 review the claims in the Applications, which are enclosed herewith, as a

26 _____
27 ³ “Counsel for Midwest” and “Counsel for Soilworks” hereinafter referred to by the
28 parties’ names themselves, “Midwest” and “Soilworks”, respectively, rather than
 “counsel for” because the parties act through their respective counsel.

1 first step toward entering into a good-faith resolution of the outstanding
2 issues.

3 I look forward to discussing these issues with you in the near future, and
4 coming to an *amicable resolution*. As always, please feel free to call me if
5 you would like to discuss this matter further. (Id.) (emphasis added).

6 Thus, the Initial Midwest Letter explicitly stated that Midwest would not undertake any
7 legal actions. In fact, the preceding paragraphs of the Initial Midwest Letter stated that
8 Midwest did not have enough information regarding the Durasoil product to determine
9 whether the Durasoil product infringed any of the Midwest Patents.

10 From reviewing the available public information, which includes your
11 MSDS sheet, we feel that at least some of the claims in the two patent
12 applications cited above could potentially affect your client's ability to
13 make, use and sell Durasoil in the future. (Id.)

14 On July 18, 2006, after more than thirty (30) days had elapsed from the Initial
15 Midwest Letter, John P. Passarelli, counsel for Soilworks, summarily responded by
16 indicating that the Durasoil product does not infringe the Midwest Patents. (July 18, 2006
17 letter from John P. Passarelli to John M. Skeriotis ("Soilworks Letter"), attached herein
18 as Exhibit 2, ("I am aware of no factual or legal basis which would support your position
19 that our client is infringing upon any of your client's proprietary rights or that our client's
20 product and service offerings in any way fall within the scope of the purported claims.")
21 Soilworks went on to request additional information as to Midwest's position regarding
22 Midwest's investigation of infringement. (Id.) That was the last communication from
23 Soilworks prior to the filing of the Complaint.

24 On August 8, 2006, Midwest responded to Soilworks. (August 8, 2006 letter from
25 John M. Skeriotis to John P. Passarelli ("Final Midwest Letter"), attached herein as
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1 Exhibit 3.) Midwest reiterated the contents of the Initial Midwest Letter, namely, that it
2 relied upon publicly available information for its suspicions of infringement. Midwest
3 pointed out that Soilworks' clear avoidance of the reasons for non-infringement led
4 Midwest to believe that, in fact, there was infringement. Midwest requested Soilworks'
5 position of non-infringement of the Midwest patents.
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7 If Durasoil does not infringe the claims of Midwest's newly issued patents,
8 and, parenthetically, based on the trade secret and proprietary knowledge
9 that Soilworks holds, Soilworks is in the best position currently to make
that determination, then I ask again that you contact me in that regard. (Id.)

10 Instead of continuing discussions regarding the reasons for non-infringement, Soilworks
11 filed this action. Midwest did not believe that negotiations or the request for information
12 had ceased. In fact, Midwest could not, and cannot, sue Soilworks for patent
13 infringement because it does not have enough information about the Durasoil product.
14

15 Soilworks' declaratory judgment also seeks a declaration of invalidity, but Midwest
16 and Soilworks have not even discussed the issue of invalidity of the Midwest Patents.
17

18 **III. ARGUMENT**

19 **A. Soilworks' Count II for Declaratory Judgment Must be Dismissed for** 20 **Lack of Subject Matter Jurisdiction.**

21 The Declaratory Judgment Act permits a court to declare the rights in other legal
22 relations of an interested party seeking such declaration only in "a case of actual
23 controversy." 28 U.S.C. § 2201. "The requirements for a justiciable case or controversy
24 are no less strict in a declaratory judgment proceeding than in any other type of suit.
25 Alabama State Fed. of Labor v. McAdory, 325 U.S. 450, 461 (1945) (citations omitted).
26 Thus, a declaratory judgment procedure "may not be made the medium for securing an
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1 Advisory Opinion in a controversy which has not arisen. Coffman v. Breeze Corp., Inc.,
2 323 U.S. 316, 324 (1945) (citations omitted). Rather, the issue must be “actual and
3 adversary.” Id. (citations omitted).

4 In patent cases, Federal Circuit law governs the question of whether there is an
5 actual controversy. Goodyear Tire & Rubber Co. v. Releasomers, Inc., 824 F. 2d 953,
6 955 n.3 (Fed. Cir. 1987). In general, the presence of an “actual controversy” depends on
7 “whether the facts alleged, under all circumstances, show that there is a substantial
8 controversy, between parties having adverse legal interests, of sufficient immediacy and
9 reality to warrant the issuance of a declaratory judgment. EMC Corp. v. Norand Corp.,
10 89 F.3d 807, 810 (Fed. Cir. 1996) (quotations omitted).

13 There is a two-part test for the existence of an actual controversy: “first, the
14 plaintiff must produce or be prepared to produce an allegedly infringing product.
15 Second, the patentee’s conduct must have created an objectively reasonable apprehension
16 on the part of the plaintiff that the patentee will initiate suit if the activity in question
17 continues.” Id. at 811. To satisfy the reasonable apprehension element, “the defendant in
18 such an action must have engaged in conduct that created on the part of the declaratory
19 judgment plaintiff a reasonable apprehension that it will face an infringement suit if it
20 commences or continues the activity in question.” Jurvis B. Webb Co. v. Southern Sys.,
21 Inc., 742 F.2d 1388, 1398 (Fed. Cir. 1984) (citations omitted). The “reasonable
22 apprehension” prong requires the court to examine the conduct of both the plaintiff and
23 the defendant. Lang v. Pacific Marine & Supply Co., Ltd., 895 F.2d 761, 764 (Fed. Cir.
24 1990). The test is objective; purely subjective impressions of the Plaintiff are insufficient
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1 to satisfy the requirement. Indium Corp. of Am. v. Semi-Alloys, Inc., 781 F.2d 879, 883
2 (Fed. Cir. 1985).

3 Moreover, a declaratory judgment action for infringement or non-infringement
4 will stand only if the allegations support a finding of “immediate and real controversy.”
5 Lang, 895 F.2d at 764. Without sufficient immediacy and reality, a declaratory judgment
6 action fails to meet the actual controversy requirement of the Declaratory Judgment Act.
7 Teletronics Pacing Sys., Inc. v. Ventritex, Inc., 982 F.2d 1520, 1527 (Fed. Cir. 1992).
8

9 **1. Soilworks Has Failed To Allege An Immediate And Real**
10 **Controversy.**

11 A Declaratory Judgment Action for patent infringement must be supported by a
12 sufficient allegation of immediacy and reality. Lang, 895 F.2d at 764. To determine
13 whether the controversy is “sufficiently real and substantial,” a court “looks to the
14 accused infringer’s conduct.” (Id.) There is no sufficiently immediate controversy where
15 the parties are continuing to acquire information or conduct negotiations.
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17 The Initial Midwest Letter was insufficient to create an immediate and real, i.e.,
18 actual controversy. The letter was the first communication between the parties regarding
19 the activities at issue. It sought to open negotiations for a resolution without litigation
20 and, most importantly, it sought to acquire information from Soilworks as to the
21 ingredients of its Durasoil product. Soilworks’ publicly available information about its
22 Durasoil product lists its ingredients as “trade secret” and “proprietary”.
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Section 2 Ingredients		
# / Chemical Name	%	CAS Number and Chemical Name
1. Complex mixture of severely	Trade	Non-hazardous

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1	hydrotreated, branched alkanes and alkylated saturated ring compounds	secret	
2	2. Proprietary ingredients	Trade secret	Non-hazardous

4 (Excerpt of Material Safety Data Sheet (“MSDS”) from the Durasoil Website,
5 <http://www.durasoil.com/MSDS.htm>, attached herein as Exhibit 4, at p. 2.)

6 Thus, Midwest was not, and is not, in a position to determine infringement given
7 the alleged “trade secret” and “proprietary” ingredient information. Midwest sought, and
8 continues to seek, additional information regarding the ingredients of the Durasoil
9 product.

11 In fact, Midwest could hardly have been more explicit when it stated that “no legal
12 actions are contemplated by Midwest at this time.” (Initial Midwest Letter, at p. 2.)
13 “When there are proposed or ongoing license negotiations, a litigation controversy
14 normally does not arise until the negotiations have broken down.” Phillips Plastics Corp.
15 v. Kato Hatsujou Kabushiki Kaisha, 57 F.3d 1051, 1053-54 (Fed. Cir. 1995). The letter
16 offered “an amicable resolution” and was explicitly stated to be “a first step toward
17 entering into a good-faith resolution of the outstanding issues.” (Initial Midwest Letter,
18 at p. 2.) This letter was an offer to negotiate. Significantly, Soilworks did not
19 *substantively* respond to this offer before filing suit.

22 Instead, in its July 18, 2006 letter, Soilworks summarily stated that it did not
23 infringe. (Soilworks Letter, “I am aware of no factual or legal basis which would support
24 your position that [Soilworks] is infringing...”) In fact, Soilworks requested additional
25 information *from Midwest* regarding the analysis of infringement undertaken by Midwest.
26 (Soilworks Letter, “I assume you have conducted the required investigation and prepared
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1 an applicable claims chart. I would be happy to review the foregoing and take that into
2 consideration in advising our client with respect to this matter.”)

3 The final communication between the parties prior to the filing of the instant
4 action is also insufficient to create an actual controversy. The Final Midwest Letter
5 merely reiterates Midwest’s position and reiterates the need for additional information
6 from Soilworks such that Midwest can review whether the Durasoil product infringes any
7 of the Midwest Patents. The letter invited Soilworks’ position regarding non-
8 infringement and explicitly stated that “Soilworks is in the best position currently to
9 make [a determination of non-infringement]” and requested that Soilworks contact
10 Midwest. (Final Midwest Letter, at p. 1.) Thus, not only is there no immediacy or
11 reasonable apprehension of suit, but Midwest acknowledged that it did not have enough
12 information to determine infringement of the Midwest Patents.
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15 Throughout the parties’ written discussions, Soilworks’ infringement of any of the
16 Midwest Patents is “too remote and unduly speculative” to support a finding of sufficient
17 immediacy. Swedlow, Inc. v. Rohm & Haas Co., 455 F. 2d 884, 886 (9th Cir. 1972).
18 Thus, a declaration by this Court of Soilworks’ rights at this stage would be an
19 impermissible advisory opinion. Bristol Myers Squibb Co. v. IVAX Corp., 77 F.Supp.2d
20 606, 619 (D.N.J. 2000). Therefore, no immediate and real controversy exists because
21 Midwest does not have the necessary information regarding the Durasoil product.
22 Soilworks’ allegedly infringing activities are too remote to meet the immediate and real
23 controversy test, and Soilworks has failed to demonstrate an objective basis for its alleged
24 reasonable apprehension of suit.
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1 **2. Soilworks Has Alleged No Facts To Support Its Claim Of**
2 **Reasonable Apprehension, And The Evidence Demonstrates That**
3 **Soilworks Can Have No Reasonable Apprehension Of Suit.**

4 Reasonable apprehension must be proven by objective evidence of the conduct of
5 the defendant-patentee: “A purely subjective apprehension of an infringement suit is
6 insufficient to satisfy the actual controversy requirement. Indium Corp., 781 F. 2d at
7 883. For an actual controversy to exist, “more is required than the existence of an
8 adversely held patent.” BP Chemicals Ltd v. Union Carbide Corp., 4 F.3d 975, 978 (Fed.
9 Cir. 1993). “The declaratory judgment plaintiff carries the burden of proving the
10 existence of facts underlying his allegations of the existence of an actual controversy.”
11 Indium Corp., 781 F.2d at 883 (citation omitted). Soilworks has alleged no facts
12 supporting its alleged reasonable apprehension of suit by Midwest, other than that
13 Midwest has obtained a United States patent and has otherwise allegedly misrepresented
14 the scope of its patent rights. (Complaint at ¶ 12.)

15 Midwest has never sued Soilworks. Where a patentee has never sued or
16 threatened to sue the supposed infringer for infringement of the patents at issue, the
17 Federal Circuit has held that no reasonable apprehension exists. Id.

18 Soilworks’ conclusory allegation “that there has been and is now an actual
19 controversy between Soilworks and Midwest as to the validity and scope of U.S. Patent
20 No. 7,081,270” (Complaint at ¶ 23), is unsupported by any factual allegation. See
21 Mallinckrodt Medical, Inc. v. Sonus Pharmaceuticals, Inc., 989 F.Supp. 265, 269-70
22 (D.D.C. 1998) (dismissing claims for lack of subject matter jurisdiction after finding no
23 actual case or controversy where party failed to allege threats or other activity which
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1 could potentially create reasonable apprehension of suit.) In fact, the objective evidence
2 demonstrates that Soilworks cannot have an objectively reasonable apprehension of suit
3 for infringement of any Midwest patent. The explicit statements by Midwest indicating
4 that “no legal actions are contemplated” cannot be more clear. Most notably, is the
5 absence of the communications between the two parties from Soilworks’ Complaint.
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7 Indeed, there has never been any communication whatsoever regarding “the validity and
8 scope of U.S. Patent No. 7,081,270.”

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10 Indeed, the Federal Circuit confirms in several cases that assertions of potential
11 infringement do not necessarily create a reasonable apprehension of suit. They constitute
12 the mere “jawboning” that occurs in every negotiation. See Shell, 970 F. 2d at 889; West
13 Interactive Corp. v. First Data Resources, Inc., 972 F. 2d 1295, 1298 (Fed. Cir. 1992)
14 (statements between competitors “more akin to jawboning...than to threatening
15 litigation... .”); CAE Screen Plates, Inc. v. Beloit Corp., 957 F.Supp. 784, 791 (E.D. Va.
16 1997) (Finding the exchanges between the parties “merely constituted ‘jawboning.’”).

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18 Moreover, a reasonable apprehension of suit does not arise from the fact that a
19 party does not affirmatively forswear some day filing a lawsuit, or even engages in
20 “bellicose saber rattling.” As the Federal Circuit stated in EMC Corp. v. Norand Corp.,
21 89 F.3d 807 (Fed. Cir. 1996),

22
23 To be sure, any time parties are in negotiation over patent rights, the
24 possibility of a lawsuit looms in the background. No patent owner with any
25 sense would open negotiations by assuring his opposite party that he does
26 not intend to enforce his patent rights under any circumstance. The threat
27 of enforcement – either directly by the patentee or indirectly by a third
28 party to whom the patent he licenses or sells the patent – is the entire source
of the patentee’s bargaining power.... The test for finding a “controversy”
for jurisdictional purposes is a pragmatic one and cannot turn on the way

1 the parties use polite terms in dealing with one another or engage in more
2 bellicose saber rattling. (EMC Corp., 89 F.3d at 811.)

3 Therefore, no reasonable apprehension of suit by Midwest exists, and this count
4 should be dismissed.

5 **B. Soilworks' Count I for False Designation of Origin and Association**
6 **Must be Dismissed for Failure to State a Claim.**

7 Rule 8 of Federal Rules of Civil Procedure states that "A pleading which sets forth
8 a claim for relief ... shall contain ... a short and plain statement of the claim showing that
9 the pleader is entitled to relief." A pleading must give fair notice and state the elements
10 of the claim plainly and succinctly. Jones v. Community Redevelopment Agency, 733
11 F.2d 646, 649 (9th Cir.1984).

13 The essence of Count I of the Complaint is set forth in Paragraph 18, wherein,
14 summarizing Soilworks' allegations of Midwest's conduct, Soilworks states:

15 "Midwest's conduct constitutes false designation of origin and association
16 in violation of the Lanham Act, 15 U.S.C. §1125(a)." (Complaint at ¶18.)

17 Soilworks has failed, however, to plead the *prima facie* elements of a claim for
18 false designation of origin and association. Even liberally construed, Soilworks'
19 Complaint fails to allege a set of facts that would give rise to a valid claim for false
20 designation of origin, and therefore, the count must be dismissed.

22 Section 1125(a) of the Lanham Act provides a cause of action against anyone
23 who: 1) uses in commerce, 2) any false designation of origin which would 3) likely cause
24 confusion with another's goods or services. *See* 15 U.S.C. § 1125(a); *see also*
25 Fuddruckers v. Doc's B.R. Others, Inc., 826 F.2d 837, 842-46 (9th Cir. 1987). To
26 maintain a false designation of origin claim under 15 U.S.C. § 1125(a), "a plaintiff must
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1 prove the defendant's use of the same or similar mark would create a likelihood of
2 consumer confusion." Murray v. Cable Nat. Broadcasting Co., 86 F.3d 858, 860 (9th Cir.
3 1996). "A likelihood of confusion exists when a consumer viewing a service mark is
4 likely to purchase the services under a mistaken belief that the services are, or associated
5 with, the services of another provider." Id. at 861, citing Rodeo Collection, Ltd. v. West
6 Seventh, 812 F.2d 1215, 1217 (9th Cir. 1987).

8 Though Soilworks alleges that "Midwest is disseminating information and
9 documentary materials in a manner that is likely to cause confusion, mistake and
10 deception among customers of Soilworks' products *regarding Soilworks' conduct and*
11 *products,*" (Complaint at ¶16.) (emphasis added) Soilworks does not allege that
12 Midwest's conduct "is likely to cause confusion, or to cause mistake, or to deceive *as to*
13 *the affiliation, connection, or association of such person with another person, or as to the*
14 *origin, sponsorship, or approval of his or her goods, services, or commercial activities by*
15 *another person[.]*" (Emphasis added.) 15 U.S.C.A. § 1125(a)(1)(A). In other words,
16 Soilworks has not alleged facts showing that Midwest's statements tended to create
17 confusion as to the affiliation or association of the two companies or as to the origin,
18 sponsorship, or approval of its products. Moreover, Soilworks has not identified any
19 trademark that is being used by Midwest to the confusion of Soilworks' customers or
20 Soilworks' detriment.

24 The allegations set forth in support of Count I of the Complaint do not afford
25 Midwest with adequate notice of the substance of Soilworks' claim for false designation
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1 of origin and false association. Moreover, under no construction of the facts alleged can
2 Soilworks prove such a claim. Therefore, Count I must be dismissed.

3 **C. There is No Recognizable Cause of Action for Count III.**

4 Soilworks' Count III is entitled "Misappropriation of Goodwill". There is no
5 Arizona law recognizing Count III. Any and all federal cases discussing the concept of
6 goodwill generally discuss the concept in connection with trademark infringement and
7 Lanham Act claims. See, e.g., Playboy Enterprises, Inc. v. Netscape Communications
8 Corp., 354 F.3d 1020, 1025 (9th Cir. 2004). In Count III, Soilworks has not alleged a
9 violation of the Lanham Act or Arizona common law. If Soilworks is alleging violation
10 of the Lanham Act, it must indicate such and allege facts to support such a claim. This
11 Count should be dismissed because there is no Arizona law recognizing Count III, and
12 Soilworks has not alleged facts to support any violation of the Lanham Act.

13 **D. The Court Should Not Exercise its Discretionary Jurisdiction Over**
14 **Soilworks' Counts IV and VI of the Complaint.**

15 Even if an actual controversy existed, which it does not, the Court should decline
16 to exercise jurisdiction. "Even if there is an actual controversy, the District Court is not
17 required to exercise declaratory judgment jurisdiction but has discretion to decline that
18 jurisdiction." Id., at 810 (citing Public Serv. Comm'n v. Wycoff, Co., 344 U.S. 237, 241
19 (1952).) The Declaratory Judgment Act provides an accused infringer with the right to
20 seek relief where the patentee has "refused to grasp the nettle and sue," leaving the
21 accused infringer with an "*in terrorem*" choice between the incurrence of a growing
22 potential liability for patent infringement and abandonment of [its] enterprises."
23 Arrowhead Industrial Water, Inc. v. Ecolochem, Inc., 846 F.2d 731, 734 (Fed. Cir. 1998).
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1 At the time it filed suit, Soilworks was not faced with any such dilemma because:
2 (1) the Initial and Final Midwest Letters were the first and second communications from
3 Midwest, and (2) the letters included an outstanding offer not only to negotiate but for
4 further information. There is no evidence whatsoever that Soilworks in any way delayed
5 or intended to file suit if an amicable resolution could not be achieved. Exercising
6 jurisdiction over declaratory-relief actions under such circumstances will create a strong
7 disincentive for patentees to communicate with potential infringers before filing suit, for
8 fear of being sued first and thus forced to litigate in a Defendant's forum of choice.
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11 **E. The Court Should Not Exercise its Supplemental Jurisdiction Over**
12 **Soilworks' State Law Claims Following Dismissal of Soilworks'**
13 **Federal Causes of Action.**

14 As demonstrated above, both of Soilworks' federal claims are subject to dismissal
15 and should be dismissed for inherent flaws. As this Court should grant the motion to
16 dismiss Soilworks' federal claims, this Court should refrain from exercising supplemental
17 jurisdiction over what will remain as only state law claims. The Court's exercise of
18 supplemental jurisdiction over state law claims, following dismissal of claims over which
19 it had original jurisdiction, is within the Court's discretion. 28 U.S.C.A. § 1367 (c) ("The
20 district courts may decline to exercise supplemental jurisdiction over a claim under
21 subsection (a) if -- ... (3) the district court has dismissed all claims over which it has
22 original jurisdiction)⁴ "[I]n the usual case in which all federal-law claims are
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25 ⁴ Midwest acknowledges that whether a federal district court may retain jurisdiction
26 over pendent state law claims depends upon the basis for the dismissal of the federal
27 claims. When a federal claim is dismissed for lack of subject matter jurisdiction, the
28 court has no authority to adjudicate supplemental state law claims because there was
never a valid claim within the court's original jurisdiction to which the state claims could

1 eliminated before trial, the balance of factors ... will point toward[s] declining to exercise
2 jurisdiction over the remaining state-law claims.” Carnegie-Mellon University v. Cohill,
3 484 U.S. 343, 350 n. 7 (1988); see also Acri v. Varian Associates, Inc., 114 F.3d 999,
4 1000 (9th Cir.1997).

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6 It is apparent that, on dismissal of the federal claims, the state law claims will
7 predominate this action as Soilworks has alleged no other basis for federal jurisdiction.

8 **IV. CONCLUSION**

9 For the foregoing reasons, Defendant Midwest Industrial Supply, Inc.’s Motion to
10 Dismiss should be granted.
11

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13 Respectfully submitted this 12th day of October 2006.

14
15 By /s/ George C. Chen
16 Lawrence G. Scarborough
17 George C. Chen
18 Bryan Cave LLP
19 Two N. Central Avenue, Suite 2200
20 Phoenix, AZ 85004-4406
21
22 Attorneys for Defendant
23 Midwest Industrial Supply, Inc.

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25 be supplemental. Herman Family Revocable Trust v. Teddy Bear, 254 F.3d 802, 805-806
26 (9th Cir.2001); see, also, Scott v. Pasadena Unified School Dist., 306 F.3d 646, 664 (9th
27 Cir.2002). If, however, “a court grants a motion to dismiss for failure to state a federal
28 claim, the court generally retains discretion to exercise supplemental jurisdiction,
pursuant to 28 U.S.C. § 1367, over pendent state-law claims.” Arbaugh v. Y&H Corp.,
126 S.Ct. 1235, 1244-1245 (2006). Midwest has sought dismissal of Soilworks’ federal
claims under both instances. Therefore, the Court’s dismissal of the remaining state law
claim remains discretionary.

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CERTIFICATE OF SERVICE

I hereby certify that on October 12, 2006, the foregoing Motion to Dismiss Plaintiff's Complaint 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.

Denise M. Aleman
Denise M. Aleman