

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

KUCALA ENTERPRISES, LTD.,)
)
 Plaintiff,)
)
 vs.)
)
 AUTO WAX COMPANY, INC.,)
)
 Defendant.)
)
 AUTO WAX COMPANY, INC.,)
)
 Counter-Plaintiff,)
)
 vs.)
)
 KUCALA ENTERPRISES, LTD., K.E.L.)
 MANUFACTURING, JOHN KUCALA, and)
 DAWN KUCALA, individually,)
)
 Counter-Defendants.)

Case No. 02 C 1403
Judge Joan H. Lefkow

FINAL JUDGMENT

The court enters the following FINAL JUDGMENT in favor of counter-plaintiff, Auto Wax Co., Inc. (“Auto Wax”), and against all counter-defendants in this case, including Kucala Enterprises, Ltd., K.E.L. Manufacturing, John Kucala, and Dawn Kucala.¹

I. Kucala’s Pre-Injunction Violations of Court Orders

Kucala and Auto Wax are both in the automobile care products industry and both manufacture and distribute automobile detailing clay. On February 26, 2002, Kucala filed the

¹Unless otherwise specified, the court uses the name “Kucala” to refer to either Kucala Enterprises or John Kucala, its owner. The court finds the term “Kucala” appropriate to describe both the entity and the individual because the two are so closely related that referring to one necessarily invokes the other.

initial complaint in this litigation challenging the validity and enforceability of certain Auto Wax patents covering a particular type of detailing clay (United States Patent Nos. 5,476,416 and 5,727,993). Auto Wax subsequently filed a countersuit against Kucala alleging that Kucala is infringing the '993 Patent.

On December 13, 2002, this court granted Auto Wax's request to "inspect the process of manufacture" of Kucala's detailing clay. Order of December 13, 2002 (granting Auto Wax's Motion to Compel). The court ordered the production to be via computer files or hard copy. *Id.* After Kucala failed to respond to the request for inspection, the court granted Auto Wax's second and third motions to compel. Orders of January 23, 2003 and February 11, 2003.

On October 27, 2003, the court found that Kucala committed the following "egregious" acts "in flagrant disregard" of the court's discovery orders: (1) Kucala bought and used the "Evidence Eliminator" computer program, against its own attorney's advice, to destroy relevant and discoverable evidence; (2) Kucala admittedly deleted files and emails according to his personal judgment about whether they were relevant; (3) Kucala threw away a computer that had been used for his business, never produced any back up documents he claimed to have copied before throwing away the computer, and arrogated to himself the decision as to whether the documents were relevant to the litigation; (4) Kucala failed to produce relevant and discoverable business documents, including invoices, emails, letters, and faxes to and from customers; (5) Kucala changed labels on chemicals so as to hide the ingredients that are used to make the accused product; and (6) Kucala claimed lack of memory about such important matters as the formula for the product (he is the only person who ever knew this information), who his suppliers are, and the equipment and process used for manufacture. *See* Rulings on Objections to Report

and Recommendation of Magistrate Judge, dated October 27, 2003, at 9-10. The court found that Kucala's actions resulted in "multiplication of expense, delay, and ravage of the common law method of seeking the truth," *id.* at 11, and entered final judgment in favor of Auto Wax on Kucala's allegations of unenforcability and invalidity. The court ordered Kucala to pay Auto Wax monetary sanctions and warned that "a complete change of heart of John Kucala's part" was required if he wanted to avoid a default judgment in favor of Auto Wax on Auto Wax's counter-suit for infringement.

II. The Court's Preliminary Injunction

On October 29, 2004, the court issued the following preliminary injunction in this case:

IT IS SO ORDERED that Kucala, its employees, agents, owners, and legal counsel shall until otherwise ordered by the Court:

1. Cease and desist from using the method of Claim 57 of the '993 Patent (as construed by this Court), from inducing any other person or entity to use such method, and from selling or offering for sale any product that, when used, is likely to result in the use of the method of Claim 57 of the '993 Patent.
2. Cease and desist from making, using, selling, offering for sale, importing, advertising or soliciting sales of automotive detailing clay or clay-like products (hereinafter collectively referred to as "clay") unless and until such clay has been found by a United States court not to infringe, not induce infringement, and not contributorily infringe Claim 57 of the '993 Patent.
3. Omit all references to clay from any and all of its websites, including but not limited to www.erazer.com, and refrain from including any reference to clay on any website in the future unless and until such clay has been found by a United States court to not infringe, not induce infringement, and not contributorily infringe Claim 57 of the '993 Patent.

During the hearing for the Preliminary Injunction, Judge Lefkow warned Kucala that if its detailing clay product was "still in the stream of commerce in the auto detailing industry, I will consider that contempt of court." October 29, 2004 Hearing Transcript, at 65-66. Kucala

subsequently acknowledged that it understood the restrictions imposed on it by the preliminary injunction, stating in a document filed with the court that "It would not be in Kucala's best interest, as it would violate the Court's order to make, use or sell a product before having the court's approval to do so." (Reply to Auto Wax's Sur-Reply to Kucala's Motion for this Court's Approval to Engage in Non-Infringing Business Practices, at 3.)

III. Kucala's Violations of the Court's Preliminary Injunction

On April 27, 2005, the court entered an Order finding Kucala in contempt of court for violating the terms of the Preliminary Injunction. The contempt finding was supported by clear and convincing evidence of the following willful and intentional activities by Kucala:

1. Kucala sold 800 bars of its detailing clay product to at least one customer after the effective date of the Preliminary Injunction. The Preliminary Injunction specifically prohibits this conduct.
2. After the effective date of the Preliminary Injunction, Kucala issued a press release soliciting sales of its detailing clay product. The Preliminary Injunction also specifically prohibits this conduct.
3. Kucala's web site, www.eraser.com, continues to refer to Kucala's detailing clay and to display press releases that solicit sales of its detailing clay product. The Preliminary Injunction also specifically prohibits this conduct.

Since the contempt finding, Auto Wax has presented the court with evidence that Kucala sold a far larger amount of its detailing clay than Auto Wax previously knew about or identified to the court in the contempt hearing. Documents obtained by Auto Wax via a third-party subpoena to United Parcel Service reveal that Kucala sent at least 260 packages of detailing clay (approximately 4818 pounds of clay worth approximately \$55,000) to sixty-four customers, including at least eleven packages *after* the court held Kucala in contempt on April 27, 2005. In addition, Kucala advertised his detailing clay in a national trade magazine in May 2005, in direct

violation of the Preliminary Injunction.

IV. Sanctions

The court issues the following sanctions against Kucala for civil contempt of court, which applies to all named counter-defendants unless otherwise specified:

The court grants Auto Wax a default judgment against Kucala on all issues in this case and finds that Kucala has infringed, induced infringement, and contributorily infringed at least Claim 57 of Auto Wax's United States Patent No. 5,727,993 ("the '993 Patent").

The court finds, based on Auto Wax's uncontested expert report, that a reasonable royalty rate for Kucala's past infringement totals \$1,104,807.50. The court also awards prejudgment interest to Auto Wax pursuant to 35 U.S.C. § 1961.

The court also finds that this case is exceptional under 35 U.S.C. § 285. Kucala's actions in this case and its infringement, repeated infringement, and contributory infringement of at least Claim 57 of the '933 Patent have been willful, intentional, and in bad faith. The court therefore awards Auto Wax its reasonable and necessary attorneys' fees and costs pursuant to 35 U.S.C. § 285 and treble damages under 35 U.S.C. § 284. Auto Wax's attorneys' fees and costs that have not previously been paid by Kucala in this case total \$816,769.55. Treble damages total \$3,314,422.50.

Therefore, the court orders Kucala to pay to Auto Wax a total amount of \$4,131,192.05 plus prejudgment interest in an amount to be determined. Kucala must pay this amount to Auto Wax or obtain a bond in the equivalent amount prior to any appeal of this Final Judgment by Kucala.

Furthermore, the court finds that Kucala's repeated violations of court orders and

discovery rules warrant measures to prevent Kucala from making, using, selling, offering to sell, or importing any clay or clay-like products likely to infringe, induce infringement, or contributorily infringe Claim 57 of the '933 Patent. Therefore the court issues the following permanent injunction:

Kucala Enterprises, Ltd., K.E.L. Manufacturing, John Kucala, and Dawn Kucala, and its and their employees, agents, owners, and legal counsel and those persons in active concert or participation with them who receive actual notice of this order by personal service or otherwise shall, until otherwise ordered by this court,

1. Cease and desist from using the method of Claim 57 of the '993 Patent (as construed by this Court), from inducing any other person or entity to use such method, and from selling or offering for sale any product that, when used, is likely to result in the use of the method of Claim 57 of the '993 Patent,
2. Cease and desist from directly or indirectly making, using, selling, offering for sale, importing, advertising or soliciting sales of automotive detailing clay or clay-like products (hereinafter collectively referred to as "clay") unless and until such clay has been found by a United States court not to infringe, not induce infringement, and not contributorily infringe Claim 57 of the '993 Patent,
3. Omit all references to clay from any and all of its websites, including but not limited to www.erazer.com, and refrain from including any reference to clay on any website in the future unless and until such clay has been found by a United States court to not infringe, not induce infringement, and not contributorily infringe Claim 57 of the '993 Patent,
4. Not issues any press releases, letters, or other communications to its past or present customers, suppliers, vendors, or contacts within the automobile detailing industry regarding clay unless and until such clay has been found by a United States court to not infringe, not induce infringement, and not contributorily infringe Claim 57 of the '993 Patent,
5. Not directly or indirectly seek reexamination of the '993 Patent.

This permanent injunction shall continue until the '933 Patent expires in 2013.

In addition, Kucala must immediately recall all clay or clay-like products that Kucala has distributed since October 29, 2004, including, but not limited to, the clay or clay-like products

sent by Kucala to The Classic Group. Kucala must provide to Auto Wax all documents and information relating to such a recall. All recalled products must be assigned to Auto Wax by Kucala and sent by Kucala to Auto Wax within ten (10) days of receipt by Kucala.

Kucala must also provide the court and Auto Wax with a complete list of all past and present customers, suppliers, vendors, and contacts within the automobile detailing industry within five (5) days of this Final Judgment. Kucala must state under oath and subject to perjury that this list is complete and correct. Auto Wax may use this list, and any other information provided by Kucala in this case, to contact these customers, suppliers, vendors, and contacts to correct false statements made by Kucala to these individuals.

Given Kucala's repeated defiance of this court's orders, a final warning is in order. Should Kucala fail to abide by the commands of this Final Judgment, the court will consider such action to be a direct and serious challenge to this court's authority and will, on motion or on its own initiative, immediately initiate criminal contempt proceedings against Kucala. *See Young v. United States ex rel. Vuitton*, 481 U.S. 787, 793 ("[I]t is long settled that courts possess inherent authority to initiate contempt proceedings for disobedience to their orders, . . .").

IT IS SO ORDERED.

ENTER: Charles P. Kocoras
CHARLES P. KOCORAS
United States District Judge

Dated: June 30, 2005