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MARK COHEN, J.D., LL.M.

January 24, 2017

Mr. Nick Gromicko
Chief Operating Officer
InterNACHI
1750 30th Street, No. 301
Boulder, CO 80301

RE: Homesafe's IR Patents

Dear Nick:

You asked for my opinion on whether Homesafe owns the exclusive rights to use infrared technology in home inspections, as it has repeatedly claimed or implied. This letter responds to that request.

I am not a patent lawyer, but a patent lawyer is unnecessary because the answer requires no engineering or technical analysis. After several years of legal wrangling with Homesafe that included written discovery, depositions of Homesafe and its President, numerous motions, mandatory mediation, consultation with the Infraspection Institute, and numerous hours of legal and factual research, I am intimately familiar with this issue and I am highly confident in my analysis.

Conclusion

Homesafe does not own the exclusive rights to use IR technology in home inspections.

I. PATENT RIGHTS

A. Summary of the Law

The U.S. Patent and Trademark Office (USPTO) may grant a utility patent to any person or entity that "invents or discovers any **new** and **useful** process, machine, article of manufacture, or composition of matter, or any new and useful improvement thereof." (Emphasis added). The law defines a process as "a process, act, or method, and primarily includes industrial or technical processes."

Homesafe owns several utility patents. Of primary interest to home inspectors using IR technology are U.S. Patents 8764285, 7445377, and 7369955. The claims Homesafe presented to the USPTO for those patents are attached. Homesafe owns other patents not directly relevant here.

The claims Homesafe presented to the USPTO are critical because the U.S. Supreme Court held that both literal infringement and infringement under the "doctrine of equivalents" require an element by element comparison. *Warner-Jenkinson Co., Inc. v. Hilton Davis Chemical Co.*, 520 U.S. 171 (U.S. Sup. Ct. 1997). In plain English, if a patented process requires an inspector to use five steps, for example, and the inspector accused of infringement uses only some of those steps, the inspector is not guilty of infringement. A patent owner gets no rights to a patented process beyond those set forth in the patent itself.

Under the doctrine of equivalents, a product or process that does not literally infringe upon the express terms of a patent claim may nonetheless be found to infringe if there is "equivalence" between the elements of the accused product or process and the claimed elements of the patented invention. *Graver Tank & Mfg. Co. v. Linde Air Products Co.,* 339 U.S. 605 (1950). Each element in a patent claim is deemed material to defining the scope of the patented invention, and thus the doctrine of equivalents must be applied to individual elements of the claim, not to the invention as a whole.

B. Analysis

1. Patent 8764285

As you can see, Homesafe made two claims for this patent. Generally, home inspectors complete an inspection in two to three hours. They do not have time to create a 10-degree temperature differential, which is one of the steps in Homesafe's process. Nor are inspectors likely to maintain a database of thermal images, another step in Homesafe's process.

2. Patent 7445377

This patent also contains two claims. Again, the typical home inspector will not have time to create a 10-degree temperature differential.

3. Patent 7369955

This patent pertains primarily to indoor air quality, an issue that is not something home inspectors are required to check as part of InterNACHI's Standards of Practice.

My opinion is that any home inspector using an IR camera for any purpose as part of his/her inspection does not violate Homesafe's patent rights unless the inspector is employing each step contained in one of Homesafe's patent claims or equivalents of each step.

II. COMMON LAW RIGHTS

Homesafe also claims common law rights in IR technology in home inspections, but I not aware of any instance in which Homesafe has detailed what common law rights it claims or what the basis for such claims would be.

According to the Infraspection Institute, the use of thermal imaging systems to inspect homes and buildings to detect and document thermal patterns associated with the building envelope and electrical and mechanical systems is a practice that has enjoyed use throughout the world since at least the 1980's. Thus, the use of an IR camera, by itself, is not something Homesafe could patent because that would not be "new," as is required for a patent.

III. OTHER CONSIDERATIONS

In addition to the foregoing, I believe Homesafe would face significant obstacles if it attempts to sue a home inspector for patent infringement. First, because Homesafe allowed its corporate status to lapse and then its owners formed a new corporation with the same name, Homesafe may lack standing to make such claims. See, the attached Order by the U.S. Magistrate Judge issued in *Homesafe Inspection, Inc., v. Hayes*, 3:14-CV-209-SAA (U.S. Dist. Ct., N. Dist. Mississippi). Second, there is evidence Homesafe fraudulently misrepresented the scope of its rights in IR technology, so any suit by Homesafe against an inspector might present the inspector with an opportunity to assert fraud as a defense and/or counterclaim for fraud and civil R.I.C.O. violations.

Obviously, each case will be fact specific. InterNACHI members threatened or sued by Homesafe should first review Homesafe's patent claims to determine whether they are employing all the steps (or equivalent steps) in any of Homesafe's patent claims. If they are not, they can safely ignore the letter, but I ask that they forward all such communications to me. If Homesafe sues an InterNACHI member, the member should notify InterNACHI promptly because InterNACHI may want to defend them or volunteer to provide co-counsel.

Sincerely,

Mark Cohen

MARK COHEN

Claims Patent 8764285

The invention claimed is:

1. A computerized method for facilitating inspection of a residential building comprising the steps of Turning on heating/air-conditioning in said residential building to create a temperature differential of 10.degree. F. between the interior and exterior of said residential building and to create air flow to provide thermal contrast; operating a thermal image camera to obtain thermal images of a plurality of residential building components, within 4 hours of turning on said heating/air-conditioning in said residential building wherein at least some of the images are indicative of an anomaly in said residential building components; maintaining a database of said thermal images obtained using said thermal image camera for said residential building components on a computer; scanning said database for selected thermal images of residential building components using a database management program to locate a reference image; comparing thermal images of a plurality of residential building components to said reference image to facilitate inspection of a residential building and further comprising the step of turning on substantially all exhaust blowers in said residential building to increase contrast of said thermal images.

2. The method of claim 1 wherein said anomaly is indicative of an electrical defect in said residential building components.

ponents, the second is actual differences in temperature, and the third is the ability of heat to be removed from the substrate by evaporation. The mere presence of moisture within or exterior to a building component does not guarantee that the thermal camera will show that moisture is present. There has to be a way for evaporation to permit heat loss. Without the ability to evaporate, water will take on the temperature of the substrate, and the equipment will be blind to the presence of the moisture. It should be recalled in order for the camera to distinguish relative differences in temperature, there has to exist a temperature difference of 0.08° C. or greater between residential building components.

Thus, to inspect a basement, if it is necessary, to create air flow to the basement area by: (a) Open heating or cooling air outlet if they are closed (wait for at least 30 Minutes before infrared scan); (b) Open all basement doors or windows (wait for at least 30 minutes before Infrared scan); and (c) Create artificial air flow by using portable force air heater (wait for at least 30 minutes before infrared scan).

FIGS. **30** and **31** are temperature profiles indicative of moisture penetrating through cracks in a basement wall. More specifically, in FIGS. **30** and **31**, anomalies and **61** and **70** are indicative of moisture on a basement wall.

The temperature profiles database library is made of a compilation of numerous temperature profiles in different settings, areas and conditions over a period of years. In this regard, the system may be used as an experimental set-up to capture recordings of temperature profiles that can be used as reference patterns for comparison with future captured temperature profile patterns. The temperature profiles database library can also be used as a valuable training tool for training future inspectors. This invention also provides a method for facilitating a computerized method for inspection of a residential building. This method involves maintaining a database of temperature profiles for residential building components at a computerized, centralized facility. The temperature profiles can be input to the computer via a wireless transmission means such as wireless internet connection or by a non-wireless transmission means, such as a disk, a cable and infrared transmission.

An application database management program, such as SAP or Oracle, can be used to set up fields, such as, type of anomaly, normal residential building component, residential building component with an anomaly, and a specific designated residential building. The fields are used to facilitate scanning the database for a selected temperature profile. Thus, if one is interested in, for example, a specific residential building, all temperature profiles relating to a specific house are selected. For example, a specific residential structure can be inspected on a periodic basis, and the temperature profiles can be maintained in a field in the database. These inspections can occur on different days such as three times a year. A printer driver on the hard drive of the computer is used to control a printing device to print a report showing selected temperature profiles of residential building components.

Although the present invention has been described and illustrated with respect to preferred embodiments and a preferred use thereof, it is not to be so limited since modifications and changes can be made therein which are within the full scope of the invention.

The invention claimed is:

1. A method to rapidly inspect residential building components for a designated entity comprising the steps of:

preparing a residential building for inspection by creating a temperature differential of greater than 10° F. between, the inside and the outside of said residential building and turning on substantially all light switches and substantially all exhaust blowers in said residential building; and then

obtaining temperature profiles of the exterior residential building components selected from the group consisting of wall, cafe and facia wherein said temperature profiles detect moisture;

obtaining temperature profiles of the interior surface of a pitched roof wherein said temperature profiles detect moisture;

obtaining temperature profiles of the interior residential building components;

obtaining temperature profiles of each electrical outlet in the residential building;

assessing each of said temperature profiles to detect a thermal anomaly indicative of a problem with said residential building components wherein said problem can include moisture; and

reporting said problem to said designated entity wherein said steps up to the step of assessing each of said profiles occur within 4 hours.

2. A method to detect a potential electrical problem in a residential building comprising the steps of:

preparing said residential building to detect a potential electrical problem by turning on substantially all light switches in said residential building; and turning on substantially all exhaust blowers in said residential building; and then

obtaining temperature profiles of substantially all electrical outlets in said residential building; and assessing each of said temperature profiles for an anomaly indicative of an electrical problem, wherein said steps up to the step of assessing each of said profiles occurs with in 4 hours.

3. The method of claim **2** wherein said electrical problem is an overload of an electrical circuit.

4. The method of claim **2** wherein said electrical problem is contact surface over heat.

5. The method of claim **2** wherein said electrical problem is hot electrical wire within a wall.

6. The method of claim **2** wherein said temperature profiles are recorded on a digital recording device.

7. The method of claim **2** further comprising the step of measuring the temperature of substantially all electrical outlets.

* * * * *

show mice infestation as evidenced by tunnels as in FIG. **11**. In this situation, the inspector can advise the homeowner that the level of particle in the air can be reduced by eliminating the mice infestation.

Although the present invention has been described and illustrated with respect to preferred embodiments and a preferred use thereof, it is not to be so limited since modifications and changes can be made therein which are within the full scope of the invention.

The invention claimed is:

1. A method to provide a report identifying factors effecting indoor environmental air quality for a residence comprising:

recording indoor air quality data for at least 24 hours;

creating a temperature differential of greater than 10° F. between the interior and the exterior of the residence;

obtaining at least one temperature profile of at least one interior building component of said residence;

wherein said indoor air quality data is compared to a thermal anomaly to identify factors affecting indoor environmental quality; and

providing a report identifying factors effecting indoor environmental air quality for the residence.

2. The method of claim **1** wherein data on indoor air quality data is obtained using:

an indoor air quality monitoring station.

3. The method of claim **2** wherein the indoor air quality monitoring station detects volatile organic compounds.

4. The method of claim **2** wherein the indoor air quality monitoring station detects carbon dioxide.

5. The method of claim **2** wherein the indoor air quality monitoring station detects relative humidity.

6. The method of claim **2** wherein the indoor air quality monitoring station detects carbon monoxide.

7. The method of claim **2** wherein the indoor air quality monitoring station detects particulate matter.

8. The method of claim **7** further comprising the step of obtaining air mold sample.

9. The method of claim **7** further comprising the step of obtaining swab mold sample.

10. The method of claim **1** further comprising recording sound pressure data for at least 24 hours.

11. The method of claim **1** further comprising recording the temperature of said residence for 24 hours.

12. The method of claim **5** further comprising: obtaining acoustic data on termite activity and comparing said acoustic data with indoor air quality data on relative humidity.

13. A method to identify factors affecting indoor air quality of a residential building having an interior and an exterior, comprising the steps of:

creating a temperature differential of greater than 10° F. between the interior and the exterior of the residential building;

obtaining at least one temperature profile of at least one interior building component;

assessing said at least one temperature profile for a thermal anomaly;

obtaining data on indoor air quality; and

comparing the data on indoor air quality with at least one temperature profile for an anomaly to identify a factor effecting indoor air quality.

14. The method of claim **13** further comprising obtaining data on indoor air quality for at least 24 hours.

15. The method of claim **13** wherein data on indoor air quality is obtained using:

an indoor air quality monitoring station.

16. The method of claim **13** wherein the indoor air quality monitoring station detects volatile organic compounds.

17. The method of claim **15** wherein the indoor air quality monitoring station detects carbon dioxide.

18. The method of claim **15** wherein the indoor air quality monitoring station detects relative humidity.

19. The method of claim **15** wherein the indoor air quality monitoring station detects carbon monoxide.

20. The method of claim **15** wherein the indoor air quality monitoring station detects particulate matter.

21. The method of claim **20** further comprising the step of obtaining air mold sample.

22. The method of claim **20** further comprising the step of obtaining swab mold sample.

* * * * *

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF MISSISSIPPI
OXFORD DIVISION

HOMESAFE INSPECTION, INC. **PLAINTIFF**

v. **CIVIL ACTION NO. 3:14-CV-209-SAA**

JOHN HAYES, Individually, and d/b/a HAYES HOME INSPECTIONS, and PILLAR TO POST INC., a Delaware Corporation, **DEFENDANTS**

ORDER

Plaintiff has moved under Rule 25(c) of the FEDERAL RULES OF CIVIL PROCEDURE for leave to substitute in plaintiff's stead the entity it claims is actually the proper plaintiff in this action. Docket 118. The defendants oppose the motion, re-asserting an argument previously made in defendant Pillar to Post's Motion to Dismiss for Failure to State a Claim [Docket 77]: that the action should be dismissed because plaintiff lacked the requisite standing to file this suit in the first place. Docket 122; *see also* Docket 77. This Order addresses both the Motion to Substitute Party and the portion of the Motion to Dismiss which challenged plaintiff's standing to file this suit.

BACKGROUND

This action stems from the alleged infringement of United States Patent No. 7,445,377 B2 ("the '377 Patent"). Docket 1. The plaintiff, HomeSafe Inspection, Inc. ("HomeSafe 2014"), commenced this action on September 23, 2014, but the background to this case begins with another identically named company, which is also named HomeSafe Inspection, Inc. ("HomeSafe 2003"). Docket 118. HomeSafe 2003 is a Mississippi corporation that was originally incorporated on March 2, 2003. Docket 119, p. 1. On July 20, 2005 the original patentees, Peng Lee and Kevin J. Seddon, assigned "[a]ll rights, title, and interest held under the

'377 patent" to HomeSafe 2003. *Id.* Thus, when it was later legally issued to Peng Lee and Kevin J. Seddon on November 4, 2008 HomeSafe 2003 held all the rights to the '377 Patent. Docket 1-1, Exhibit A.

HomeSafe 2003 was administratively dissolved by the Mississippi Secretary of State on October 1, 2013 for failure to file an annual statement. Docket 119, p. 2. Plaintiff claims that because "the state bureaucracy moved slowly, and HomeSafe 2003 needed to continue its business while it continued to attempt to reinstate HomeSafe 2003," HomeSafe 2014 was formed on March 10, 2014 for that purpose. Docket 119, p. 2. Five days later, on March 15, 2014, HomeSafe 2003 executed an Exclusive License Agreement under which HomeSafe 2014 assumed all of HomeSafe 2003's assets and liabilities, including all rights, title, and interest to the '377 Patent. Docket 89-2, Exhibit B. HomeSafe 2014 filed this action for patent infringement against the defendants a little over six months later, on September 23, 2014. Docket 1. On May 1, 2015, defendant Pillar to Post ("P2P") filed a Motion to Dismiss alleging that HomeSafe 2014 lacked standing to file suit because it did not own all the substantial rights to the '377 Patent. Docket 77.

HomeSafe 2014 now seeks to have HomeSafe 2003 substituted in its place as plaintiff. Docket 118. According to plaintiff, the Mississippi Secretary of State has fully reinstated HomeSafe 2003, all assets and liabilities have been transferred back to HomeSafe 2003, and HomeSafe 2014 has now been dissolved. Docket 118-4, Exhibit D; *see also* Docket 119, p. 2. On the other hand, the defendants argue HomeSafe 2014 did not have standing to file this case because they did not own "all substantial rights to the '377 patent at the time of the filing of this lawsuit." Docket 122, p. 1. In support, the defendants argue the Exclusive License Agreement executed between HomeSafe 2003 and HomeSafe 2014 was not a valid transfer of interest for

two reasons: first, HomeSafe 2003 could not legally enter into the Agreement because the entity was not "authorized to conduct any business as of the date of the alleged transfer" [Docket 122, p. 5]; and, second, the bylaw provisions the HomeSafe 2003 Board of Directors relied on to justify the Agreement did not authorize the board to transfer all substantial rights to the '377 Patent. *Id.*

DISCUSSION

Under Rule 25(c) "[i]f an interest is transferred, the action may be continued by or against the original party unless the court, on motion, orders the transferee to be substituted in the action or joined with the original party." Plaintiff claims that because the "interest" has been transferred back to the now-reinstated HomeSafe 2003, a substitution of HomeSafe 2003 in place of HomeSafe 2014 is proper under Rule 25. The defendants contest the substitution because they claim HomeSafe 2014 never held an actual interest in the '377 patent which it could then transfer back to HomeSafe 2003. Going further, because it never held an interest to transfer, the defendants claim HomeSafe 2014 lacked the requisite standing to file this suit, and the action should be dismissed. Thus, the question of whether the original transfer from HomeSafe 2003 to HomeSafe 2014 was authorized is potentially dispositive.

Corporations are creatures of statute which did not exist at common law. See MS. Const. Art. 4, § 88; *see also* MS. Const. Art. 7, § 178; Miss. Code Ann. § 79-4-3.02. The effects of an administrative dissolution on a corporation, such as the one encountered by HomeSafe 2003, are governed by Miss. Code Ann. §79-4-14.21. Before 2012, this statute provided that "[a] corporation administratively dissolved continues its corporate existence but may not carry on any business except that necessary to wind up and liquidate its business and affairs under Section 79-4-14.05 and notify claimants under Sections 79-4-14.06 and 79-4-14.07." Miss. Code Ann. § 79-

4-14.21(c) (West 1999). However, this statute was amended in 2012 and under the now-amended version, that particular subsection of the statute was removed altogether. *See* Miss. Code Ann. § 79-4-14.21(c) (West 2015).

Throughout briefings the parties have focused their arguments on whether the original transfer between HomeSafe 2003 and HomeSafe 2014 was valid. Within this debate, the parties seem to have whittled the issue down to whether the initial transfer was an act of "winding up" (which the parties presume would be statutorily valid) or was an act of continuing to conduct business (which the defendants claim would be statutorily invalid). As basis for this, both parties have relied on Miss. Code Ann. § 79-4-14.05, which reads similar to the pre-revision version of § 79-4-14.21 and provides:

> A dissolved corporation continues its corporate existence but may not carry on any business except that appropriate to wind up and liquidate its business and affairs, including . . . [d]isposing of its properties that will not be distributed in kind to its shareholders [and] [d]oing every other act necessary to wind up and liquidate its business and affairs.

Miss. Code Ann. § 79-4-14.05 (West 2015). Relying on this, plaintiff contends that although it was administratively dissolved, the provision authorized HomeSafe 2003's original transfer to HomeSafe 2014 as an "act necessary to wind up and liquidate its business and affairs." *See generally* Docket 118. To the contrary, the defendants argue the transfer was invalid because it was an act taken not to wind up the business, but to allow the continued conduct of HomeSafe 2003's business until it could be reinstated. *See generally* Docket 121.

Although both parties relied on § 79-4-14.05 as authorizing administratively dissolved corporations to wind up their business, these arguments overlook the fact that the statute comes from Article 14, Subarticle A of the Mississippi Code, which pertains only to *voluntarily* dissolved corporations. Miss. Code Ann. § 79-4-14.05. And, unlike a voluntarily dissolved

corporation, HomeSafe 2003 experienced an *administrative* dissolution. Any actions performed by HomeSafe 2003 during dissolution are governed not by Miss. Code Ann. § 79-4-14.05, as the parties suggest, but by Article 14, Subarticle B of the Code, which specifically pertains to *administrative* dissolutions. *See* Miss. Code Ann. § 79-4-14.21. Under the previous version of § 79-4-14.21, there was no question that an administratively dissolved corporation could wind up and liquidate its business and that it retained the right to sue and be sued in its own name for those purposes. *See Royer Homes of Miss, Inc. v. Steiner*, 131 So.3d 592 (Miss. Ct. App. July 16, 2013). However, because the 2012 revisions removed this subsection—and all the specific enabling language—altogether, it is unclear whether an administratively dissolved corporation may now engage in any activity at all once it has been administratively dissolved by the state.

To answer this question the court is guided by rules of statutory construction as they relate to statutory silence or, as in this case, explicit removals of enabling text. The United States Supreme Court has stated that "where Congress includes particular language in one section of a statute but omits it in another . . . , it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion." *Keene Corp. v. United States*, 508 U.S. 200, 208 (1993), quoting *Russello v. United States*, 464 U.S. 16, 23 (1993) (citation omitted). Even though the Court has cautioned that "[n]ot every silence is pregnant," *Burns v. United States*, 501 U.S. 129, 136 (1991) (internal citations omitted), the Court has also confirmed that "negative implications raised by disparate provisions are strongest when the portions of a statute treated differently had already been joined together and were being considered simultaneously when the language raising the implication was inserted." *Lindh v. Murphy*, 521 U.S. 320, 330 (1997) (statute was explicit in making one section applicable to habeas cases pending on date of enactment, but was silent as to a parallel provision).

When particular words or concepts are named in a statute while others are not, courts may draw on the doctrine of *expressio unius est exclusion alterius*, or, the "expression of one thing indicates exclusion of the other" to discern legislative intent. 8 MS Prac. Encyclopedia MS Law § 68:87. The Mississippi Supreme Court has stated "where a statute enumerates and specifies the subject or things upon which it is to operate, it is to be construed as excluding from its effect all those not expressly mentioned or under a general clause, those not of like kind or classification as those enumerated." *Southwest Drug Co. v. Howard Bros. Pharmacy of Jackson, Inc.*, 320 So.2d 776, 779 (Miss. 1975). As noted, § 79-4-14.05 of the Mississippi Code continues to permit voluntarily dissolved corporations to engage in winding up activities. Additionally, other sections of the Code also expressly permit limited partnerships, limited liability companies, and nonprofit corporations all to wind up their affairs after dissolution. *See* Miss. Code Ann. § 79-14-802, 79-29-809 & 79-11-349.

The law generally is that, as a creature of statute, "[a] conveyance of property by or to a corporation after its dissolution is invalid and unenforceable, *unless the corporation is disposing of property for the purpose of winding up and liquidating its affairs*." Fletcher Cyc.Corp. §8137 (emphasis added) (citations omitted). Moreover,

> [u]pon dissolution, a corporation may assign its claims as long as the assignment does not contravene any provisions of law. If a corporation is no longer able to bring or maintain an action, however, it cannot assign a cause of action to another entity so that it can bring suit.

16A Fletcher Cyc. Corp. § 8142.

The Mississippi Legislature removed the language which permitted an administratively dissolved company to wind up its affairs in 2012. In this way, the legislature statutorily differentiated administratively dissolved corporations, not only from their voluntarily dissolved brethren, but also from the other forms of business organizations mentioned above. Although the

legislature certainly cannot be expected to anticipate and address all situations, the court is not at liberty to assume it did not mean to do what it did by removing this provision. Because of this, such a removal indicates strongly that the legislature's intent was to prohibit those activities after the effective date of the statutory amendment. Coupled with the fact that the similarly phrased statute applying to voluntarily dissolved corporations was left untouched, the court is left with no choice but to interpret the legislature as having intended to prohibit corporations from engaging in those kinds of activities while administratively dissolved. Thus, the court finds that the original transfer of interest from HomeSafe 2003 to HomeSafe 2014 was an action that was not statutorily permitted.

Having determined that the initial transfer of assets between HomeSafe 2003 and HomeSafe 2014 was not statutorily authorized, the question becomes what effect, if any, does HomeSafe's 2003 reinstatement have on the unauthorized transfer of the '377 patent? The relevant statute provides that when an administratively dissolved corporation has been reinstated:

> (1) The reinstatement relates back to and takes effect as of the effective date of the administrative dissolution;
> (2) Any liability incurred by the corporation . . . after the administrative dissolution and before the reinstatement shall be determined as if the administrative dissolution never occurred;
> (3) The corporation may resume carrying on its business as if the administrative dissolution had never occurred.

Miss. Code. Ann. § 79-4-14.22(c)(1)-(3). The statute is deafeningly silent as to the effect reinstatement has on interim acts by a corporation – other than incurring liabilities -- between the time of administrative dissolution and the time of reinstatement. Thus, the question becomes whether, despite the 2012 removal of the authorizing language from §79-4-14.21, the language in § 79-4-14.22(c) nevertheless contemplates that reinstatement retroactively ratifies, confirms, or validates transactions undertaken by a corporation between administrative dissolution and

reinstatement. Plaintiff relies on the reinstatement statute to argue that retroactive application authorizes interim acts. Docket 119, p. 2-3.

Although the Mississippi Supreme Court does not appear to have answered the question explicitly, the Fifth Circuit has considered the role corporate reinstatement plays on interim acts performed by a *suspended* corporation. *PLM v. E. Randle Co.*, 797 F.2d 204 (5th Cir. 1986). In *PLM* the court considered an earlier version of the statute that provides for administrative dissolution under the chapter of the Mississippi Code governing corporation franchise taxes, Miss. Code Ann § 27-13-27. *Id.*

The state of Mississippi had suspended the plaintiff corporation's rights and powers to function due to a failure to file an annual report with the state tax commission. *Id.* at 205. The reinstatement statute provided that upon curing the defects which led to its suspension, a corporation's suspension would be set aside and the corporation would "be restored to all rights of which it was deprived by such suspension, and authorized to resume all activities *as though said suspension had not been imposed.*" *Id.*, quoting Miss. Code Ann. § 27-13-27(4) (emphasis added). The plaintiff in *PLM* argued that the statutory language italicized above implied the principle of retroactivity and essentially ratified those interim acts performed during the plaintiff corporation's suspension. *Id.* However, the Fifth Circuit disagreed.

> [Plaintiff's] reading of § 27-13-27(4) would confine the period of suspension to a warning that has no practical effect unless the corporation fails to correct its mistake within the allotted time. This reading ignores the first part of the subsection, which states that when a suspension is set aside, the corporation will be "*restored* to all rights *of which it was deprived....*" (emphasis added). The statute contemplates a restoration following an actual deprivation of rights, not the removal of a threat of deprivation.
>
> Our interpretation is also consistent with the language [the corporation] relies upon. The phrase "to resume all activities as though said suspension had not been imposed" implies that those activities were interrupted and does not imply that the interruption

> was fictional. The phrase does not imply a retroactive dispensation from the suspension, but only suggests that the *restoration* of corporate powers is complete or unconditional.
>
> The Mississippi Supreme Court examined a similar statute, which used virtually the same language as the one at issue here, and observed that "by virtue of the suspension, Anderson's corporation . . . became functionally unable to operate though it did not cease to exist." *Carolina Transformer Co., Inc. v. Anderson,* 341 So.2d 1327, 1329 (Miss. 1977). The court did not reach the retroactivity issue, but stated that a corporation under suspension had no power to act as a corporation and "was without 'any right to exercise powers' granted it by the State." *Id.* at 1330.

PLM v. E. Randle Co., 797 F.2d 204, 205-06 (5th Cir. 1986). Under this analysis, the Fifth Circuit concluded that the statute, "contemplates a restoration that is *complete and unconditional, but not retroactive.*" *Bryant Const. Co., Inc. v. Cook Const. Co., Inc.*, 518 So.2d 625, 629 (Miss. 1987) (analyzing the Circuit's holding in *PLM v. E. Randle Co.*).

Although some thirty years have passed since *PLM*, the statute in question in that case and Miss. Code Ann. § 79-4-14.22(c) read quite similarly. Just as the plaintiff corporation in *PLM* did, HomeSafe asserts that the statute is retroactive because it provides that "[t]he corporation may resume carrying on its business as if the administrative dissolution had never occurred." Docket 119, pp. 2-3. However, just as *PLM* counsels, the language "as if the administrative dissolution had never occurred" implies that those activities were interrupted and does not imply that that interruption was fictional. Although the current statute contains additional language, the same interpretation has been reiterated by the Fifth Circuit as recently as 2014 under the exact statute this court considers here. *See 4 Const. Corp. v. Superior Boat Works, Inc.*, 579 Fed. Appx. 278, 281 (5th Cir. 2014). Those holdings, coupled with the fact that "Mississippi statutes are presumed to have prospective applicability only, absent an express intent to the contrary," leave little doubt that § 79-4-14.22 does not apply retroactively. *4H*

Construction Corp. v. Superior Boat Works, Inc., 579 Fed. Appx. 278, 281 (5th Cir. 2014), citing *Mladinich v. Kohn*, 186 So.2d 481, 483 (Miss. 1966).

Having determined that the initial transfer between HomeSafe 2003 and HomeSafe 2014 was statutorily invalid and that the reinstatement statute does not apply retroactively, the court turns to the question of standing. "Whether a party has standing to sue in federal court is a question of federal law." *Paradise Creations, Inc. v. UV Sales, Inc.*, 315 F.3d 1304, 1308 (Fed. Cir. 2003), quoting *Baker v. Carr*, 369 U.S. 186, 204 (1962)). "[S]tanding is to be determined as of the commencement of suit." *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 570 n. 5 (1992). "In the area of patent infringement, . . . if the original plaintiff lacked Article III initial standing, the suit must be dismissed, and the jurisdictional defect cannot be cured by the addition of a party with standing." *Schreiber Foods, Inc. v. Beatrice Cheese, Inc.*, 402 F.3d 1198, 1203 (Fed. Cir. 2005). "[I]n order to assert standing for patent infringement, the plaintiff must demonstrate that it held enforceable title to the patent *at the inception of the lawsuit*." *Paradise Creations, Inc. v. UV Sales, Inc.*, 315 F.3d 1304, 1309, citing *Lans v. Digital Equipment Corp.*, 252 F.3d 1320, 1328 (Fed.Cir.2001).

To demonstrate standing under Article III, a plaintiff must satisfy three elements. First, plaintiff must alleged it has suffered an "'injury in fact'—an invasion of a legally protected interest." *Lujan*, 504 U.S. at 560. Second, "there must be a causal connection between the injury and the conduct complained of." *Id.* Third, "it must be 'likely,' as opposed to merely 'speculative,' that the injury will be 'redressed by a favorable decision.'" *Id.* at 561, quoting *Simon v. E. Ky. Welfare Rights Org.*, 426 U.S. 26, 38, 43 (1976). The Patent Act provides only "[a] patentee shall have remedy by civil action for infringement of his patent." 35 U.S.C. § 281 (2000). Under 35 U.S.C. § 100(d), "[t]he word 'patentee' includes not only the patentee to

whom the patent was issued but also the successors in title to the patentee." Exclusive licensees holding all substantial rights to the patent meet this standard. *Prima Tek II, L.L.C. v. A-Roo Co.*, 222 F.3d 1372, 1377 (Fed. Cir. 2000); *see also Rhone-Poulenc Agro, S.A. v. DeKalb Genetics Corp.*, 284 F.3d 1323, 1334 (Fed. Cir. 2002).

Because the initial transfer between HomeSafe 2003 and HomeSafe 2014 has been deemed statutorily invalid and because the reinstatement statute did not ratify that invalid transfer, plaintiff HomeSafe 2014 did not hold enforceable title to the '377 patent at the time this lawsuit was filed. And because HomeSafe 2014 never held enforceable title to the '377 patent, much less at the inception of this lawsuit, plaintiff HomeSafe 2014 did not have the requisite standing to file this suit. For the foregoing reasons, plaintiff's motion for substitution of the plaintiff [Docket 118] is DENIED, and the defendants' Motion to Dismiss for Failure to State a Claim [Docket 77] is GRANTED. The case is dismissed without prejudice. A final judgment of dismissal will be entered this date.

SO ORDERED, this, the 28th day of January, 2016.

/s/ S. Allan Alexander
UNITED STATES MAGISTRATE JUDGE