

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Case No. _____

HUNTER DOUGLAS INC.,
a Delaware corporation,

Plaintiff,

v.

JASON T. THRONE, an individual,
MARY C. THRONE, an individual, and
PATENT SERVICES GROUP, INC.,
a Maine corporation,

Defendants.

COMPLAINT AND JURY DEMAND

Plaintiff Hunter Douglas Inc. (hereinafter “Plaintiff” or “HDI”), through its attorneys, submits the following Complaint against Defendants Jason T. Throne, Mary C. Throne, and Patent Services Group, Inc. (“PSG”) (collectively, “Defendants”).

INTRODUCTION

1. This matter involves the Defendants’ theft of nearly five millions dollars from HDI. Defendant Jason Throne served as HDI’s senior patent legal counsel for over 20 years. Beginning in 2000 and through HDI’s recent discovery of the theft, the Defendants used Mr. Throne’s authority at HDI to steal hundreds of thousands of dollars from HDI each year. They

did so by submitting fraudulent billing statements from Defendant PSG, a corporate front created by Mr. and Mrs. Throne for the purpose of defrauding HDI.

PARTIES

2. HDI is a Delaware corporation with its principal place of business located at 1 Blue Hill Plaza, Pearl River, New York 10965. Accordingly, HDI has dual citizenship in the State of Delaware and the State of New York.

3. Jason T. Throne (“Jason Throne” or “Mr. Throne”) is an individual domiciled in the State of Maine. Throughout the relevant period, Mr. Throne worked as an in-house patent attorney for HDI and held various titles. Since 2001, Mr. Throne’s title was “Intellectual Property General Counsel.” Prior to 2001, Mr. Throne was “Intellectual Property Counsel.”

4. Mary C. Throne (“Mary Throne” or “Mrs. Throne”) is an individual domiciled in the State of Maine. Upon information and belief, Mrs. Throne has no legal degree, juris doctorate, or paralegal certificate.

5. Jason Throne and Mary Throne (collectively, “the Thrones”) are husband and wife.

6. In late 1999, the Thrones established a corporation called Patent Service Group, Inc. (“PSG”). PSG has a mailing address of P.O. Box 2019, Boulder, Colorado, 80306-2019 and its principal place of business at 238 Union Street, Rockport, Maine 04856. PSG has not been formally incorporated by the State of Maine, but, on information and belief, is currently being operated by the Thrones in Maine. PSG was created by the Thrones and incorporated in the State of Colorado on December 29, 1999, but administratively dissolved in approximately 2002.

7. Unbeknownst to HDI until recently, PSG is an entity Mr. and Mrs. Throne established and directed for the sole purpose of falsely billing HDI for patent search services that were on information and belief never performed. Between the years 2000 and 2014, the Thrones used PSG to submit false and fraudulent invoices to HDI on a monthly basis.

JURISDICTION AND VENUE

8. This Court has subject matter jurisdiction pursuant to 28 U.S.C. § 1332(a)(1) based on diversity of citizenship between Plaintiff and Defendants. The amount in controversy, exclusive of interest and costs, exceeds \$75,000, as specified by 28 U.S.C. § 1332(a).

9. This Court further has subject matter jurisdiction pursuant to 28 U.S.C. § 1331 because this is a civil action arising under 18 U.S.C. § 1961, *et seq.*

10. This Court has supplemental jurisdiction over Plaintiff's causes of actions arising under Colorado law pursuant to 28 U.S.C. § 1367(a).

11. The Court has personal jurisdiction over Defendants and venue is proper in this District pursuant to 28 U.S.C. § 1391(a) and (b) because PSG resides in this District, the fraudulent scheme committed by the Defendants was carried out in this District, and/or a substantial part of the events giving rise to the claims set forth occurred within this District.

GENERAL ALLEGATIONS

Jason Throne's Employment With HDI

12. HDI is the United States affiliate of Hunter Douglas, NV ("Hunter Douglas"). Hunter Douglas is the world's leading maker of window blinds, coverings, and architectural products. Hunter Douglas develops innovative, high quality, proprietary products that are found in millions of homes and commercial buildings around the world.

13. Hunter Douglas Window Fashions, Inc., (“HD Window Fashions”) is a wholly owned subsidiary of HDI. It is located in Broomfield, Colorado.

14. Jason Throne was an HDI employee from August 16, 1993 to June 12, 2014.

15. Since 2001, Mr. Throne’s title at HDI was “Intellectual Property General Counsel.” This title reflected Mr. Throne’s supervisory authority over HDI’s intellectual property portfolio, most significant of which was the Company’s patent-related matters. As HDI’s sole in-house dedicated patent counsel, Jason Throne was an important and high-ranking member of HDI’s Legal Department.

16. As HDI’s sole in-house and dedicated patent counsel, Mr. Throne was responsible for managing and overseeing patents for HDI and its subsidiary and affiliate companies. As part of this responsibility, Mr. Throne regularly prepared and filed various patent applications (or managed outside counsel with respect to same with the United States Patent and Trademark Office (“USPTO”). In addition, a critical part of Mr. Throne’s job duties involved working with HDI research and development and engineering personnel to memorialize and assess new inventions for their patentability.

17. Mr. Throne would also oversee work for HDI’s wholly owned subsidiaries, such as HD Window Fashions, as part of his normal responsibilities.

18. In preparing patent applications, an applicant must conduct appropriate research, including searches of USPTO databases, to assess, among other things, whether a patent has already been filed or granted that relates to the subject matter of a new patent. In his role for HDI, Mr. Throne was involved with and/or oversaw these routine patent searches, including “state of the art” patent searches, patent infringement searches, and patent validity searches.

19. As a matter of HDI practice, Mr. Throne was to conduct these patent searches in his capacity as HDI's patent counsel. He could, and did, also supervise an attorney or paralegal of the company or retain outside counsel to perform these tasks.

20. Contracts between HDI and its outside providers typically require written approval.

21. HDI explicitly prohibited its salaried employees from engaging in any outside employment or entering into any contracts that would create a conflict of interest without disclosure to and the prior written permission from the appropriate HDI personnel.

22. As a long-term employee and senior in-house attorney within HDI, Mr. Throne was familiar with HDI's policies and procedures, agreed to them as a condition of his continued employment, and in some instances relating to processes and procedures involving the legal department, he helped to draft them.

23. Through his position with HDI, Mr. Throne was entrusted to approve patent-related expenditures in accordance with HDI's corporate policies and practices.

24. As set forth below, for many years the HDI Legal Department has utilized a "legal workflow system" to accurately track legal-related expenditures, including invoices from outside counsel and other legal-related vendors.

**The Defendants' Use of the U.S. Mail and Wire Communications
To Commit Their Fraud**

25. On approximately a monthly basis from 2000 through April 2014, the Thrones prepared invoices to HDI requesting payment for purported patent searches conducted during the previous month. They submitted the invoices under the name of PSG. The invoices averaged between \$30,000 and \$40,000 per month.

26. The Thrones would send the PSG invoices to HDI via facsimile (“fax”) to Mr. Throne’s HDI fax number at “Jason T. Throne, Hunter Douglas Inc., P.O. Box 37, Rockport, ME 0486-0037.”

27. The Thrones faxed the invoices to Jason Throne at HDI with the specific, fraudulent intent of giving the invoices an air of legitimacy, making it appear as if PSG was a third party vendor, instead of the alter ego of Jason and Mary Throne.

28. In further effort to mislead, the Thrones established and used a Post Office Box in Boulder, Colorado for remittance of PSG bills. The PSG invoices directed HDI to remit payment to P.O. Box 2019, Boulder, CO 80306-2019. The Post Office Box was established by the Thrones with the specific intent of fraudulently obtaining HDI funds through the mail.

29. After Mr. Throne received the PSG invoice (from himself or his wife) via his HDI fax line, Mr. Throne would then, as a senior attorney of HDI, approve the PSG invoices by marking “OK to Pay” along with his initials “JTT.” He would then submit each invoice to HD Window Fashions’ accounting department for payment.

30. Neither Mr. Throne nor Mrs. Throne was identified on the invoices.

31. Although Mr. Throne knew that all other key outside legal vendor charges were processed and approved through the HDI legal workflow system (in accordance with HDI legal department’s procedures), he never inputted the PSG expenses into the system or gave direction to anyone else to input PSG expenses.

32. Mr. Throne intentionally failed to input PSG charges into the legal workflow system to further conceal the Defendants’ fraud.

33. Between 2000 and April 2014, HDI paid PSG over \$4.8 million to the Thrones via PSG:

Year	HDI Payments to PSG
2000	\$ 285,272.87
2001	\$ 374,068.64
2002	\$ 346,373.38
2003	\$ 276,167.41
2004	\$ 250,357.52
2005	\$ 237,355.84
2006	\$ 272,180.09
2007	\$ 306,216.81
2008	\$ 253,893.55
2009	\$ 341,821.78
2010	\$ 402,663.67
2011	\$ 419,761.30
2012	\$ 444,723.94
2013	\$ 476,716.63
2014	\$ 153,572.66
TOTAL	\$4,841,146.09

34. Relying on Mr. Throne's direction and statement of approval, HD Window Fashions' accounting department would approve each invoice and direct HDI's corporate accounting department to remit payment for the purported amount owed. It did so by generating a bank check and sending the check, as requested by Defendants, through the U.S. Postal Service to the P.O. Box in Boulder, Colorado.

35. Upon information and belief, Jason and/or Mary Throne would travel from Maine to Colorado and physically obtain the HDI checks mailed to PSG from the P.O. Box in Boulder.

36. Upon information and belief, Jason and/or Mary Throne would then travel to Steamboat Springs to personally deposit the checks into a bank branch located in Steamboat Springs.

37. Upon information and belief, the checks were deposited into an account opened and controlled by the Thrones.

38. As discussed below, and despite requests to Mr. Throne therefor, HDI did not receive appropriate, independent, or lawful services for these payments.

HDI's Conflict of Interest Policies

39. Defendants actively hid the true nature of PSG from HDI.

40. HDI prohibits employees from engaging in business activities where the employee has a personal interest that conflicts with his or her loyalty to HDI.

41. Mr. Throne as an attorney for, and employee of, HDI was familiar with these policies.

42. Mr. Throne did not inform HDI of his conflict of interest.

43. From time to time, HDI would revise its express policies and circulate the revised documents to certain top-level employees.

44. For example, on or about September 17, 2007, Jason Throne represented by signed writing that he was not involved with any activities that were in conflict with HDI and that he did not have a secondary source of income or employment. *See* "Secondary Employment Information," attached hereto as Exhibit A.

45. Also, on or about September 19, 2007, Jason Throne signed a document entitled “Conflict of Interest Policy” given to him by HDI. *See* “Conflict of Interest Policy,” attached hereto as Exhibit B.

46. Section A of the Conflict of Interest Policy states:

- “employees’ personal interests must not be permitted to adversely affect Hunter Douglas’ business.”
- “Hunter Douglas’ employees may not, either directly or indirectly through intermediaries or family members have any interest in any Business Relation of any Hunter Douglas Group company without written approval.”
- employees “shall report any interest of this kind in any company or person involved in doing business with any Hunter Douglas Group company before entering his or her employment”; and
- employees “shall likewise obtain approval before entering into any new situations that might create a conflict of interest.”

See Exh. B.

47. Section B, 4 of the Conflict of Interest Policy states:

- “Full-time employees may not engage in any other activity for compensation other than compulsory or reserve military service.”
- “Engaging in any other activity for compensation requires written approval.”

See Exh. B.

48. Section B, 6 of the Conflict of Interest Policy states: “Employees who are neither a director nor officer must obtain approvals required by this Policy from, or make reports to, a Director or Officer of the company where such employees are employed.” *See* Exh. B.

49. Mr. Throne did not at any point in time raise with HDI his personal interest in PSG, his affiliation with PSG, or his purported work for HDI through PSG. Nor did Mr. Throne obtain approval required by The HDI Policy.

The Defendants’ Intentional Concealment of Their Relationship With PSG From HDI

50. As described above, the Defendants took affirmative steps to hide their involvement with PSG from HDI and prevent HDI from discovering their fraud.

51. Defendants further concealed their activities even when PSG was initially discovered by HDI.

52. For example, in November 2013, a patent engineer at HDI discovered substantial billing entries for PSG. The patent engineer, Ms. Natalie Hatmaker, worked closely with Mr. Throne. Ms. Hatmaker had never heard of PSG or witnessed any work product from PSG.

53. Ms. Hatmaker accordingly sent an email to Mr. Throne asking for information about the “astronomical” charges by PSG. Ms. Hatmaker asked Jason Throne “do you know what those are?” and stated “I have never heard of that.”

54. In response, Mr. Throne immediately called Ms. Hatmaker and represented to her that PSG was a patent search vendor that he used and that the expenses were approved. He then emailed to her a response reiterating that PSG was “a patent search service I use that tracks a number of different developments throughout the organization.”

55. Mr. Throne did not disclose that he was profiting from PSG, that he and his wife were operating PSG, or that he had a personal interest in PSG.

PSG Did Not Provide HDI With Services

56. Over the past 14 years, HDI has paid to PSG over \$4.8 million.

57. HDI suspects that it does not know the extent of Defendants' conduct and fraud.

58. PSG did not provide any material work product to HDI, except potentially what Mr. Throne was otherwise obligated to provide as part of his normal job responsibilities.

59. There is no written agreement that documents the business relationship between HDI and PSG.

60. HDI does not have itemized billing statements of PSG's work.

61. HDI does not have any work files or reports from PSG.

62. Despite the amounts paid to PSG, HDI has no email traffic related to PSG.

63. To the extent HDI can detect any services provided by PSG, the services are indistinguishable from the employment services for which HDI employed and paid Jason Throne.

64. Mary Throne is not an attorney. On information and belief, she has never been an attorney.

65. There is no evidence that Mary Throne has obtained any degrees or certification related to intellectual property.

66. On information and belief, Ms. Throne was previously employed as an aquatic aerobics instructor.

67. Defendants claim that PSG's original hourly billing rate for HDI searches was \$125 per hour, and that, at Jason Throne's approval, PSG's billing rate eventually increased to \$300 per hour.

68. In the year 2000, PSG billed \$285,272.87 at a purported billing rate of \$125 per hour. If that work really had been performed, it would have meant that PSG worked nearly 2,300 hours during that year performing patent search services solely for HDI. That equates to nearly 9.5 hours per day for each non-holiday work day during that year.

69. In the year 2001, PSG billed \$374,068.64 at a purported billing rate of \$125 per hour. If that work really had been performed, it would have meant that PSG worked nearly 3,000 hours during that year performing patent search services solely for HDI. That equates to over 12 hours per day for each non-holiday work day during that year.

70. Mr. Throne personally prepared invoices on PSG's behalf to be sent to HDI.

71. Despite demands by HDI to do so, Mr. Throne has not produced any evidence of independent PGS work product or searches.

Defendants' Acts Were Fraudulent Even If PSG Provided Services

72. PSG's invoices were fraudulent.

73. HDI has no evidence that anyone at HDI, other than Mr. Throne, was made aware of any work by PSG until Ms. Hatmaker's inquiries in November 2013.

74. HDI has no evidence that anyone at HDI, other than Mr. Throne, communicated with Mary Throne or anyone else purportedly acting on behalf of PSG.

75. Upon information and belief, Jason Throne did not inform HDI of the nature of the business relationship between HDI and PSG, including the conflict of interest that existed based on his interest in PSG.

76. To the extent PSG provided any actual services, HDI never approved the use of PSG nor waived the conflict that existed based on Jason Throne's interest in PSG. Mr. Throne was not authorized to approve a conflict involving himself, contract with PSG, or approve payments to PSG on HDI's behalf. Mr. Throne was also not authorized to approve any rate increases to PSG on HDI's behalf.

77. Mr. Throne was not authorized to conduct work for PSG.

78. Mr. Throne represented in writing to HDI that he was not working in any capacity other than as an employee of HDI.

79. On or about June 12, 2014, HDI terminated Jason Throne for cause.

80. Publicly-available records show that, over the past fourteen years, Jason Throne and Mary Throne have purchased and/or maintained: significant homes in Rockport, Maine and Steamboat Springs, Colorado; automobiles; and a boat. Upon information and belief, these items were purchased with HDI's funds.

81. Upon information and belief, Defendants have used the ill-gotten funds to purchase other significant personal property.

82. HDI fears that Defendants will use, dissipate, or secrete whatever ill-gotten funds or assets that remain in Defendants' control.

FIRST CLAIM FOR RELIEF

**Violation of Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C. § 1961 *et seq.*
(Against Jason and Mary Throne)**

83. HDI restates and realleges the allegations set forth in the preceding paragraphs as though fully set forth herein.

84. Mr. and Mrs. Throne each constitute a “person” within the meaning of 18 U.S.C. § 1961(3).

85. Mr. and Mrs. Throne directed, operated, and managed PSG.

86. Defendant PSG constitutes a racketeering “enterprise” within the meaning of 18 U.S.C. § 1961(4).

87. Over a period of 14 years, Defendants Jason and Mary Throne participated in the enterprise and used PSG as a vehicle to commit fraud by submitting monthly invoices to HDI for payment. Using mail and wire communications, the Thrones intentionally concealed Mr. Throne’s personal interest in PSG from HDI, created the PSG invoices submitted to HDI that Mr. Throne then approved, and billed HDI for work Mr. Throne purportedly performed on behalf of PSG, even though he was a full-time, salaried employee of HDI.

88. Additionally, Mr. and Mrs. Throne deliberately hid their operations of PSG from HDI by using Mr. Throne’s personal email account to conduct all PSG-related business, and used PSG to steal over \$4.8 million total from HDI.

89. Over the course of 14 years on at least a monthly basis, Mr. and Mrs. Throne used PSG to engage in a pattern of continuous racketeering activities within the meaning of 18 U.S.C. § 1961(5). The racketeering activities have included, among other things, ongoing predicate acts of (i) mail fraud under 18 U.S.C. § 1341 based on the Thrones’ use of mail communications in

furtherance of their scheme to defraud and (ii) wire fraud under 18 U.S.C. § 1343 based on the Thrones' use of wire communications in furtherance of their scheme to defraud.

90. The Thrones conducted the business of PSG entirely through the predicate acts of mail fraud and wire fraud. PSG was established and operated by the Thrones for the purposes of fraudulently obtaining funds from HDI using Mr. Throne's approval authority. The Thrones conducted the business of PSG through mail and wire communications, and they used mail and wire communications to shield their involvement with PSG by setting up the Boulder Post Office Box and using PSG as a front to obtain funds from HDI.

91. The Thrones were engaged in interstate commerce. Jason Throne worked for HDI in its Broomfield office and out of his home residence in Maine. Jason Throne created PSG's invoices and sent them by facsimile from Maine to HDI's office in Colorado. The Thrones induced HDI to mail payments to PSG in Colorado. The Thrones deposited payment checks from HDI to PSG in a Colorado bank account and, upon information and belief, accessed those funds from Maine.

92. As a direct result of the Thrones' predicate acts and pattern of racketeering activities and pursuant to 18 U.S.C. § 1964(c), HDI was injured and seeks damages in an amount to be determined at trial, including three times the actual damages sustained by HDI, costs of the present action, and attorney fees.

SECOND CLAIM FOR RELIEF

**Violation of Colorado Organized Crime Control Act, Colo. Rev. Stat. § 18-17-101 *et seq.*
(Against Jason and Mary Throne)**

93. HDI restates and realleges the allegations set forth in the preceding paragraphs as though fully set forth herein.

94. Mr. and Mrs. Throne each constitute a “person” within the meaning of Colo. Rev. Stat. § 18-17-103(4).

95. Mr. and Mrs. Throne directed, operated, and managed PSG.

96. Defendant PSG constitutes a racketeering “enterprise” within the meaning of Colo. Rev. Stat. § 18-17-103(2).

97. Over a period of 14 years, Defendants Jason and Mary Throne participated in the enterprise and used PSG as a vehicle to commit fraud by submitting monthly invoices to HDI for payment. Using mail and wire communications, the Thrones intentionally concealed Mr. Throne’s personal interest in PSG from HDI, created the PSG invoices submitted to HDI that Mr. Throne then approved, and billed HDI for work Mr. Throne purportedly performed on behalf of PSG, even though he was a full-time, salaried employee of HDI.

98. Additionally, Mr. and Mrs. Throne deliberately hid their operations of PSG from HDI by using Mr. Throne’s personal email account to conduct all PSG-related business, and used PSG to steal approximately \$4.8 million total from HDI.

99. Over the course of 14 years on at least a monthly basis, Mr. and Mrs. Throne used PSG to engage in a pattern of continuous racketeering activities within the meaning of Colo. Rev. Stat. § 18-17-103(3). The racketeering activities included, among other things, continuous predicate acts of (i) mail fraud under 18 U.S.C. § 1341 based on the Thrones’ use of mail communications in furtherance of their scheme to defraud; (ii) wire fraud under 18 U.S.C. § 1343 based on Thrones’ use of wire communications in furtherance of their scheme to defraud; and (iii) under Colo. Rev. Stat. § 18-17-103(5)(b)(II), civil theft under Colo. Rev. Stat. § 18-4-401.

100. The Thrones conducted the business of PSG entirely through the predicate acts of mail fraud and wire fraud. PSG was established and operated by the Thrones for the purposes of fraudulently obtaining funds from HDI using Mr. Throne's approval authority. The Thrones conducted the business of PSG through mail and wire communications, and they used mail and wire communications to shield their involvement with PSG by setting up the Boulder Post Office Box and using PSG as a front to obtain funds from HDI.

101. The Thrones were engaged in interstate commerce. Jason Throne worked for HDI in its Broomfield office and out of his home residence in Maine. Jason Throne created PSG's invoices and sent them by facsimile from Maine to HDI's office in Colorado. The Thrones induced HDI to mail payments to PSG in Colorado. The Thrones deposited payment checks from HDI to PSG in a Colorado bank account and, upon information and belief, accessed those funds from Maine.

102. As a direct result of the Thrones' predicate acts and pattern of racketeering activities and pursuant to Colo. Rev. Stat. § 18-17-106(7), HDI was injured and seeks damages in an amount to be determined at trial, including three times the actual damages sustained by HDI, costs of the present action, and attorney fees.

THIRD CLAIM FOR RELIEF
Conspiracy
(Against All Defendants)

103. HDI restates and realleges the allegations set forth in the preceding paragraphs as though fully set forth herein.

104. As set forth herein, Jason Throne, Mary Throne, and PSG conspired together to conceal the truth about their fraudulent business operation and to misuse Jason Throne's position of trust at HDI for the purpose of inducing HDI to pay over \$4.8 million to PSG.

105. As set forth herein, Defendants committed overt acts in furtherance of the conspiracy, including: (i) to set up PSG as a corporate shell to do business with HDI; (ii) to prepare invoices in PSG's name and send them to HDI; (iii) to utilize Jason Throne's position of trust at HDI to approve PSG invoices and rate increases on HDI's behalf; (iv) to use mail and wire communications to carry out the scheme; and (v) to mislead HDI about the existence of PSG and Mr. Throne's personal relationship with PSG.

106. As a result of Defendants' conduct, HDI has suffered damages in an amount to be determined at trial.

FOURTH CLAIM FOR RELIEF
Civil Theft and Rights in Stolen Property Under Colo. Rev. Stat. § 18-4-401 *et seq.*
(Against All Defendants)

107. HDI restates and realleges the allegations set forth in the preceding paragraphs as though fully set forth herein.

108. As set forth herein, Defendants knowingly obtained and exercised control over HDI's money by fraud and deception by failing to disclose that Jason Throne was using his position at HDI to approve PSG's rates and invoices even though he was simultaneously setting those rates and preparing those same invoices on PSG's behalf.

109. Defendants used that money in such a manner as to permanently deprive HDI of the use or benefit of that money.

110. Defendants knowingly obtained and exercised control over HDI's property interests by deception.

111. Defendants intended to permanently deprive HDI of the use or benefit of this property.

112. Defendants' conversion and misappropriation of HDI's money constitutes theft under the provisions of Colo. Rev. Stat. § 18-4-401 *et seq.*

113. Pursuant to Colo. Rev. Stat. § 18-4-405, HDI seeks damages for Defendants' theft of HDI's property in an amount to be determined at trial, including three times the actual damages sustained by HDI, costs of the present action, and attorney fees from Defendants.

FIFTH CLAIM FOR RELIEF

**Conversion
(Against All Defendants)**

114. HDI restates and realleges the allegations set forth in the preceding paragraphs as though fully set forth herein.

115. As set forth herein, Defendants knowingly obtained and exercised control over HDI's money by fraud and deception by failing to disclose that Jason Throne was using his position at HDI to approve PSG's rates and invoices even though he was simultaneously setting those rates and preparing those same invoices on PSG's behalf.

116. Defendants used that money in such a manner as to permanently deprive HDI of the use or benefit of that money.

117. Defendants wrongfully appropriated and has wrongfully exercised permanent dominion and control over HDI's funds to the exclusion of HDI.

118. Defendants' exercise of dominion and control over the monies unjustifiably denied HDI to the right to use, consume, exploit, and profit from such funds.

119. The exercise of dominion and control over HDI's funds by Defendants is without legal justification and constitutes conversion of HDI's assets.

120. The wrongful conversion of HDI's funds was accomplished by Defendants under circumstances of fraud, willful and wanton misconduct and/or recklessness within the meaning of C.R.S. § 13-21-102.

121. HDI is entitled to immediate ownership, possession, and control over the funds wrongfully converted by Defendants.

SIXTH CLAIM FOR RELIEF
Fraudulent Concealment
(Against Jason Throne)

122. HDI restates and realleges the allegations set forth in the preceding paragraphs as though fully set forth herein.

123. As set forth above, Jason Throne concealed and omitted information from HDI including, among other things, that he maintained a personal interest in PSG, that his interest in PSG violated HDI's Conflict of Interest Policy, that he was preparing invoices on PSG's behalf and approving those same invoices on HDI's behalf, that he was unilaterally approving rate increases for PSG, and that he benefitted directly from HDI's payments to PSG.

124. This concealment and lack of disclosure was material.

125. Jason Throne knew that this concealment and lack of disclosure was misleading.

126. Jason Throne concealed and failed to disclose this information with the intent of creating a false impression of the actual facts.

127. Jason Throne concealed and failed to disclose this information with the intent that HDI act upon them by making payments to PSG.

128. HDI did not have knowledge of these facts at the time that it made payments to PSG.

129. HDI actually and justifiably relied on Jason Throne's concealment and omissions to its detriment by paying funds to PSG.

130. HDI has been damaged by the concealment and lack of disclosure alleged above in an amount to be determined at trial.

SEVENTH CLAIM FOR RELIEF
Fraudulent Inducement
(Against Jason Throne)

131. HDI restates and realleges the allegations set forth in the preceding paragraphs as though fully set forth herein.

132. As set forth herein, Jason Throne concealed and omitted information from HDI with the intent of inducing HDI to make payments to PSG.

133. That information includes, among other things, the following instances: failing to disclose to HDI or obtain approval from HDI for the conflict of interest that existed between Jason Throne, PSG, and HDI when he created PSG and began approving PSG invoices in 2000; failing to disclose to HDI or obtain approval from HDI for the conflict of interest that existed between Jason Throne, PSG, and HDI when he signed and submitted to HDI the Secondary Employment Information on or about September 17, 2007; failing to disclose to HDI or obtain approval from HDI for the conflict of interest that existed between Jason Throne, PSG, and HDI when he signed and submitted to HDI the Conflict of Interest Policy on or about September 19,

2007; failing to disclose to HDI or obtain approval from HDI for the conflict of interest that existed between Jason Throne, PSG, and HDI when asked about PSG charges on or about November 22, 2013 by Natalie Hatmaker; and otherwise failing to disclose to HDI or obtain approval from HDI for the conflict of interest that existed between Jason Throne, PSG, and HDI during his employment during the period of 2000 to April 2014.

134. Jason Throne's failure to disclose or obtain approval for the conflict of interest that existed between Jason Throne, PSG, and HDI in each instance was material.

135. HDI made payments to PSG on the assumption that the concealed information was different from what it actually was.

136. HDI's reliance on this assumption was justified.

137. HDI's reliance on this assumption has caused it damages in an amount to be determined at trial.

EIGHTH CLAIM FOR RELIEF
Breach of Contract
(Against Jason Throne)

138. HDI restates and realleges the allegations set forth in the preceding paragraphs as though fully set forth herein.

139. The Conflict of Interest Policy constitutes a valid and binding agreement between HDI and Jason Throne.

140. HDI and Jason Throne intended that HDI directly benefit from the Conflict of Interest Policy.

141. Jason Throne breached his obligations to HDI under the Conflict of Interest Policy by, among other things: allowing his personal interests to adversely affect HDI's business;

maintaining interests in PSG, both personally and through his wife, without written approval; failing to report these interests to HDI both at the commencement of the business relationship between HDI and PSG and on multiple occasions after that time, including when he signed the Conflict of Interest Policy; failing to obtain approval for the conflict of interest that existed through the business relationship between HDI and PSG; engaging in other business activities for compensation; failing to obtain written approval for other business activities for compensation; and failing to exhibit loyalty to the company at all times during his employment.

142. As a result of Jason Throne's breaches, HDI has been damaged in an amount to be determined at trial.

NINTH CLAIM FOR RELIEF
Breach of Contract
(Against Jason Throne and Mary Throne)

143. HDI restates and realleges the allegations set forth in the preceding paragraphs as though fully set forth herein.

144. On or about July 20, 2009, Jason Throne and Mary Throne entered into a Loan and Repayment Agreement with HDI ("Loan Agreement"). *See* Loan and Repayment Agreement dated July 20, 2009, attached hereto as Exhibit C. The Loan Agreement constitutes a valid and binding agreement between HDI, on one hand, and Mr. and Mrs. Throne, on the other hand.

145. An event of default under the Loan Agreement is the termination of Mr. Throne's employment by HDI. *See* Exh. C, ¶ 9(e).

146. Upon discovering his fraud, HDI has terminated Mr. Throne.

147. In the event of default under the Loan Agreement, HDI is entitled to declare the entire amount of the Loan immediately due and payable. *See* Exh. C, ¶ 6.

148. The current balance that Mr. and Mrs. Throne owe to HDI under the Loan Agreement is \$38,860.36.

149. HDI has demanded this amount from Jason Throne on June 12, 2014 and on June 16, 2014.

150. Mr. and Mrs. Throne have not paid to HDI the amount demanded.

151. As a result of these breaches, HDI has been damaged in an amount to be determined at trial, including an award of attorneys' fees and expenses under Section 11(f) of the Loan Agreement.

TENTH CLAIM FOR RELIEF
Breach of Fiduciary Duty
(Against Jason Throne)

152. HDI restates and realleges the allegations set forth in the preceding paragraphs as though fully set forth herein.

153. Jason Throne was designated to manage and direct HDI's business as it related to patent legal work. Jason Throne also had the legal authority to act for and bind HDI.

154. Jason Throne was charged to perform his duties in good faith and in the best interest of HDI. In his role, Jason Throne owed fiduciary duties of loyalty, honesty, good faith, full, open and honest disclosure, and the exercise of due care and diligence to HDI in the management and administration of HDI's affairs.

155. Jason Throne breached his duty by deceiving and actively misleading HDI.

156. Jason Throne minimally breached these duties to HDI by, among other things, failing to inform HDI of his activities, concealing his personal interest in PSG, exceeding the scope of his authority by approving PSG's rate increases on HDI's behalf, and exceeding the scope of his authority by approving these payments on HDI's behalf to PSG.

157. Jason Throne's breaches caused HDI to suffer injury in an amount to be determined at trial.

158. Jason Throne's breaches of his fiduciary duties and the injury suffered were attended by circumstances of fraud, malice, or willful and wanton conduct entitling HDI to an award of exemplary damages under Colo. Rev. Stat. § 13-21-102.

ELEVENTH CLAIM FOR RELIEF
Aiding and Abetting Breach of Fiduciary Duty
(Against Mary Throne)

159. HDI restates and realleges the allegations set forth in the preceding paragraphs as though fully set forth herein.

160. Jason Throne was designated to manage and direct HDI's business as it related to patent legal work. Jason Throne also had the legal authority to act for and bind HDI.

161. Jason Throne was charged to perform his duties in good faith and in the best interest of HDI. In his role, Jason Throne owed fiduciary duties of loyalty, honesty, good faith, full, open and honest disclosure, and the exercise of due care and diligence to HDI in the management and administration of HDI's affairs.

162. Jason Throne breached his duty by deceiving and actively misleading HDI.

163. Jason Throne minimally breached these duties to HDI by, among other things, failing to inform HDI of his activities, concealing his personal interest in PSG, exceeding the

scope of his authority by approving PSG's rate increases on HDI's behalf, and exceeding the scope of his authority by approving these payments on HDI's behalf to PSG.

164. Mary Throne knowingly participated in Jason Throne's breach of his fiduciary duties to HDI, through, among other things, establishing PSG, submitting false invoices to HDI, and by depositing and using HDI's funds.

165. Jason Throne's breaches caused HDI to suffer injury in an amount to be determined at trial.

166. Jason Throne's breaches of his fiduciary duties and the injury suffered were attended by circumstances of fraud, malice, or willful and wanton conduct entitling HDI to an award of exemplary damages under Colo. Rev. Stat. § 13-21-102.

TWELFTH CLAIM FOR RELIEF
Unjust Enrichment
(Against All Defendants)

167. HDI restates and realleges the allegations set forth in the preceding paragraphs as though fully set forth herein.

168. As set forth above, Defendants participated in a scheme to conceal material information from HDI and approve unauthorized payments from HDI to PSG in order to benefit Defendants.

169. Defendants have benefited from the receipt of HDI's money.

170. Defendants have failed to return the money that rightfully belongs to HDI and have retained that money for themselves.

171. As a result, Defendants have been unjustly enriched and have benefited at HDI's expense. As a matter of equity, Defendants should be required to disgorge these improperly-obtained sums.

THIRTEENTH CLAIM FOR RELIEF
Imposition of Constructive Trust
(Against All Defendants)

172. HDI restates and realleges the allegations set forth in the preceding paragraphs as though fully set forth herein.

173. As set forth above, Defendants engaged in deceptive, fraudulent, and wrongful conduct by, among other things, concealing Jason Throne's personal interest in PSG, preparing and submitting invoices to HDI, and approving payment of these invoices on HDI's behalf.

174. Defendants' conduct constitutes deceptive, fraudulent, and wrongful conduct.

175. By virtue of Defendants' wrongful conduct, Defendants have illegally received money and profits that rightfully belong to HDI.

176. Upon information and belief, Defendants hold the illegally-received money and profits in the form of bank accounts, real property, or personal property that can be located and traced, including but not limited to his residence in Maine and real property located in Steamboat Springs, Colorado.

177. Defendants hold the money, profits, and real and personal property they have illegally received as a constructive trust for the benefit of HDI.

JURY DEMAND

HDI demands a jury trial on all issues so triable.

PRAYER FOR RELIEF

WHEREFORE, HDI respectfully requests that this Court enter:

- (1) Judgment in favor of HDI and against Defendants on all claims for relief;
- (2) Damages in favor of HDI and against Defendants in an amount to be determined at trial;
- (3) Prejudgment interest, and all other interest allowable at law;
- (4) An award of reasonable costs incurred, including attorneys' fees as allowed by law in favor of HDI and against Defendants; and
- (5) Such other and further relief as the Court deems just and appropriate.

Dated this 30th day of June, 2014.

/s/ Randall H. Miller

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