

**IN THE UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF TEXAS  
WACO DIVISION**

AUTO-DRIL, INC.

Plaintiff,

v.

NATIONAL OILWELL VARCO, L.P.

Defendant

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Civil Action No. 6:15-cv-00091

**PLAINTIFF'S FIRST AMENDED COMPLAINT**

Plaintiff, Auto-Dril, Inc. ("Auto-Dril") files this First Amended Complaint against National Oilwell Varco, L.P. ("NOV" or the "Defendant") to assert claims for fraud and breach of contract and would show the Court the following:

**PARTIES**

1. Auto-Dril is a corporation organized under the laws of the State of Texas and having its principal place of business at 4000 South County Road 1293, Odessa, TX 79765. Odessa is in the Western District of Texas.

2. On information and belief, Defendant, NOV, is a limited partnership organized under the laws of the State of Delaware, and may be served with process by serving its registered agent, CT Corporation System, at 1999 Bryan St., Ste. 900, Dallas, Texas 75201-3136. NOV does business in various places in the United States, and has at least three offices located in the Western District of Texas.

**JURISDICTION AND VENUE**

3. The patent infringement claim arises under the patent laws of the United States, Title 35 of the United States Code. The Court's jurisdiction over this action is proper under the above statutes, including 35 U.S.C. § 271 et seq. and 28 U.S.C. §§ 1331 and 1338(a).

4. This Court has supplemental jurisdiction pursuant to 28 U.S.C. § 1367 over Auto-Dril's state-law based claims because the claims are so related to the claims already in this action that they form part of the same case or controversy.

5. Personal jurisdiction exists generally over the Defendant because it has sufficient minimum contacts with the forum as a result of business conducted within the State of Texas, within the Western District of Texas, and within the Waco Division. Personal jurisdiction also exists specifically over the Defendant because of its conduct in making, using, selling, offering to sell, and/or importing infringing products within the State of Texas, within the Western District of Texas, and within the Waco Division.

6. The products at issue are offered for sale through direct sales representatives located in the Western District of Texas and within the Waco Division, and through on-line advertising and promotion.

7. On information and belief, the products at issue are used with oil and gas drilling rigs located in the Western District of Texas, Waco Division. Venue is proper in this Court under 28 U.S.C. §§ 1391(b), (c), and (d), as well as 28 U.S.C. § 1400(b).

#### FACTS

8. Auto-Dril repeats and re-alleges the allegations in paragraphs 1-7 as though fully set forth herein.

9. Auto-Dril is the owner of all rights, title, and interest in and under United States Patent No. 6,994,172 ("Well Drilling Control System") (hereinafter, the "'172 Patent" or the "Asserted Patent"), which duly and legally issued on February 7, 2006. A true and correct copy of the '172 Patent is attached hereto as **Exhibit A**.

10. James Ray, the sole inventor and prior owner of the '172 Patent, assigned all rights in the '172 Patent, including the right to sue and recover damages for past infringement, to Auto-Dril on March 18, 2015.

11. The '172 Patent is valid and enforceable.

12. On information and belief, all requisite maintenance fees have been paid, and Auto-Dril has complied with the requirements of 35 U.S.C. § 287.

13. On information and belief, Defendant NOV has been, and is, infringing the '172 Patent by making, using, selling, offering for sale, and/or importing in or into the United States, without authority, products that fall within the scope of one or more claims of the '172 Patent, including making, using, selling, offering for sale, and/or importing into the United States of one or more e-Wildcat Electronic Autodrilling Systems.

14. NOV is a provider of equipment, components, and services for oil and gas drilling and production operations. NOV has been in multiple patent infringement litigation matters, purportedly holds a number of patents, and has the services of both in-house and outside patent counsel.

15. NOV has been actively engaged in automatic drilling control system development, education, and patent protection related to such devices for a number of years.

16. Auto-Dril has marked its Auto-Dril product since late 2009, and NOV has known of the '172 Patent since at least 2010.

17. NOV has actively promoted sales to, and use by, third parties of its automatic drilling control systems, including its e-Wildcat Electronic Autodrilling System.

18. Third parties, in using at least NOV's e-Wildcat Electronic Autodrilling System, have directly infringed one or more claims of the '172 Patent.

19. On information and belief, NOV sells components of, and/or accessories for use with its automatic drilling control systems, the use of which has no substantial non-infringing use (Non-Staple Items”) relative to the ‘172 Patent.

20. On information and belief, Non-Staple Items provided to third parties constitute material portions of the patented combinations that are within the scope of the ‘172 Patent.

21. On information and belief, third parties combine Non-Staple Items provided, directly or indirectly, by NOV, with other component(s) to assemble apparatus falling within the scope of one or more of the claims of the ‘172 Patent.

22. On June 12, 2009, NOV sued Auto-Dril for alleged infringement of U.S. Patent 5,474,142 (“the ‘142 Patent”), purportedly owned by NOV. That case was styled Civil Action No. 5:09-cv-00085-CMC, *National Oilwell Varco, L.P. v. Auto-Dril, Inc.* (the “2009 Lawsuit”). During the ensuing litigation, which lasted over two years, Auto-Dril expended virtually every resource at its disposal defending against NOV’s claim before ultimately running out of funds. This expenditure of capital, which included costs, expert fees, and attorneys’ fees, was the result of NOV’s fraud, as explained below, and crippled Auto-Dril’s business.

23. On or about November 8, 2011, Auto-Dril and NOV executed a Confidential Settlement Agreement (“Agreement”), resolving the 2009 Lawsuit. Because of its confidential nature, the Agreement will be filed separately under seal.

24. The Agreement contains multiple clauses and warranties pertaining to NOV’s purported ownership of the ‘142 Patent. Specifically, the Agreement states in part: “WHEREAS, NOV is the owner of United States Patent No. 5,474,142 (hereinafter the “’142 Patent”), entitled “Automatic Drilling System”, which was filed on April 19, 1993, issued on December 12, 1995, and is in full force and effect as of the date of this Agreement.”

25. The Agreement refers to the granting of a non-exclusive license under the '142 Patent to Auto Dril and then states: "WHEREAS, NOV has the power and authority to grant Auto-Dril such license."

26. In exchange for substantial payment as set out in the Agreement, NOV purported to grant to Auto-Dril a license under the '142 Patent. In connection with this grant, NOV specifically warranted to Auto-Dril that it had the "sole and exclusive right to receive the payment specified in this Agreement."

27. Shortly before executing the Agreement and dismissing the 2009 Lawsuit, Auto-Dril filed a motion to dismiss that suit based on limited facts and questions surrounding the ownership of the '142 Patent. NOV repeatedly and emphatically assured Auto-Dril that it was the owner of the '142 Patent, and had been since prior to the filing of the 2009 Lawsuit. At one point, NOV even threatened to halt settlement negotiations if Auto-Dril did not cease inquiring about the ownership of the '142 Patent. Ultimately, the Texarkana Court did not rule on Auto-Dril's motion because the parties executed the Agreement and the 2009 Lawsuit was settled.

28. On February 17, 2015, the Honorable Sam Sparks, District Judge for the United States District Court for the Western District of Texas, Austin Division, issued an order (the "Order") dismissing with prejudice a then-pending patent infringement lawsuit concerning the '142 Patent brought by NOV against Omron Oilfield & Marine, Inc. ("Omron").<sup>1</sup> Judge Sparks' Order is attached as **Exhibit B**. In his order dismissing NOV's case with prejudice, Judge Sparks found that "NOV cannot prove it owns the '142 Patent." Ex. B, P. 3.

29. In the Order, Judge Sparks states, and the USPTO's website confirms, that on June 30, 2004, the '142 Patent was assigned to "MD/Totco, a division of Varco, L.P.," which is a separate

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<sup>1</sup> C.A. No. 1:12-CV-00773-SS, *National Oilwell Varco, L.P. v. Omron Oilfield & Marine, Inc.*

legal entity from NOV. Ex. B, P. 4. NOV claims that on January 1, 2006, Varco L.P. assigned the ‘142 Patent to NOV.

30. By statute, a patent assignment must be in writing. *See*, 35 U.S.C. § 261. However, NOV is unable to produce a written assignment evidencing the alleged assignment of the ‘142 Patent from Varco, L.P. to NOV on January 1, 2006.

31. Indeed, Judge Sparks found that an Asset Contribution Agreement (“ACA”) between Varco, L.P. and NOV, which is the document NOV claims effected the assignment of the ‘142 Patent from Varco, L.P. to NOV, failed as a written assignment. Ex. B, P. 19.

32. Therefore, the ‘142 Patent was not assigned to NOV on January 1, 2006.

33. The ‘142 Patent has not been validly assigned to NOV since January 1, 2006.

34. NOV did not own the ‘142 Patent on the day it filed 2009 Lawsuit.

35. NOV did not own the ‘142 Patent during negotiations of the Agreement.

36. At the time the Agreement was executed on or around November 8, 2011, NOV did not own the ‘142 Patent.

37. NOV knew that it did not own the ‘142 Patent when the Agreement was executed.

38. Despite this knowledge, NOV warranted that it was the owner of the ‘142 Patent.

**COUNT I – DIRECT INFRINGEMENT OF THE ‘172 PATENT**

39. Auto-Dril repeats and incorporates the preceding paragraphs 1-38.

40. By making, using, selling, offering for sale, importing, promoting, inducing, and/or providing to others in or into the United States, without authority, products, the providing and/or use which fall within the scope of one or more claims of the ‘172 Patent, NOV has directly infringed one or more claims of the ‘172 Patent, pursuant to 35 U.S.C. 271(a).

41. As a direct and proximate result of NOV’s acts of patent infringement, Auto-Dril has been and continues to be injured, and has sustained and will continue to sustain substantial damages in an amount not presently known.

42. Auto-Dril has suffered from the infringement of NOV, and has lost and will continue to lose profits and/or royalties as a result of NOV’s infringement.

43. Auto-Dril has no adequate remedy at law against these acts of patent infringement. Unless NOV is permanently enjoined from its unlawful and willful infringement of the ‘172 Patent, Auto-Dril will suffer irreparable harm.

44. Auto-Dril has incurred and will incur attorneys’ fees, costs, and expenses in the prosecution of this action.

45. The circumstances of this dispute create an exceptional case within the meaning of 35 U.S.C. §285, and Auto-Dril is entitled to recover his reasonable and necessary fees and expenses.

**COUNT II – INDUCING INFRINGEMENT OF THE ‘172 PATENT**

46. Auto-Dril repeats and incorporates the preceding paragraphs 1-38.

47. By actively inducing third parties to use products falling within the scope of one or more claims of the ‘172 Patent, with knowledge of (or “willful blindness” to) the patents, and knowledge

that (or “willful blindness” to the fact that) the actions of third parties directly infringe such claims, NOV has induced infringement on one or more of the ‘172 Patent, pursuant to 35 U.S.C. 271(b).

48. As a direct and proximate result of NOV’s acts of patent infringement, Auto-Dril has been and continues to be injured, and has sustained and will continue to sustain substantial damages in an amount not presently known.

49. Auto-Dril has suffered from the infringement of NOV, and has lost and will continue to lose profits and/or royalties as a result of NOV’s infringement.

50. Auto-Dril has no adequate remedy at law against these acts of patent infringement. Unless NOV is permanently enjoined from its unlawful and willful infringement of the ‘172 Patent, Auto-Dril will suffer irreparable harm.

51. Auto-Dril has incurred and will incur attorneys’ fees, costs, and expenses in the prosecution of this action.

52. The circumstances of this dispute create an exceptional case within the meaning of 35 U.S.C. §285, and Auto-Dril is entitled to recover his reasonable and necessary fees and expenses.

**COUNT III – CONTRIBUTORY INFRINGEMENT OF THE ‘172 PATENT**

53. Auto-Dril repeats and incorporates the preceding paragraphs 1-38.

54. By producing and providing to third parties Non-Staple Items, with subsequent assembly and use of apparatus that infringe one or more claims of the ‘172 Patent, with knowledge of (or “willful blindness” to) the Asserted Patents, and of the actions, as infringement, of third parties who directly infringe such claims, NOV has contributorily infringed on one or more of the ‘172 Patent claims, pursuant to 35 U.S.C. 271(c).

55. As a direct and proximate result of NOV's acts of patent infringement, Auto-Dril has been and continues to be injured, and has sustained and will continue to sustain substantial damages in an amount not presently known.

56. Auto-Dril has suffered from the infringement of NOV, and has lost and will continue to lose profits and/or royalties as a result of NOV's infringement.

57. Auto-Dril has no adequate remedy at law against these acts of patent infringement. Unless NOV is permanently enjoined from its unlawful and willful infringement of the '172 Patent, Auto-Dril will suffer irreparable harm.

58. Auto-Dril has incurred and will incur attorneys' fees, costs, and expenses in the prosecution of this action.

59. The circumstances of this dispute create an exceptional case within the meaning of 35 U.S.C. § 285, and Auto-Dril is entitled to recover his reasonable and necessary fees and expenses.

#### **COUNT IV – FRAUD**

60. Auto-Dril repeats and incorporates the preceding paragraphs 1-38.

61. NOV affirmatively represented, assured, and warranted to Auto-Dril that NOV was the owner of the '142 Patent prior to and up to the time the Agreement was executed.

62. NOV's ownership of the '142 Patent was necessary for NOV to grant a license under the '142 Patent. By the express terms of the Agreement, NOV's ownership of the '142 Patent was necessary in order for NOV to receive payment from Auto-Dril for the license under the '142 Patent.

63. NOV did not own the '142 Patent at the time it made these representations and warranties.

64. At the time it made these representations and warranties, NOV knew it did not own the '142 Patent, or was reckless in affirmatively representing and warranting its ownership, without

knowledge of the truth. The actions of NOV were intentional and were in reckless disregard of facts that NOV knew. The actions of NOV were callous and arrogant, and NOV used a patent it did not own to severely injure and weaken a smaller competitor. NOV misused the '172 Patent to gain an unfair competitive advantage over Auto-Dril and other competitors.

65. NOV intended Auto-Dril to rely on NOV's affirmative representations, assurances, and warranties that NOV owned the '142 Patent.

66. Auto-Dril did rely on NOV's representations, assurances, and warranties that NOV owned the '142 Patent.

67. Auto-Dril has suffered injury by incurring substantial legal fees and expenses, paying NOV a large sum of money to settle the 2009 Lawsuit (for which NOV lacked standing), and for the license to practice the '142 Patent under the Agreement (which NOV could not grant).

68. Auto-Dril has also been damaged in the amount of its out of pocket expenses to defend against the 2009 Lawsuit, which NOV prosecuted while fraudulently misrepresenting that it owned the '142 Patent and had standing to bring and maintain that action, which it did not.

69. The payments made to NOV and the expenses incurred by Auto-Dril in defending the 2009 Lawsuit represent significant lost capital to Auto-Dril. Because of this loss of capital, Auto-Dril was severely restricted in its ability to develop and expand its business and was therefore damaged in the amount of its lost profits, lost value, and lost opportunity.

70. During the time of the events described herein, NOV has been, and still is, a significant competitor of Auto-Dril. The wrongful and unlawful actions of NOV severely damaged Auto-Dril as its competitor. The actions of NOV were, and continue to be, callous, reckless, and arrogant. All additional profits that NOV made because it weakened Auto-Dril must be disgorged. In addition, Auto-Dril seeks exemplary damages.

**COUNT V – BREACH OF CONTRACT**

71. Auto-Dril repeats and incorporates the preceding paragraphs 1-38.
72. In the alternative to fraud, NOV breached the Agreement because it did not own the ‘142 Patent and could not grant a “non-transferrable, non-exclusive, unrestrictive and unlimited perpetual license to practice the ‘142 Patent.”
73. Auto-Dril performed its obligation under the Agreement to pay NOV a substantial amount of money in exchange for the license.
74. Auto-Dril has been damaged at least in the amount of the payments it sent to NOV pursuant to the Agreement and all costs, fees, and expenses Auto-Dril incurred defending the lawsuit that NOV did not have standing to bring. Pursuant to Chapter 38 of the Texas Civil Practice & Remedies Code, Auto-Dril is entitled to recover its reasonable and necessary attorneys’ fees, costs, and expenses from NOV for prosecuting this claim.

**PRAYER FOR RELIEF**

Plaintiff Auto-Dril respectfully requests that judgment be entered in its favor and against Defendant NOV, and that the Court grant the following relief to Auto-Dril:

- A. Declare that the ‘172 Patent is valid and enforceable;
- B. Grant judgment in Auto-Dril’s favor that NOV has directly infringed the ‘172 Patent;
- C. Grant judgment in Auto-Dril’s favor that NOV has induced infringement of the ‘172 Patent;
- D. Grant judgment in Auto-Dril’s favor that NOV has contributorily infringed the ‘172 Patent;
- E. Grant judgment in Auto-Dril’s favor that NOV fraudulently induced Auto-Dril to sign the Agreement;
- F. Grant judgment in Auto-Dril’s favor that NOV breached the Agreement;

- G. Declare that Defendant's infringement was willful;
- H. Award damages to Auto-Dril to which it is entitled for patent infringement;
- I. Award damages to Auto-Dril for which it is entitled for its lost profits, or as a reasonable royalty as provided by law;
- J. Enter a preliminary and thereafter and permanent injunction against NOV's direct infringement of the '172 Patent;
- K. Enter a preliminary and thereafter and permanent injunction against NOV's active inducement of the infringement of the '172 Patent by others;
- L. Enter a preliminary and thereafter and permanent injunction against NOV's contributory infringement of the '172 Patent;
- M. Award Auto-Dril its expenses, costs, and attorneys' fees pursuant to 35 U.S.C. § 285 and/or pursuant to Chapter 38 of the Texas Civil Practice & Remedies Code;
- N. Award Auto-Dril increased damages in an amount not less than three times the amount of damages found by the jury or assessed by this Court, for NOV's willful infringement pursuant to 35 U.S.C. § 284.
- O. Award Auto-Dril its out-of-pocket expenses, including but not limited to the costs, expert fees, and attorneys' fees it incurred defending the 2009 Lawsuit;
- P. Award Auto-Dril the sum paid by it to NOV under the terms of the Agreement;
- Q. Award Auto-Dril damages to which it is entitled for lost profits, lost value, and lost opportunity because of NOV's fraud;
- R. Award Auto-Dril exemplary damages under Chapter 41 of the Texas Civil Practice & Remedies Code because NOV's conduct was committed with fraud and/or malice;
- S. Award interest on Auto-Dril's damages; and

T. Award such other relief as the Court deems just and proper.

**JURY DEMAND**

In accordance with Fed. R. Civ. P. 38 and 39, Plaintiff Auto-Dril asserts its right under the Seventh Amendment of the United States Constitution and demands a trial by jury on all issues triable to a jury.

Respectfully submitted,

By: /s/ David G. Henry, Sr.

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**CERTIFICATE OF SERVICE**

I hereby certify that on May 11, 2015, a true and correct copy of the foregoing instrument was served on all known counsel of record through the Court's ECF system pursuant to Federal Rule of Civil Procedure 5(b)(3) and Local Rule CV-5.

*/s/ Michael D. Ellis* \_\_\_\_\_