

ENTERED

July 21, 2017

David J. Bradley, Clerk

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

HAILO TECHNOLOGIES, LLC,
Plaintiff,

v.

MTDATA, LLC,
Defendant.

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CIVIL ACTION NO. H-17-0077

MEMORANDUM AND ORDER

Defendant MtData, LLC (“MtData”) filed a Motion to Dismiss for Lack of Subject Matter Jurisdiction (“Motion to Dismiss”) [Doc. # 32], to which Plaintiff Hailo Technologies, LLC (“Hailo”) filed a Response [Doc. # 34], and MtData filed a Reply [Doc. # 35]. Having reviewed the record and the applicable legal authorities, the Court **denies** the Motion to Dismiss.

I. BACKGROUND

United States Patent No. 6,756,913 (the ‘913 Patent”), entitled “System for Automatically Dispatching Taxis to Client Locations,” was issued to Mourad Ben Ayed, the named inventor. On November 27, 2016, Ayed executed a Revenue Sharing Agreement (“Agreement,” attached as Exh. 1 to Motion to Dismiss). In the Agreement, Ayed as Assignor assigned to Hailo as Assignee “all right, title, and interest in, and to, the [’913] Patent in accordance with the Assignment” attached to

the Agreement as Exhibit A.¹ *See* Agreement, ¶ 1.3. The assignment of rights includes “without limitation, the right to prosecute, and receive, all damages, royalties, award and compensation for past, present and/or future infringement.” *Id.* The Agreement provides that “[a]s the owner of all right, title and interest in and to the [’913] Patent,” Hailo has the right to prosecute infringement lawsuits in its own name. *See id.*, ¶ 1.4. Ayed, as Assignor, retains the right to request status reports regarding pending litigation, and to request “copies of non-privileged and non-work-product documents relating to pending litigation and/or enforcement activities.” *See id.*, ¶ 1.6.

The Agreement includes a “Reversion” provision, which applies if “a period longer than ninety (90) days lapses wherein the Assignee is not actively enforcing the Patent through a pending judicial proceeding and/or actively prosecuting the Patent through a pending administrative proceeding” *See id.*, ¶ 1.7. Should Hailo fail to enforce the ’913 Patent for more than 90 days, Hailo must “at Assignor’s written request,” assign the Patent rights to Assignor or his designee. *See id.*

¹ In the attached Assignment Agreement (“Assignment”), Ayed assigned to Hailo his “entire worldwide right, title, and interest in and to [the ’913 Patent], including the entire worldwide right, title and interest in and to any reexamination or reissue of the Patent.” *See* Assignment, ¶ 1. The Assignment includes the right to prosecute and receive all damages for infringement. *See id.*

On January 11, 2017, at 2:32 p.m., Hailo filed a lawsuit against Arro, Inc. for alleged infringement of the '913 Patent. *See Hailo Tech., LLC v. Arro, Inc.*, Civil Action No. 4:17-cv-75. Later, at 3:00 p.m., Hailo filed this lawsuit against MtData. Therefore, at the time this lawsuit was filed, Hailo was already actively enforcing the '913 Patent in the *Arro* lawsuit.

MtData has moved to dismiss this lawsuit. MtData argues that Hailo is not the owner of the '913 Patent and, therefore, lacks standing to sue for infringement. The Motion to Dismiss has been fully briefed and is now ripe for decision.

II. STANDARD FOR SUBJECT MATTER JURISDICTION

“Under Title 35, only patentees and their successors in title to a patent may bring an action for infringement.” *Intellectual Ventures I LLC v. Erie Indem. Co.*, 850 F.3d 1315, 1321 (Fed. Cir. 2017) (citing 35 U.S.C. §§ 261, 281). “A party may become the successor in title to the original patentee by assignment, 35 U.S.C. § 261, . . . and then may sue for infringement in its own name.” *Drone Tech., Inc. v. Parrot S.A.*, 838 F.3d 1283, 1292 (Fed. Cir. 2016) (citing *Propat Int'l Corp. v. RPost, Inc.*, 473 F.3d 1187, 1189 (Fed. Cir. 2007)).

To determine whether an agreement is an assignment, the Court must “ascertain the intention of the parties and examine the substance of what was granted.” *Aspex Eyewear, Inc. v. Miracle Optics, Inc.*, 434 F.3d 1336, 1340 (Fed. Cir. 2006). “In

making such a determination, it is helpful to focus on each party's collection of sticks within the bundle of patent rights as a result of the agreement." *VirnetX, Inc. v. Microsoft Corp.*, 2008 WL 8894682, *2 (E.D. Tex. June 4, 2008) (citing, *inter alia*, *Intellectual Property Dev.*, 248 F.3d at 1342). The most important consideration is the nature and scope of the assignee's right to sue for infringement, together with any retention by the assignor of the right to sue. *See Alfred E. Mann Found. For Sci. Research v. Cochlear Corp.*, 604 F.3d 1354, 1361 (Fed. Cir. 2010).

III. ANALYSIS

A. Intention of the Parties

The Agreement provides that the intent of the parties is for Hailo to acquire "all right, title, and interest" in the '913 Patent and the Assignment provides that the intent of the parties is for Ayed to assign all his "right, title and interest" to Hailo. The Agreement identifies Hailo as the "owner of all right, title and interest" in the Patent. *See* Agreement, ¶ 1.4. It is clear from the provisions of both the Agreement and the attached Assignment that the intent of the parties was for Hailo to obtain by assignment from Ayed all rights, title, and interest in the '913 Patent.

B. Rights Granted to Hailo and Rights Retained by Ayed

Consideration of the rights granted to Hailo compared to those rights retained by Ayed similarly establish that Ayed was assigning title to the Patent to Hailo such

that Hailo has standing to pursue this lawsuit. Hailo has the unfettered right to sue alleged infringers, and to receive all damages or other compensation for infringement. *See* Agreement, ¶ 1.3. Hailo has the exclusive right to seek out parties who either are infringing the claims of the '913 Patent or who may have an interest in using, practicing, making or selling products or services covered by the Patent. *See id.*, ¶ 1.1. The Agreement provides that Hailo has the “right to prosecute in its own name and at its own expense” infringement lawsuits. *See id.*, ¶ 1.4. Hailo has the right to commercialize the Patent by using, practicing, making, or selling products or services covered by the claims in the '913 Patent. *See id.*, ¶ 2.3. Hailo has the right, and the obligation, to maintain the Patent. *See id.*, ¶ 2.7. “The responsibility to maintain a patent is one of the obligations that has been recognized by [the Federal Circuit] as an indication that the party with that obligation has retained an ownership interest in the patent.” *Propat Int'l Corp. v. RPost, Inc.*, 473 F.3d 1187, 1191 (Fed. Cir. 2007).

Ayed retains certain rights, primarily the right to receive payment from Hailo of 50% of the profit generated by the Patent either through enforcement activities or commercialization.² *See* Agreement, ¶ 2.1. “[T]he fact that a patent owner has retained a right to a portion of the proceeds of the commercial exploitation of the

² Hailo received the right to receive income generated by the '913 Patent, including all damages and other compensation from infringement actions. Ayed had the right to receive *from Hailo* 50% of all those profits generated by the Patent.

patent, . . . does not necessarily defeat what would otherwise be a transfer of all substantial rights in the patent.” *See Propat*, 473 F.3d at 1191. This is particularly true where, as here, Ayed retains no right to control the “commercial exploitation” of the ’913 Patent. Ayed has no right to control any enforcement activities; specifically, he retains no right to select or veto potential infringement defendants or possible licensees. He has the right to request “a report and/or update on the status of pending litigation and/or enforcement activities.” *See Agreement*, ¶ 1.6. He does not, however, have a right to direct, control, or veto any decisions made by Hailo in connection with pending litigation or enforcement activities. *See Vaupel Textilmaschinen KG v. Meccanica Euro Italia S.P.A.*, 944 F.2d 870, 875 (Fed. Cir. 1991) (assignee held rights to patent where assignor retained only the right to be informed about litigation, not to control the assignee’s exercise of its right to sue for infringement).

Under the terms of the Agreement, if Hailo is not actively enforcing the Patent for more than 90 days, then Ayed has the right to request that Hailo reassign the Patent, and Hailo must comply with that request. *See Agreement*, ¶ 1.7. A reversion provision is not dispositive, but can indicate that Ayed retained significant ownership interest in the Patent. *See Propat*, 473 F.3d at 1192. In this case, the “reversion” is not automatic, and Ayed is not obligated to request the reassignment. The Agreement

requires Hailo, under the circumstances identified in the Agreement, to assign the patent rights to Ayed or his designee. Hailo would have not authority or ability to assign patent rights if those rights had not been assigned to Hailo. Moreover, at the time this case was filed and when Hailo was required to have standing, this “stick[] within the bundle of patent rights” was beyond Ayed’s reach because Hailo was already actively enforcing the Patent in its lawsuit against Arro, Inc. in Civil Action No. 4:17-cv-75.

C. Conclusion

The Agreement and the Assignment clearly establish that the intention of the parties was for Ayed to transfer to Hailo all his rights, title, and interest in the ’913 Patent. Hailo, identified in the Agreement as the “owner of all right, title, and interest in and to the Patent,” received the right to file infringement lawsuits in its own name and without Ayed’s consent or control. Hailo received the right to practice or otherwise commercialize the ’913 Patent. Ayed retained the right to receive from Hailo half of the profits from the Patent, generated either through enforcement activities or through commercialization. Ayed also retained, but could not exercise at the time this case was filed, the right to ask for and obtain reassignment of the Patent from Hailo. Based on consideration of the rights transferred to Hailo and those retained by Ayed, it is clear that Ayed transferred significant right, title, and interest

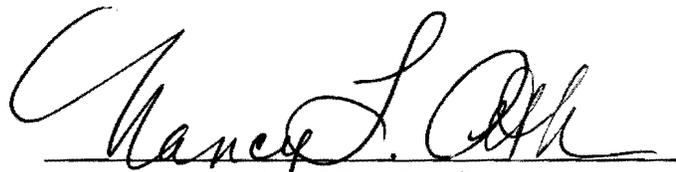
in the '913 Patent such that Hailo is the owner of the Patent entitled to pursue this lawsuit in its own name.

IV. CONCLUSION AND ORDER

As discussed herein, Plaintiff is the owner by assignment of the '913 Patent. As a result, Plaintiff has standing to sue MtData for infringement, and it is hereby

ORDERED that Defendant's Motion to Dismiss [Doc. # 32] is **DENIED**.

SIGNED at Houston, Texas, this 21st day of **July, 2017**.



NANCY F. ATLAS
SENIOR UNITED STATES DISTRICT JUDGE