

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

COMMISSIONERS: Edith Ramirez, Chairwoman
Julie Brill
Maureen K. Ohlhausen
Joshua D. Wright
Terrell McSweeney

In the Matter of)	
)	
MPHJ TECHNOLOGY INVESTMENTS, LLC,)	Docket No. G_____
a limited liability company;)	
)	
JAY MAC RUST,)	
individually and as an officer of)	
MPHJ TECHNOLOGY INVESTMENTS, LLC ;)	
and)	
)	
FARNEY DANIELS, P.C.,)	
a professional corporation)	

COMPLAINT

The Federal Trade Commission (“Commission”) having reason to believe that MPHJ Technology Investments, LLC, a limited liability company; Jay Mac Rust, individually and as an officer of MPHJ Technology Investments, LLC; and Farney Daniels, P.C., a professional corporation (collectively, “Respondents”) have violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that this proceeding is in the public interest, alleges as follows:

1. Respondent MPHJ Technology Investments, LLC (“MPHJ”) is a Delaware limited liability company with a registered agent at 1013 Centre Road, Suite 403S, Wilmington, Delaware, 19805. MPHJ has 101 subsidiaries, each of which is a Delaware limited liability company and each of which has a registered agent at 1013 Centre Road, Suite 403S, Wilmington, Delaware, 19805.

2. Respondent Jay Mac Rust is the sole member and manager of MPHJ and the sole manager of each of MPHJ's 101 subsidiaries. At all times material to this Complaint, acting alone or in concert with others, he has formulated, directed, controlled, had the authority to control, or participated in the acts and practices of MPHJ, including the acts and practices set forth in this Complaint. His principal place of business is 510 North Valley Mills Drive, Suite 505, Waco, Texas, 76710.

3. Respondent Farney Daniels, P.C., ("Farney Daniels") is a Texas professional corporation with its principal office or place of business at 800 South Austin Avenue, Suite 200, Georgetown, Texas, 78626.

4. The acts and practices of the Respondents as alleged in this Complaint have been in or affecting commerce, as "commerce" is defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

RESPONDENTS' BUSINESS ACTIVITIES

5. MPHJ and the subsidiaries that it controls are Patent Assertion Entities. Patent Assertion Entities purchase patent rights and seek to generate revenue by licensing or litigating against those who are or may be using patented technology.

6. In September 2012, MPHJ purchased from another Patent Assertion Entity, Project Paperless, LLC, all right, title, and interest to four U.S. patents and one pending U.S. patent application on the work of inventor Laurence C. Klein ("Klein Patents"). The four patents, U.S. Patent Nos. 7,986,426; 6,771,381; 7,477,410; and 6,185,500; Application No. 13/182,857 (issued as Patent No. 8,488,173 in 2013) generally pertain to networked scanning systems. More particularly, Respondents assert that the Klein Patents, individually or in combination, cover certain computer management systems capable of transmitting electronic images, graphics, and/or documents through a communications network from a network addressable scanner, digital copier, or other multifunction peripheral to external devices, files, and applications.

7. Beginning in September 2012 and continuing through June 2013, the Respondents conducted a campaign to promote and sell licenses for the Klein Patents through letters sent to thousands of small businesses located in all fifty states and the District of Columbia.

8.

Respondents, including those for Veterinary Services, Lawn and Garden Services, Building Maintenance Services and Medical Laboratories

14. In the first stage of the campaign, Respondents sent a letter in the name of one of MPHJ's various subsidiaries on letterhead featuring the name of that subsidiary ("First Letter"). In each First Letter Respondents state that the entity identified as the sender is the licensing agent for the Klein Patents. Eighty-one different subsidiary names were used over the length of Respondents' campaign: AllLed, LLC; AbsMea, LLC; AccNum, LLC; AllOrd, LLC; AdzPro, LLC; ArdSan, LLC; ArdTec, LLC; AppVal, LLC; BavLin, LLC; BarMas, LLC; BetNam, LLC; BilOlt, LLC; BriPol, LLC; BruSed, LLC; BosTra, LLC; BunVic, LLC; CalLad, LLC; CapMat, LLC; CalNeb, LLC; CleOrv, LLC; ChaPac, LLC; CelSta, LLC; ComTim, LLC; CraVar, LLC; DelLog, LLC; DayMas, LLC; DesNot, LLC; DreOcc, LLC; DucPla, LLC; DriSud, LLC; DraTom, LLC; DoVol, LLC; EliLand, LLC; ElaMon, LLC; EntNil, LLC; EleOde, LLC; EliPut, LLC; EstSto, LLC; EtaTri, LLC; EquiVas, LLC; FasLan, LLC; FraMor, LLC; FolNer, LLC; FenObe, LLC; FanPar, LLC; FreSta, LLC; Fas, LLC; FloVis, LLC; GreLea, LLC; GraMet, LLC; GosNel, LLC; GanOrb, LLC; GanPan, LLC; GamSta, LLC; GenTro, LLC; GimVea, LLC; HunLos, LLC; HanMea, LLC; HarNol, LLC; HadOpp, LLC; HeaPle, LLC; HorSan, LLC; HurTom, LLC; HasVen, LLC; InnLost, LLC; IsaMai, LLC; OnaNur, LLC; IndOrp, LLC; IntPar, LLC; InkSen, LLC; IntTen, LLC; IbiVen, LLC; JusLem, LLC; JonMor, LLC; JitNom, LLC; JanOrt, LLC; JudPar, LLC; JunSpe, LLC; JabTre, LLC; JamVor, LLC; and Networked Scanning Solutions, LLC.

15. Each First Letter states that the recipient is likely infringing the Klein Patents by using common office equipment and that "we are contacting you to initiate discussions reonb y1oak, ,aen y

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25. Over the course of the campaign, the Respondents used different versions of the Third Letter and Complaint that share a core text. One such Third Letter and Complaint redacted to remove certain name and address information, is attached as Exhibit C.

26. Beginning in December 2012 and continuing through May 2013, Respondents sent Third Letters to approximately 4,870 small businesses located in all fifty states and the District of Columbia. On several dates during this period, Respondents sent versions of these Third Letters to hundreds of small businesses in a single day. For example, on April 1, 2013, Respondents sent approximately 1,718 Third Letters threatening to file a copyright infringement lawsuit against small business recipients located in forty-nine states. Respondents did not hear from the recipient within two weeks of the date of the letter.

27. Respondents MPHJ, Farney Daniels, and Rust were aware of and approved or ratified the contents of all three letters used in Respondents' campaign.

28. Respondent Farney Daniels was aware of the contents of the First Letter and explicitly or implicitly referenced and incorporated the representations in those letters in Second and Third Letters sent in the name of Farney Daniels.

Respondents' Representations Concerning Substantial Sales

29.

those First Letters state that the price determined through the responses of “[m]any companies” was “a payment of \$1,000 per employee.”

31. From September 2012 through February 2013, the Respondents sent to small businesses located in all fifty states approximately 8,081 First Letters that contain the representations concerning substantial sales of licenses for the Klein Patents identified in Paragraphs 29–30.

32. When Respondents sent the first 7,366 of these First Letters, Respondents had not sold a single license for the Klein Patents through Respondents’ nationwide campaign of letters.

33. When Respondents sent the next 1,077 of these First Letters, Respondents had sold a license for the Klein Patents

37. Each Third Letter was accompanied by a Complaint. The Complaint generally
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Respondents' letters, and were not prepared to initiate and did not intend to initiate legal action imminently. Therefore, the representations set forth in Paragraphs 42, 43, and 44 are false or misleading.

44. The acts or practices of the Respondents as alleged in this complaint constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act.

THEREFORE, the Federal Trade Commission this ____ day of _____, 2014, has issued this complaint against Respondents

By the Commission.

Donald S. Clark
Secretary

SEAL:
ISSUED: