IN THE UNITED STATES DISTRICT COURT

FOR THE WESTERN DISTRICT OF WISCONSIN

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EXTANG CORPORATION and
UNDERCOVER, INC.,

OPINION AND ORDER

Plaintiffs,

12-cv-372-bbc

v.

LAURMARK ENTERPRISES INC.,
BAK INDUSTRIES, INC., JULIAN MAIMIN,
and ISRAEL MAIMIN,

Defendants.

LAURMARK ENTERPRISES INC.,
JULIAN MAIMIN and ISRAEL MAIMIN,

Counterclaimants,

v.

EXTANG CORPORATION, UNDERCOVER, INC.,
TECTUM HOLDINGS, INC.,
THI-UNDERCOVER HOLDINGS, LLC
and KINDERHOOK INDUSTRIES

Counterdefendants.

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Plaintiffs Extang Corporation and UnderCover, Inc., are suing defendants Laurmark Enterprises Inc., BAK Industries, Inc., Julian Maimin and Israel Maimin for infringing United States Patent Nos. 6,752,449 and 6,808,221 and for a declaratory judgment of invalidity and non-infringement with respect to United States Patent Nos. 7,537,264,

8,061,758 and 8,182,021. The patents all concern "tonneau" covers for the cargo bed of pickup trucks. Defendants filed counterclaims for infringement, invalidity, unfair competition and interference with prospective business advantage against counterdefendants Extang, Undercover, Tectum Holdings, THI-Undercover Holdings, LLC and Kinderhook Industries. Defendants have filed a motion to dismiss for lack of personal jurisdiction, for improper venue and forum non conveniens and, in the alternative, for transfer. Dkt. #33. Counterdefendants filed a motion to dismiss for lack of personal jurisdiction and failure to state a claim. Dkt. #36.

Defendants' motions will be denied. Because plaintiffs have shown that BAK and Laurmark maintain distributors in Wisconsin, they have made a prima facie case that exercising jurisdiction over defendants would be proper under the due process clause and Wis. Stat. § 801.05(4) and that venue is proper in this district. Defendants' motion to dismiss for forum non conveniens and to transfer will be denied because defendants have not identified an available alternative venue. Counterdefendants' motion to dismiss will be granted. Counterdefendants Tectum, THI-Undercover and Kinderhook will be dismissed because they have no contacts with Wisconsin and the state law counterclaims against Extang and UnderCover will be dismissed because one fails to state a claim under Wisconsin law and the others fail to plead sufficient facts under Fed. R. Civ. P. 8.

BACKGROUND

A. Parties

Defendant Laurmark Enterprises, Inc. is a Texas corporation with its principal place of business in San Fernando, California. The status of defendant BAK Industries, Inc. is unclear, but it appears that Laurmark does business as BAK and the parties treat BAK and Laurmark as a single entity. Laurmark is a licensee of United States Patent Nos. 7,537,264, 8,061,758, and 8,182,021, which are owned by defendants Julian Maimin and Israel Maimin. Julian and Israel Maimin are residents of Los Angeles County, California.

Plaintiff Extang Corp. is a Michigan corporation with its principal place of business in Ann Arbor, Michigan. Plaintiff UnderCover, Inc. is a Delaware corporation with its principal place of business in Rogersville, Missouri. Undercover and Extang are subsidiaries of counterdefendant Tectum Holdings, which is a wholly owned subsidiary of counterdefendant THI-UnderCover Holdings, LLC. Tectum and THI-UnderCover are Delaware corporations with their principal places of business in New York, New York. The plaintiffs and other counterdefendants are "part of the investment portfolio" of counterdefendant Kinderhook Industries, a licensed small business investment company located in New York with its principal place of business in New York, New York.

B. Procedural History

At some time before March 2012, Laurmark and plaintiffs were negotiating for a potential sale of Laurmark's tonneau truck cover business to plaintiffs. In March 2012, the

negotiations broke down. In May, counsel for Laurmark spoke with counsel for plaintiffs and counterdefendants and indicated Laurmark's intent to file suit for patent infringement.

On May 21, 2012, Extang and UnderCover filed this action against BAK for patent infringement and declarations of invalidity. On May 30, 2012, Laurmark filed an action in the United States District Court for the Central District of California. Laurmark Enterprises Inc. v. Kinderhook Industries, 12 CV 04702 SJO (C.D. Cal. Nov. 7, 2012). Laurmark alleged that plaintiffs and counter-defendants infringed the same three patents owned by Julian Maimin at issue in this case and committed unfair competition and negligent and intentional interference with prospective economic advantage under California state law.

On June 12, 2012, plaintiffs amended their complaint in this case to name Laurmark as a defendant. On September 5, 2012, defendants Laurmark and BAK filed their answer in this case, dkt. #15, and included a defense based on lack of personal jurisdiction. Id. at 6.

On December 7, 2012, the deadline set by this court in the preliminary pretrial conference order to amend the pleadings, plaintiffs filed their third amended complaint, adding Julian Maimin and Israel Maimin as defendants for the invalidity claims. Later that same day, defendants filed an amended answer to plaintiffs' second amended complaint and counterclaims. Laurmark and Julian Maimin filed counterclaims for infringement and invalidity and Laurmark filed counterclaims for unfair competition and intentional and negligent interference with prospective business advantage. All of the counterclaims were asserted against Extang, UnderCover, Tectum, THI-Undercover and Kinderhook.

On November 7, 2012, the United States District Court for the Central District of California dismissed Laurmark's complaint. It dismissed the state law claims with prejudice for failure to state a claim and the infringement claims under the first-to-file rule in favor of the action filed in this court.

DEFENDANTS' MOTION TO DISMISS

A. Personal Jurisdiction

1. Waiver

As an initial matter, plaintiffs argue that defendants have waived any objection to personal jurisdiction by joining the counterclaims in this case voluntarily. A party may raise an objection to personal jurisdiction either in its answer or by filing a motion before pleading. Fed. R. Civ. P. 12(b). The defense is waived if not raised in the first responsive pleading or by a motion before that pleading. Fed. R. Civ. P. 12(h)(1)(B). Because a defendant may raise jurisdictional objections in its answer, "the general rule is that a defendant does not waive an asserted jurisdictional defense when his answer also requests relief in the form of a counterclaim, a cross-claim, or a third-party claim." United States v. Ligas, 549 F.3d 497, 502 (7th Cir. 2008) (citations omitted). However, a party waives its objection to personal jurisdiction if it "seeks to bring into the action new claims against new parties, not arising out of the same transaction or occurrence." Frank's Casing Crew & Rental Tools, Inc. v. PMR Technologies, Ltd., 292 F.3d 1363, 1372 (Fed. Cir. 2002).

Julian Maimin waived his objection to personal jurisdiction. He was not a defendant

in the complaint, dkt. #1, amended complaint, dkt. #4, or second amended complaint, dkt. #7. but joined the suit voluntarily as counterclaimant when defendants filed their answer to plaintiffs' second amended complaint. Dkt. #28. Because he cannot object to personal jurisdiction while filing claims in this court, he is held to have consented to this court's jurisdiction.

In contrast, the remaining defendants included a defense for lack of personal jurisdiction in their first responsive pleading. Dkts. ##15, 32. The law is clear that they did not waive their objection to personal jurisdiction by filing the compulsory counterclaims and third party claims for invalidity and infringement or the permissive state law counterclaims against plaintiffs. Rates Technology. Inc. v. Nortel Networks Corp., 399 F.3d 1302, 1308 (Fed. Cir. 2005). However, it is unclear whether they waived their objection by asserting unrelated, permissive counterclaims against the new counterdefendants.

This question is not controlled by Frank's Casing Crew, 292 F.3d 1363. In that case, after the district court denied the defendant's motion to dismiss for lack of personal jurisdiction, the defendant filed a new patent infringement class action counterclaim and joined six new defendants. Id. at 1370. The new counterclaims were related to the same patent as the plaintiffs' claims, but the new defendants were not involved in the previous infringement suit and the new claims "were not alleged to have arisen out of the same factual transaction or occurrence." Id. at 1372, n. 6. The court of appeals held that the defendant waived its personal jurisdiction objection by "seek[ing] to bring into the action new claims against new parties, not arising out of the same transaction or occurrence." Id. at 1372.

Defendants' state law counterclaims do not arise from the same transaction as their patent claims. Their allegations about unfair competition are not even limited to the products asserted in the patent actions. See Am. Ans., dkt. #32, at ¶¶ 27, 29, 31. However, unlike the new class action defendants in Frank's Casing Crew, the new third party defendants in this case are not "unrelated parties." They are properly parties for the patent claims and defendants allege that Extang and Undercover are wholly-owned subsidiaries of counterdefendants Tectum, THI-Undercover and Kinderhook. Dkt. #32, at ¶¶ 5-6.

It would be inefficient to adopt a rule that raising any permissive counterclaim against a third party defendant waives a jurisdictional defense because it would force defendants to raise any permissive counterclaim that might involve a third party in a new lawsuit to avoid potential preclusion problems. It would also create tension with Fed. R. Civ. P. 12(h), which allows parties to raise objections to personal jurisdiction in their answer at the same time as third party claims. Accordingly, I find that defendants Laurmark, BAK and Israel Maimin did not waive their objection to personal jurisdiction.

2. General framework for personal jurisdiction

The general framework for deciding questions of personal jurisdiction is well established. The plaintiff has the burden to show that subjecting the defendant to suit in this state is consistent with both Wisconsin's long arm statute, Wis. Stat. § 801.05, and the due process clause. Trintec Industries, Inc. v. Pedre Promotional Products, Inc., 395 F.3d 1275, 1279 (Fed. Cir. 2005). When the court does not hold an evidentiary hearing, plaintiff

meets its burden by making out a prima facie case and the court must resolve factual disputes in plaintiff's favor unless they are directly controverted. Pennington Seed, Inc. v. Produce Exchange No. 299, 457 F.3d 1334, 1344 (Fed. Cir. 2006) (citations omitted).

3. Due process

Federal Circuit law controls with respect to the application of the due process clause, Beverly Hills Fan Co. v. Royal Sovereign Corp., 21 F.3d 1558, 1564-65 (Fed. Cir.1994). Under the due process clause, the general question is whether the defendant has "certain minimum contacts with [the forum state] such that the maintenance of the suit does not offend 'traditional notions of fair play and substantial justice.'" International Shoe Co. v. Washington, 326 U.S. 310, 316 (1945) (quotation omitted). Contacts are not sufficient unless the defendant has "purposefully avail[ed] itself of the privilege of conducting activities within the forum State, thus invoking the benefits and protections of its laws." Hanson v. Denckla, 357 U.S. 235, 253 (1958). Stated another way, the question is whether the defendant has obtained a benefit from Wisconsin or inflicted an injury on one of its citizens that would lead it to reasonably anticipate being haled into court here. World-Wide Volkswagen Corp. v. Woodson, 444 U.S. 286, 297 (1980).

In this case, plaintiffs argue only that defendants are subject to "specific jurisdiction" in Wisconsin. This type of jurisdiction requires a showing that "the defendant purposefully directed its activities at residents of the forum" and that "the claim arises out of or relates to those activities." Avocent Huntsville Corp. v. Aten International Co., Ltd., 552 F.3d

1324, 1332 (Fed. Cir. 2008). Even if the plaintiff makes these showings, a court may decline to exercise personal jurisdiction if doing so would be unreasonable or unfair. Id.

The Court of Appeals for the Federal Circuit has adopted the "stream of commerce" theory, under which a plaintiff may establish personal jurisdiction by showing that the defendant has "purposefully ship[ped]" accused products into the forum state through an "established distribution channel." Beverly Hills Fan Co., 21 F.3d at 1564-65; AFTG-TG, LLC v. Nuvoton Tech. Corp., 689 F.3d 1358, 1365 (Fed. Cir. 2012) (concluding that J. McIntyre Machinery, Ltd. v. Nicastro, 131 S. Ct. 2780 (2011), did not alter existing stream of commerce jurisprudence). In Beverly Hills Fan, the plaintiff established specific jurisdiction by introducing evidence that there were at least 52 accused products in the state and the products were sold with a manual and warranty identifying the defendant's long-time distributor as the source of the product. Id.

In their complaint in this case, plaintiffs allege that "[d]efendants regularly transact business in the State of Wisconsin . . . by, among other things, offering for sale and selling products in this district. At a minimum, [d]efendants place their products, including the infringing products identified in this Complaint, into the stream of commerce knowing that such products will be sold and/or offered for sale in this district." Dkt. #26, at ¶ 12. Such formulaic allegations parroting the standard are insufficient to establish a prima facie case of jurisdiction. AFTG-TG, LLC, 689 F.3d at 1361, 1365.

In their opposition brief, plaintiffs rely on two pieces of evidence. First, Julian Maimin stated in a declaration submitted in support of the motion to dismiss that

> [t]here are some tonneau products licensed to LAURMARK which are sold through independently owned and operated distributors in Wisconsin, but other than those limited sales, LAURMARK and the other defendants do not have any other . . . connection to Wisconsin.

Dkt. # 34, at ¶ 5. Second, plaintiffs point to several pages on the website of BAK Industries, which has a "dealer locator" page to help visitors

> [f]ind a local BAK tonneau cover dealer in Wisconsin for the best discounts, installation, parts and warranty service. Whether you are looking for a hard folding, retractable or hard rolling (roll-up) tonneau cover, your local BAK dealer can offer you the entire BAK product line.

The website lists nineteen "local BAK dealer[s]" in Wisconsin and three dealers in the Madison area.

Plaintiffs' evidence of minimum contacts is sparse, but at this stage, the standard is fairly low. The evidence establishes that defendants Laurmark and BAK engaged in conduct directed at Wisconsin. Plaintiffs must also establish that their "claims against the defendants 'arise out of or relate to' those contacts." uBID, Inc. v. GoDaddy Group, Inc., 623 F.3d 421, 429 (7th Cir. 2010). A patent claim arises out of the defendant's contacts with the forum state when a party "without authority makes, uses, offers to sell or sells any patented invention" in the forum state. HollyAnne Corp. v. TFT, Inc., 199 F.3d 1304, 1308 (Fed. Cir. 1999) (quoting 35 U.S.C. 271(a)) (holding offer to donate made in forum state was not equivalent of "offer to sell" and therefore could not be used to establish specific jurisdiction); North American Philips Corp. v. American Vending Sales, Inc., 35 F.3d 1576, 1578-79 (Fed. Cir. 1994) (holding sale to customer located in forum state sufficient even if legal title passed to customer outside state because delivered "f.o.b." outside state).

Neither Julian Maimin's declaration nor the BAK website establishes that any accused products were sold in Wisconsin. Most patent cases discussing the "stream of commerce" theory assume that the defendant's distributors sold accused products in the forum state. Beverly Hills Fan, 21 F.3d at 1571 (52 accused products found in stores was enough); AFTG-TG, LLC, 689 F.3d at 1365 ("isolated shipments to Wyoming at the request of third parties" not sufficient under stream of commerce theory); Langeman Manufacturing, Ltd. v. Pinnacle West Enterprises, 524 F. Supp. 2d 1112, 1119 (W.D. Wis. 2007). Nevertheless, patent infringement occurs whenever a party "makes, uses, *offers to sell,* or sells any patented invention." 35 U.S.C. § 271(a) (emphasis added). In 3D Sys., Inc. v. Aarotech Laboratories, Inc., 160 F.3d 1373, 1379 (Fed. Cir. 1998), the court held that the plaintiff's infringement claim "arose out of" the defendant's contacts with the forum state because the defendant sent price quotation letters to residents of the forum state. The court interpreted the price quotes as an "offer to sell" because they were meant to generate interest in the potentially infringing product by describing the product and the price at which it could be purchased.

In this case, BAK represents on its website that nineteen dealers in Wisconsin can sell all of BAK's products, which would include the accused products. The website suggests that these dealers are offering to sell the accused products and that BAK is facilitating those sales. Moreover, defendants never deny expressly that the dealers have sold accused products in Wisconsin. It is reasonable to infer that Laurmark and BAK acted in concert with these dealers to "place . . . the [accused product] in the stream of commerce, they knew the likely

destination of the products and their conduct and connections with the forum state were such that they should reasonably have anticipated being brought into court" in Wisconsin. Beverly Hills Fan, 21 F.3d at 1566. See also Ledalite Architectural Products v. Pinnacle Architectural Lighting, Inc., No. 08-cv-558-slc, 2009 WL 54239 (W.D. Wis. Jan. 7, 2009) (specific jurisdiction existed because third party asserted it was "independent sales representative" with authority to sell accused products in Wisconsin and defendant did not deny third party's assertion).

Defendants argue that this case is analogous to LG Electronics, Inc. v. Quanta Computer Inc., 520 F. Supp. 2d 1061, 1071 (W.D. Wis. 2007), in which this court held that the plaintiff had not established that it was proper to exercise specific jurisdiction over the Taiwanese defendants because plaintiff presented no evidence that their products were sold in Wisconsin. The defendants had shipped optical drives to Texas, where a third party had incorporated them into computers and sold them all over the United States. Although the third party maintained stores in Wisconsin, plaintiff had no evidence that the computers sold in Wisconsin contained the defendants' optical drives. Defendants are correct that plaintiffs have not presented direct evidence of sales in Wisconsin, but unlike the optical drives in LG Electronics, it is not a matter of happenstance whether defendants' truck bed covers end up in Wisconsin. Because BAK maintains relationships with distributors in Wisconsin and directs visitors to its website to purchase products from these "local dealers," defendants Laurmark and BAK could reasonably have anticipated being sued in Wisconsin.

However, plaintiffs have presented no evidence to suggest that defendant Israel

Maimin has any contacts with Wisconsin. The only allegations relevant to Israel Maimin are that he licensed his patents to defendants Laurmark and BAK. Having not directed any of his activities toward Wisconsin, Israel Maimin is in the same situation as the defendants in LG Electronics, so he will be dismissed from the case for lack of personal jurisdiction.

2. Wisconsin's long arm statute

Plaintiffs contend that this court may exercise personal jurisdiction over defendants under Wis. Stat. § 801.05(4), which provides:

> A court of this state having jurisdiction of the subject matter has jurisdiction over a person served in an action pursuant to s. 801.11 under any of the following circumstances:
>
> . . . . .
>
> (4) Local injury; foreign act. In any action claiming injury to person or property within this state arising out of an act or omission outside this state by the defendant, provided in addition that at the time of the injury, either:
>
> (a) solicitation or service activities were carried on within this state by or on behalf of the defendant; or
>
> (b) Products, materials or things processed, serviced or manufactured by the defendant were used or consumed within this state in the ordinary course of trade.

Wis. Stat. § 801.05(4).

Plaintiffs have claimed an injury occurring within Wisconsin because the accused products were offered for sale here. North American Philips, 35 F.3d at 1578-79 (where "tort" of infringement was committed for state long arm statute is a "matter of uniform federal patent law"). It is also possible that defendants' local dealer page would constitute

"solicitation" in Wisconsin under subsection (a). However, I need not reach that question because defendants' activities meet the Wisconsin Supreme Court's definition of "processed" under subsection (b).

In Kopke v. A. Hartrodt S.R.L., 2001 WI 99, ¶ 11, 245 Wis. 2d 396, 629 N.W.2d 662, the Wisconsin Supreme Court adopted the position that "processed" in subsection (b) "should be interpreted to include a distributor's purchase and sale of goods in the normal course of distribution of those goods." Id. See also Langeman, 524 F. Supp. 2d at 1117 (holding jurisdiction existed under Wis. Stat. § 801.05(4)(b) against foreign defendant that contracted to sell and ship accused product to Wisconsin distributors on five occasions). It is reasonable to infer that defendants maintained some agreements with its "local dealers" in Wisconsin to ship products here. Moreover, because defendants maintain *nineteen* distributors in Wisconsin, it is reasonable to infer that these agreements occurred "in the ordinary course of business."

Defendants argue, incorrectly, that in addition to the standards of Wis. Stat. § 801.05(4), plaintiffs must demonstrate that defendants were "engaged in substantial and not isolated activities within this state, whether such activities are wholly interstate, intrastate, or otherwise." Wis. Stat. § 801.05(1)(d). However, § 801.05(1) is the Wisconsin analogue to general jurisdiction and a distinct source of jurisdiction from § 801.05(4).

At this point, plaintiffs have made a prima facie showing that this court has specific personal jurisdiction over defendants Laurmark and BAK Industries, so defendants' motion to dismiss for lack of personal jurisdiction will be denied. Following discovery, if defendants

still contend that they have not shipped accused products to Wisconsin in the ordinary course of business, they may renew their motion.

C. Improper Venue

A litigant may bring suit for patent infringement in any district "where the defendant resides or where the defendant has committed acts of infringement and has a regular and established place of business." 28 U.S.C. § 1400(b). For purposes of venue, a defendant corporation is deemed to reside in any district in which it is subject to the court's personal jurisdiction. 28 U.S.C. § 1391(c); VE Holding Corp. v. Johnson Gas Appliance Co., 917 F.2d 1574, 1584 (Fed. Cir. 1990) (holding § 1391 applies to define residence of first clause of § 1400(b)). For a declaratory judgment action, venue is governed by the general venue statutes, not § 1400(b). United States Aluminum Corp. v. Kawneer Co., Inc., 694 F.2d 193, 195 (9th Cir.1982). Under § 1391(b), venue is proper in a district where all defendants reside or in which the claim arose. Id. "When the cause of action is personal to the individual defendant, the venue requirement must be met as to that defendant." Hoover Group, Inc. v. Custom Metalcraft, Inc., 84 F.3d 1408, 1410 (Fed. Cir. 1996).

Because I have found that plaintiffs have made a prima facie showing that it is proper to exercise personal jurisdiction over defendants Laurmark and Bak, venue over these defendants is appropriate here. Because Julian Maimin chose to file counterclaims in this court, Julian has admitted that venue is appropriate.

D. Forum Non Conveniens and Transfer of Venue under § 1404

I must deny defendants' motion to dismiss for forum non conveniens and to transfer under 28 U.S.C. § 1404 for the same reason: defendants have identified no viable alternative venue. Section 1404(a) allows a district court to transfer a case to another district "where it might have been brought," when the moving party has shown that transfer would serve the convenience of parties and witnesses and promote the interest of justice. Coffey v. Van Dorn Iron Works, 796 F.2d 217, 219-20 (7th Cir. 1986). Except for certain situations not at issue in this case, a district court may transfer a case only to a district that is a proper venue and that would have personal jurisdiction over the defendants. Hoffman v. Blaski, 363 U.S. 335, 344 (1960). Similarly, the Court of Appeals for the Seventh Circuit has explained that "[a]s a practical matter, it makes little sense to broach the subject of forum non conveniens unless an adequate alternative forum is available to hear the case. Therefore, the first step in any forum non conveniens inquiry is to decide whether such a place exists." Kamel v. Hill-Rom Co., Inc., 108 F.3d 799, 802 (7th Cir. 1997) (citations omitted).

In their motion and opening brief, defendants failed to identify where they wanted the case to be transferred. In their reply brief, they choose the United States District Court for the Central District of California but they do not show that the court could exercise personal jurisdiction over most of the defendants. Defendants argue that THI-UnderCover has sufficient contacts with California to establish general jurisdiction over it, and the court would have jurisdiction over the remaining plaintiffs because THI-UnderCover owns Tectum Holdings, which in turn owns Extang and UnderCover. However, defendants provide no

details about THI-UnderCover's alleged contacts. More important, "stock ownership in or affiliation with a corporation, without more, is not a sufficient minimum contact" to satisfy due process. Central States, Southeast & Southwest Areas Pension Fund v. Reimer Express World Corp., 230 F.3d 934, 943 (7th Cir. 2000). In addition, the District Court for the Central District of California noted in its ruling on the motion to dismiss that Tectum Holdings, Tectum-Undercover and Kinderhook "have not directed their actions at California, because they have not taken any actions at issue in this case. This fact mitigates against the possibility of California exercising personal jurisdiction over any of these parties." Dkt. #38-3, at 9. Defendants simply ignore this problem, perhaps hoping the court would not notice. Because defendants have not identified an appropriate alternative forum, their motion to dismiss for forum non conveiens and to transfer under 28 U.S.C. § 1404(a) will be denied.

PLAINTIFFS' AND COUNTERDEFENDANTS' MOTION TO DISMISS

A. Personal Jurisdiction

Counterdefendants Tectum Holdings, THI-UnderCover and Kinderhook have moved to dismiss the claims against them for lack of personal jurisdiction. Because defendants fail to establish that exercising jurisdiction over counterdefendants would be consistent with due process, I need not consider Wisconsin's long arm statute.

In their counterclaim, defendants lump together Extang, Undercover, Kinderhook, Tectum Holdings, and THI-Undercover collectively as "THI." They allege that

> THI is subject to this Court's specific and general personal jurisdiction pursuant to due process and/or due, at least, to its substantial business in this forum, including (a) at least a portion of the infringements alleged herein; (b) regularly doing or soliciting business and/or deriving revenue from goods and/or services provided to individuals and companies in Wisconsin and in this judicial district; and/or (c) purposefully directing actions toward, and committing tortious acts having effects in, Wisconsin and this judicial district, which actions and tortious conduct have caused harm to Counterclaimants here in Wisconsin including in this judicial district.

Dkt. #32, at ¶ 15. Such conclusory allegations merely restating the tests for personal jurisdiction are not sufficient to establish personal jurisdiction. Moreover, defendants cannot rely on jurisdictional allegations about multiple parties collectively because "[e]ach defendant's contacts with the forum State must be assessed individually." Keeton v. Hustler Magazine, Inc., 465 U.S. 770, 781 n.13 (1984).

In their brief, defendants argue that this court may exercise personal jurisdiction over the counterdefendants because they are the corporate parents of plaintiffs Extang and UnderCover. However, "constitutional due process requires that personal jurisdiction cannot be premised on corporate affiliation or stock ownership alone where corporate formalities are substantially observed and the parent does not exercise an unusually high degree of control over the subsidiary." Reimer Express World, 230 F.3d at 943. Other than unsupported assertions in their brief that the counterdefendants "directed plaintiffs to file suit in Wisconsin" and "directed both [sic] the sales activities of plaintiffs toward the forum state," defendants made no allegations and presented no evidence about the degree of corporate control or the formalities observed between these distinct corporate entities. Therefore, counterdefendants Tectum Holdings, THI-UnderCover and Kinderhook will be

dismissed for lack of personal jurisdiction.

B. Interference with Prospective Business Advantage

Plaintiffs have moved to dismiss counterclaims seven and eight for intentional and negligent interference with prospective economic advantage for failure to state a claim. Wisconsin law recognizes a cause of action to protect against "interference with existing contractual relations and for tortious interference with prospective contractual relations." Cudd v. Crownhart, 122 Wis. 2d 656, 659, 364 N.W.2d 158, 160 (1985). "To prevail on a tortious interference claim under Wisconsin law, a plaintiff must show that (1) an actual or prospective contract existed between the plaintiff and a third party; (2) the defendant interfered with that contract or prospective contract; (3) the interference was intentional; (4) the interference caused the plaintiff to sustain damages; and (5) the defendant was not justified or privileged to interfere." Shank v. William R. Hague, Inc., 192 F.3d 675, 681 (7th Cir. 1999) (citing Duct-O-Wire Co. v. U.S. Crane, Inc., 31 F.3d 506, 509 (7th Cir.1994)).

As an initial matter, plaintiffs are correct that defendants' claim for negligent interference must be dismissed with prejudice because "under Wisconsin law intention is an essential element of a claim for damages sustained as a result of contractual interference." Hartridge v. State Farm Mutual Automobile Insurance Co., 86 Wis. 2d 1, 8, 271 N.W.2d 598, 601 (1978). See also Misany v. United States, 873 F.2d 160, 162 (7th Cir. 1989) (dismissing claim under Wisconsin law for failure to plead intent).

Defendants' claim for intentional interference must also be dismissed under Fed. R. Civ. P. 8 because they have not alleged that they had any actual or prospective contract with a third party. Under Fed. R. Civ. P. 8(a)(2), a complaint must include a "short and plain statement of the claim showing that the pleader is entitled to relief." The primary purpose of this rule is fair notice. The complaint "must be presented with intelligibility sufficient for a court or opposing party to understand whether a valid claim is alleged and if so what it is." Vicom, Inc. v. Harbridge Merchant Services, Inc., 20 F.3d 771, 775 (7th Cir. 1994). Rule 8 also requires that the complaint contain enough allegations of fact to make a claim for relief plausible on its face. Aschcroft v. Iqbal, 556 U.S. 662, 678-79 (2009) (citing Bell Atlantic Corp. v. Twombly, 550 U.S. 544 (2007)). "A claim has facial plausibility when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged." Id. In determining whether the complaint meets this standard, a court should disregard "mere conclusory statements" or "naked assertions devoid of further factual enhancement."

Laurmark's complaint does not include allegations that would allow a reasonable inference that it had existing or prospective contracts with third parties. Laurmark alleges that it "had and has valid business relationships and business expectancies with its customers and distributors and a reasonable expectation that such relationships would continue into the future and beyond based on a long and consistent business relationship." Counterclaim, dkt. #32, at ¶ 65. These conclusory allegations fail to identify any specific existing or prospective contracts or any specific third parties. Moreover, they even fail to restate the

elements of the Wisconsin cause of action. As the Court of Appeals for the Seventh Circuit has explained at length, Wisconsin does not recognize a cause of action for interference with "mere economic or business relations" short of "interference in the absence of an existing contract or sufficiently concrete prospective contract." Shank, 192 F.3d at 685-88; Sampson Investments by Sampson v. Jondex Corp., 176 Wis. 2d 55, 73, 499 N.W.2d 177 (1993) ("a plaintiff seeking to maintain a claim for tortious interference with contract must show some specific right which has been interfered with.").

Plaintiffs also argue that Laurmark has not sufficiently alleged that plaintiffs engaged in any *improper* conduct that interfered with its business relationships. Laurmark alleges that plaintiffs have sold and induced others to sell products that infringe Laurmark's patents, Counterclaim, dkt. #32, at ¶¶ 19-20, 26-27, required distributors and retailers to enter exclusive agreements, id. at ¶ 31, and "provided monetary inducement to distributors and retailers to remove Laurmark's displays and advertising materials from [their] showroom floors." Id., at ¶ 30. Plaintiffs argue that there is nothing improper about the exclusive sales or advertising agreements and that a tortious interference claim based only on infringement would be preempted by federal patent law.

Plaintiffs are correct that defendants have not alleged that plaintiffs' agreements were improper, but plaintiffs have not established their preemption argument and some types of infringing activity may support a tortious interference claim. The Court of Appeals for the Federal Circuit has twice addressed whether a state law tort of tortious interference with contractual relations is preempted by federal patent law. Dow Chemical Co. v. Exxon Corp.,

139 F.3d 1470, 1473 (Fed. Cir. 1998); Hunter Douglas, Inc. v. Harmonic Design, Inc., 153 F.3d 1318, 1321 (Fed. Cir. 1998), overruled on other grounds by Midwest Indus., Inc. v. Karavan Trailers, Inc., 175 F.3d 1356 (Fed. Cir. 1999). However, neither party cited these cases and they seem to point in opposite directions. Because I am dismissing this claim on other grounds, I need not address the issue at this time.

Defendants were walking a fine line in drafting this counterclaim. If they alleged specific contractual relationships in Wisconsin, those allegations might be used to show that personal jurisdiction was proper here. The bare allegations they offered fail to state a plausible claim for relief and must be dismissed under Rule 8.

C. Unfair Competition under Wis. Stat. § 100.20

Plaintiffs argue that the court must dismiss defendants' counterclaim count nine for unfair competition under Wis. Stat. § 100.20 because the allegations of unfair practices are vague and because a party may sue under that statute only for violation of an order of the Department of Agriculture, Trade and Consumer Protection. Defendants' allegations relevant to this count are vague, but I agree with plaintiffs' latter argument and will not discuss the pleading standards for a claim under Wis. Stat. § 100.20.

Wis. Stat. § 100.20(1) prohibits "unfair methods of competition in business and unfair trade practices." After a public hearing, the Department of Agriculture, Trade and Consumer Protection may enter general orders forbidding trade practices determined to be unfair or special orders forbidding specific individuals from engaging in unfair practices.

Wis. Stat. §§ 100.20(2) & (3). Subsection (5) provides that "[a]ny person suffering pecuniary loss *because of a violation by any other person of any order issued under this section* may sue for damages therefor in any court of competent jurisdiction." Wis. Stat. § 100.20(5) (emphasis added). Therefore, "it is clear that the private right of action created by the statute has, as a condition precedent to bringing suit, the requirement of a prior administrative order forbidding or enjoining the conduct at issue." Schreiber Foods, Inc. v. Beatrice Cheese, Inc., 97-C-11, 1997 WL 34618437, *7 n.1 (E.D. Wis. Nov. 26, 1997). Because defendants have not alleged that plaintiffs violated any departmental orders regarding fair trade practices, this claim must be dismissed.

D. Dismissal With or Without Prejudice

Plaintiffs ask the court to dismiss the state law counterclaims with prejudice because defendants relied on the same substantive allegations for their California state law claims before the Central District of California and that court dismissed those claims as inadequately pleaded under Iqbal. However, those claims were brought under California law and defendants have not had another opportunity to replead their counterclaims under Wisconsin law. When a district court dismisses a complaint or claim under Rule 8, the general rule is that the claim is dismissed "with leave to replead." Loubser v. Thacker, 440 F.3d 439, 443 (7th Cir. 2006). Plaintiffs have not shown that it would be impossible for defendants to adequately plead counterclaim counts seven and nine. Accordingly, I will dismiss those counts without prejudice. If defendants want to file an amended counterclaim,

they will have to file a motion to amend.

ORDER

IT IS ORDERED that

1. The "motion to dismiss the third amended complaint for lack of jurisdiction over the person, improper venue, and forum non conveniens; in the alternative, motion to transfer venue," dkt. #33, filed by defendants Laurmark Enterprises Inc, Israel Maimin and Julian Maimin is DENIED.

2. Israel Maiman's motion to dismiss for lack of personal jurisdiction is GRANTED.

3. The motion to dismiss, dkt. #36, filed by counterdefendants Extang Corporation, Kinderhook Industries, THI-UnderCover Holdings, LLC, Tectum Holdings, Inc. and UnderCover, Inc. is GRANTED as follows:

a. Counterdefendants Kinderhook Industries, THI-UnderCover Holdings, LLC and Tectum Holdings, Inc., are DISMISSED for lack of personal jurisdiction under Fed. R. Civ. P. 12(b)(2).

b. Defendants' counterclaim count eight is dismissed with prejudice for failure to state a claim upon which relief may be granted under Fed. R. Civ. P. 12(b)(6).

c. Defendants' counterclaims seven and nine are dismissed without prejudice

for failure to plead sufficient facts under Fed. R. Civ. P. 8.

Entered this 11th day of April, 2013.

BY THE COURT:

/s/

BARBARA B. CRABB
District Judge