DIAMICS, INC. V. MOLECULAR DIAGNOSTICS, INC Case No. C05 02549.

Doc. 903

through 160, inclusive, and therefore sues them by those fictitious names. MDI is informed and -2-

1	believes, and on that basis alleges, that each of the Cross-Defendants named as a Doe was in				
2	some manner responsible for the injury and damage suffered by MDI as alleged in this				
3	Complaint. MDI is informed and believes, and on that basis alleges, that each of the Cross-				
4	Defendants were the agents and employees of their co-Cross-Defendants, and each of them, and				
5	in doing the things alleged in this Complaint were acting within the scope of that agency or				
6	employment, and were acting with the consent, permission, and authorization of each and every				
7	other Cross-Defendant.				
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9	<u>JURISDICTION</u>				
10	5. This is a civil action for, <i>inter alia</i> , patent infringement, injunctive relief, and				
11	damages arising under the United States Patent Act, 35 U.S.C. § 1, et seq. Jurisdiction is				
12	conferred upon this court pursuant to 28 U.S.C. § 1331 and 1338(a). Jurisdiction of this court is				
13	also founded on 28 U.S.C. § 1332, in that it is a civil action between citizens of different states in				
14	which the amount in controversy exceeds \$75,000.00, exclusive of costs and interest. This				
15	action includes, <i>inter alia</i> , claims for infringement of copyright, conferring jurisdiction under 28				
16	U.S.C. § 1331 and 1338(a).				
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18	<u>VENUE</u>				
19	6. Venue properly lies in this judicial district pursuant to 28 U.S.C. § 1391(a)(2).				
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21	<u>INTRADISTRICT ASSIGNMENT</u>				
22	7. Intradistrict Assignment properly lies with this court because a substantial part of				
23	the events giving rise to the claim occurred in Marin County, California.				
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27	GENERAL ALLEGATIONS				
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#### FIRST CAUSE OF ACTION

### Misappropriation of Trade Secrets

(California Civil Code section 3426.1(b))

#### Against All Cross-Defendants and DOES 1 to 20

10. Cross-Complainant incorporates by reference each and every allegation set forth in Paragraphs 1 to 9, inclusive.

- 11. MDI's Assets were developed at great expense and effort over the past approximately seven years. All persons working for MDI, who have ever been given permission to access to MDI's Assets, were made explicitly aware of its proprietary and confidential nature.
- 12. MDI's Assets are unavailable to the public or to others in biomolecular industry, and would be of great value to MDI's competitors such as Cross-Defendants. MDI's assets have been the subject of reasonable efforts to maintain their confidentiality, including restricting access to those employees of MDI who must use them in performing their jobs.
- 13. DIAMICS' employees, Peter Gombrich and Warren Maltzman were formerly employees of MDI. As such, they were entrusted with access to and protection of MDI's Assets.
- 14. In connection with their employment agreements with MDI, Gobrich and Maltzman acknowledged in writing their duty to protect MDI's assets as confidential, and to relinquish all rights or access to MDI's assets and inventions if they left their employment at MDI. A true and correct copy of Gombrich's employment agreement is attached hereto as Exhibit "A" and is incorporated herein by reference. A true and correct copy of Maltzman's employment agreement is attached hereto as Exhibit "B" and is incorporated herein by reference.
- 15. DIAMICS' alleged main product is known as the Cervical Analysis System ("CAS"), which appears to be almost identical to MDI's Cocktail CVX™ and/or other MDI Assets which are derived thought the use and/or knowledge of MDI trade secrets. MDI is informed and believes and on that basis alleges DIAMICS has directly, or indirectly through the acts of Gombrich or Maltzman, misappropriated MDI's trade secrets or confidential information as defined in California Civil Code section 3426.1, subdivision (b). As a proximate and legal

result of DIAMICS' acts of misappropriation and threatened and actual use of MDI's Assets and trade secrets, DIAMICS will be and has been unjustly enriched.

- 16. As an additional proximate and legal result of DIAMICS' acts of misappropriation, MDI has sustained, and unless this court intervenes to restrain DIAMICS' conduct, MDI will continue to sustain, great and irreparable injury in that MDI will lose: (i) the confidential nature of the MDI Assets and MDI's trade secrets; (ii) MDI's competitive advantage from years of research and development; (iii) the reasonable investment backed expectations of its shareholders; and (iv) the ability to attract new investor capital critical to MDI's ongoing operations. MDI has no adequate remedy at law for these injuries, and unless DIAMICS and its employees, agents and representatives are restrained from using MDI's Assets in the future, MDI will be compelled to continue to bring lawsuits to protect its interests. Therefore, MDI seeks injunctive relief enjoining and restraining DIAMICS from disclosing, using or applying in any way MDI's Assets.
- 17. MDI is informed and believes and on that basis alleges that DIAMICS committed their acts of misappropriation willfully and maliciously in that MDI intended by its conduct to drive MDI out of business. DIAMICS' conduct justifies an award to MDI to recover exemplary damages under California Civil Code section 3426.3, and attorney fees under California Civil Code section 3426.4.
  - 18. Wherefore, Cross-Complainant prays for relief and damages as hereinafter stated.

#### SECOND CAUSE OF ACTION

**Unfair Business Practices** 

(Bus. & Prof. §§17200, et seq.)

Against All Cross-Defendants and Does 21 to 40

19. MDI incorporates by reference each and every allegation set forth in Paragraphs 1 to 18 inclusive.

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- 20. As a result of Gombrich's and Maltzman's prior employment status with MDI, and while in a position of responsibility, trust, and confidence, Gombrich and Maltzman became intimately familiar with the whole of MDI's business operations, and were granted access to and gained knowledge of numerous trade secrets and confidential and proprietary information that are the Assets of MDI.
- 21. MDI is informed and believes and on that basis alleges Cross-Defendants DIAMICS have directly, or indirectly through the acts of Gombrich or Maltzman, misappropriated MDI's trade secrets or confidential information.
- 22. MDI is further informed and believes and alleges that in the course of competing with MDI, DIAMICS have used and continue to use MDI's trade secrets and confidential and proprietary Assets.
- 23. DIAMICS' conduct has given it a substantial competitive advantage to which it is not entitled. DIAMICS' wrongful use of MDI's Assets has manifested itself, by way of illustration only, and without limitation, as follows: new shareholder investment, critical to the continuation of MDI's business operations, has effectively ceased since DIAMICS' public announcement that it is starting a competing company that is essentially debt free and has the former CEO and Vice President of MDI at its helm.
- 24. DIAMICS has wrongfully misappropriated, or has attempted to wrongfully misappropriate, MDI's trade secrets, the confidential and proprietary MDI Assets, and MDI's reputation, and goodwill. Such actions are likely to mislead the public and constitute unfair competition in violation of Business and Professions Code sections 17200 *et seq*. Cross-Defendants' actions also constitute a violation of the Uniform Trade Secrets Act, Civil Code sections 3426 *et seq*., and therefore constitute unlawful business practices within the meaning of Business and Professions Code sections 17200 *et seq*.
- 25. Cross-Complainant seeks injunctive relief and damages and other relief as hereinafter stated.

#### 1 THIRD CAUSE OF ACTION 2 **CONSTRUCTIVE TRUST** 3 Against All Cross-Defendants, and DOES 41 to 60 4 5 26. MDI incorporates by reference each and every allegation set forth in Paragraphs 1 to 25. 6 7 27. MDI's Assets are comprised of products and the development of procedures as describe with more specificity in paragraph 9 of this complaint and referred to as MDI's Assets. 8 9 28. MDI's Assets are the sole proprietary property of MDI and the persons or entities 10 which have a valid contractual right to use or license portions of MDI's Assets. 29. 11 DIAMICS has misappropriated MDI's Assets without consent. DIAMICS 12 continues to use MDI's Assets without consent or payment to MDI, constituting unjust enrichment. 13 14 30. As a proximate and direct result of these DIAMICS' misappropriation of MDI's 15 assets, MDI seeks imposition of a constructive trust against DIAMICS and in favor of MDI as 16 beneficiary. 17 31. As a further proximate and direct result of DIAMICS' conversion of MDI's 18 Assets, MDI seeks appointment of a receiver to hold and safeguard MDI's Assets during the 19 pendency of this action. 20 32. Cross-Complainant seeks injunctive relief and damages and other relief as 21 hereinafter stated 22 23 /// 24 /// 25 /// 26 /// 27 // 28

# FOURTH CAUSE OF ACTION CONVERSION

Against All Cross-Defendants, and DOES 61 to 80

- 33. MDI incorporates by reference each and every allegation set forth in Paragraphs 1 to 32.
- 34. At all times mentioned herein, MDI was in possession or had the right to immediate possession or was the owner with right to possession of certain personal property consisting of its Assets.
- 35. At all times herein, MDI's Assets as set forth in paragraph 9 of this complaint had a reasonable fair market value of not less than \$50,000,000.00 to persons with knowledge in the field of biomolecular diagnostics.
- 36. Within the past year, DIAMICS, through the acts of Gombrich and Maltzman, obtained MDI's Assets and converted them to DIAMICS' own use.
- 37. DIAMICS' conversion of MDI's Assets proximately and directly caused damage to MDI in that DIAMICS has gained an unfair competitive advantage. As a direct and proximate result of DIAMICS' conversion, MDI has suffered pecuniary loss in the sum according to proof at trial, but not less than \$50,000,000.00.
- 38. DIAMICS' actions in converting MDI's Assets to its own use was motivated by DIAMICS' fraudulent, oppressive and malicious actions to take MDI's proprietary trade secrets, and convert the same to their own use without compensation and with an intent to put MDI out of business. Therefore, MDI is entitled under California Civil Code section 3294, subdivision (a) to punitive damages in an amount sufficient to punish DIAMICS and deter similar conduct in the future.
- 39. Cross-Complainant seeks injunctive relief and damages and other relief as hereinafter stated.

#### FIFTH CAUSE OF ACTION

(Infringement of the '164 Patent)

(35 U.S.C. § 271)

Against All Cross-Defendants, and DOES 81 to 100

- 40. MDI incorporates by reference each and every allegation set forth in Paragraphs 1 to 39.
- 41. On November 5, 2002, the United States Patent and Trademark Office duly and legally issued U.S. Patent No. 6,475,164 ("the '164 Patent") entitled *Physician's collector*.
- 42. MDI is the owner, by valid assignment, of all right, title and interest in the '164 Patent. A copy of the '164 Patent is attached to the Compliant as Exhibit "C".
- 43. Upon information and belief, DIAMICS has developed a product or series of products known as the Cervical Analysis System ("CAS"). Upon information and belief, DIAMICS has been, and currently is, directly and indirectly infringing the '164 Patent by , *inter alia*, by making, using, marketing, selling, reselling, offering for sale CAS and other products.
- 44. Upon information and belief, DIAMICS has had actual and constructive knowledge of the '164 Patent since November 2002.
- 45. Upon information and belief, DIAMICS has and is willfully infringing the '164 Patent, and will continue unless enjoined by this court.
- 46. Pursuant to 35 U.S.C. § 283, MDI is entitled to a permanent injunction against further infringement. As a direct and proximate consequence of DIAMICS' infringement of the '164 Patent, MDI has suffered and will continue to suffer irreparable injury and damages in an amount not yet determined for which MDI is entitled to relief.
- 47. Pursuant to 35 U.S.C. § 284, MDI is entitled to damages for infringement and treble damages.
- 48. Cross-Complainant seeks injunctive relief and damages and other relief as hereinafter stated.

#### **SIXTH CAUSE OF ACTION**

(Infringement of the '576 Patent)

(35 U.S.C. § 271)

Against All Cross-Defendants, and DOES 101 to 120

- 49. MDI incorporates by reference each and every allegation set forth in Paragraphs 1 to 48.
- 50. On December 16, 2003 the United States Patent and Trademark Office duly and legally issued U.S. Patent No. 6,663,576 ("the '576 Patent") entitled *Cervical screening system*.
- 51. MDI is the owner, by valid assignment, of all right, title and interest in the '576 Patent. A copy of the '576 Patent is attached to the Compliant as Exhibit "D".
- 52. Upon information and belief, DIAMICS has developed a product or series of products known as the Cervical Analysis System ("CAS"). Upon information and belief, DIAMICS has been, and currently is, directly and indirectly infringing the '576 Patent by , inter alia, by making, using, marketing, selling, reselling, offering for sale CAS and other products.
- 53. Upon information and belief, DIAMICS has had actual and constructive knowledge of the '576 Patent since December 2003.
- 54. Upon information and belief, DIAMICS has and is willfully infringing the '576 Patent, and will continue unless enjoined by this court.
- 55. Pursuant to 35 U.S.C. § 283, MDI is entitled to a permanent injunction against further infringement. As a direct and proximate consequence of DIAMICS' infringement of the '576 Patent, MDI has suffered and will continue to suffer irreparable injury and damages in an amount not yet determined for which MDI is entitled to relief.
- 56. Pursuant to 35 U.S.C. § 284, MDI is entitled to damages for infringement and treble damages.
- 57. Cross-Complainant seeks injunctive relief and damages and other relief as hereinafter stated.

#### SEVENTH CAUSE OF ACTION

(Infringement of the '513 Patent)

(35 U.S.C. § 271)

Against All Cross-Defendants, and DOES 121 to 140

- 58. MDI incorporates by reference each and every allegation set forth in Paragraphs 1 to 59.
- 59. On March 5, 2002 the United States Patent and Trademark Office duly and legally issued U.S. Patent No. 6,352,513 ("the '513 Patent") entitled *Personal cervical cell collector*.
- 60. MDI is the owner, by valid assignment, of all right, title and interest in the '513 Patent. A copy of the '513 Patent is attached to the Compliant as Exhibit "E".
- 61. Upon information and belief, DIAMICS has developed a product or series of products known as the Cervical Analysis System ("CAS"). Upon information and belief, DIAMICS has been, and currently is, directly and indirectly infringing the '513 Patent by, *inter alia*, by making, using, marketing, selling, reselling, offering for sale CAS and other products.
- 62. Upon information and belief, DIAMICS has had actual and constructive knowledge of the '513 Patent since March 2002.
- 63. Upon information and belief, DIAMICS has and is willfully infringing the '513 Patent, and will continue unless enjoined by this court.
- 64. Pursuant to 35 U.S.C. § 283, MDI is entitled to a permanent injunction against further infringement. As a direct and proximate consequence of DIAMICS infringement of the '513 Patent, MDI has suffered and will continue to suffer irreparable injury and damages in an amount not yet determined for which MDI is entitled to relief.
- 65. Pursuant to 35 U.S.C. § 284, MDI is entitled to damages for infringement and treble damages.
- 66. Cross-Complainant seeks injunctive relief and damages and other relief as hereinafter stated.

(b) Ordering them to return or turn over to MDI all copies of information or			
materials from MDI's assets, together with all other property of MDI in their possession			
or under their control that contains or refers to MDI's Assets; and			
(c) Enjoining and restraining them from altering, destroying, or otherwise			

- (c) Enjoining and restraining them from altering, destroying, or otherwise disposing of any records or physical evidence relating to (i) MDI's Assets, (ii) the actions of Cross-Defendants as alleged above, or (iii) MDI.
- 2. Compensatory damages for lost profits in a sum according to proof for so long as the misappropriation continues, together with interest as permitted by law.
- 3. Ordering an accounting of any profits improperly made by Cross-Defendants, and imposing a constructive trust on the profits in favor of Cross-Complainant.
- 4. Exemplary damages as the court may determine, but in no event less than double the amount of actual damages.
- 5. Costs of this action and reasonable attorney fees as authorized by California Civil Code section 3426.4.

#### ON THE SECOND CAUSE OF ACTION:

- 1. A decree that the above acts of Cross-Defendants were, and are, unfair acts of competition in violation of Business and Professions Code section 17200 *et seq*;
  - 2. Temporary and permanent orders enjoining Cross-Defendants from:
- (a) destroying or disposing of any documents memorializing any part of Cross-Complainant's trade secrets or confidential or proprietary Assets;
- (b) disclosing or using Cross-Complainant's trade secrets or confidential and proprietary Assets and requiring Cross-Defendants to return to Cross-Complainant all documents memorializing any part of Cross-Complainant's trade secrets or confidential or proprietary information:
- (c) continuing to act in a manner that violates Gombrich's and Maltzman's fiduciary and implied duties to MDI; and

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- (d) unfairly competing with MDI, misappropriating MDI's Assets, trade secrets, and confidential and proprietary information, and wrongfully interfering with MDI's continuing and prospective economic relations with third parties;
- 3. Pursuant to Business and Professions Code section 17203 and pursuant to the equitable powers of the court, restitution to MDI from all Cross-Defendants of all funds acquired by means of any practice determined to constitute unfair competition;
  - 4. Appointment of a receiver; and
  - 5. An award of reasonable attorney fees as authorized by Civil Code section 3426.4;

#### ON THE THIRD AND FOURTH CAUSES OF ACTION:

- 1. Damages for the value of MDI's IP at the time of the conversion in the amount of \$30,000,000;
- 2. Prejudgment interest at the legal rate on the value of the converted property pursuant to Civil Code section 3336;
- 3. Damages for the time and money properly expended in pursuit of the converted property in an amount according to proof at trial; and
  - 4. Punitive and exemplary damages in a sum according to proof.

#### ON THE FIFTH, SIXTH, AND SEVENTH CAUSES OF ACTION

(Infringement of MDI Patents)

- 1. That Cross-Defendants be held to have infringed upon the '164, '576, and '513 patents.
- 2. That Cross-Defendants, their subsidiaries, affiliates, parents, successors, assigns, officers, agents, servants, employees, attorneys, and all persons acting in concert or in participation with them, or any of them, be temporarily and preliminarily enjoined during the litigation of this action, and permanently enjoined thereafter from infringing, contributing to the infringement of, and inducing infringement of the '164, '576, and '513 patents, and specifically from directly or indirectly making, using, selling, or offering for sale, any products or services embodying the

1	Dated:	December 2, 2005	LAW OFFICES OF LEONARD A. RIFKIND
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3			By: /S/ Leonard A. Rifkind Leonard A. Rifkind, Esq.
4			Attorney for Defendant and Cross-Complainant
5			MOLECULAR DIAGNOSTICS, INC.
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CROSS-COMPLAINT *DIAMICS, INC. V. MOLECULAR DIAGNOSTICS, INC Case No.* C05 02549.

## **DEMAND FOR JURY TRIAL** Cross-Complainant hereby demands a trial by jury of all issues triable by a jury. December 2, 2005 Dated: LAW OFFICES OF LEONARD A. RIFKIND By:\_\_/S/\_Leonard A. Rifkind\_ Leonard A. Rifkind, Esq. Attorney for Defendant and Cross-Complainant MOLECULAR DIAGNOSTICS, INC.

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