

CIVIL COVER SHEET

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON THE REVERSE OF THE FORM.)

I. (a) PLAINTIFFS

(b) County of Residence of First Listed Plaintiff Dallas County, Texas
(EXCEPT IN U.S. PLAINTIFF CASES)

(c) Attorney's (Firm Name, Address, and Telephone Number)
Gruber Hurst Johansen Hail LLP
1445 Ross Avenue, Suite 2500
Dallas, TX 75202 (214) 855-6800

DEFENDANTS

County of Residence of First Listed Defendant Bexar County, Texas
(IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE LAND INVOLVED.

Attorneys (If Known)

II. BASIS OF JURISDICTION (Place an "X" in One Box Only)

- ☐ 1 U.S. Government Plaintiff ☒ 3 Federal Question (U.S. Government Not a Party)
- ☐ 2 U.S. Government Defendant ☐ 4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES (Place an "X" in One Box for Plaintiff and One Box for Defendant)

- | | | | | | |
|---|----------------------------|----------------------------|---|----------------------------|----------------------------|
| | PTF | DEF | | PTF | DEF |
| Citizen of This State | <input type="checkbox"/> 1 | <input type="checkbox"/> 1 | Incorporated or Principal Place of Business In This State | <input type="checkbox"/> 4 | <input type="checkbox"/> 4 |
| Citizen of Another State | <input type="checkbox"/> 2 | <input type="checkbox"/> 2 | Incorporated and Principal Place of Business In Another State | <input type="checkbox"/> 5 | <input type="checkbox"/> 5 |
| Citizen or Subject of a Foreign Country | <input type="checkbox"/> 3 | <input type="checkbox"/> 3 | Foreign Nation | <input type="checkbox"/> 6 | <input type="checkbox"/> 6 |

IV. NATURE OF SUIT (Place an "X" in One Box Only)

CONTRACT	TORTS	FORFEITURE/PENALTY	BANKRUPTCY	OTHER STATUTES
<input type="checkbox"/> 110 Insurance <input type="checkbox"/> 120 Marine <input type="checkbox"/> 130 Miller Act <input type="checkbox"/> 140 Negotiable Instrument <input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment <input type="checkbox"/> 151 Medicare Act <input type="checkbox"/> 152 Recovery of Defaulted Student Loans (Excl. Veterans) <input type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits <input type="checkbox"/> 160 Stockholders' Suits <input type="checkbox"/> 190 Other Contract <input type="checkbox"/> 195 Contract Product Liability <input type="checkbox"/> 196 Franchise	PERSONAL INJURY <input type="checkbox"/> 310 Airplane <input type="checkbox"/> 315 Airplane Product Liability <input type="checkbox"/> 320 Assault, Libel & Slander <input type="checkbox"/> 330 Federal Employers' Liability <input type="checkbox"/> 340 Marine <input type="checkbox"/> 345 Marine Product Liability <input type="checkbox"/> 350 Motor Vehicle <input type="checkbox"/> 355 Motor Vehicle Product Liability <input type="checkbox"/> 360 Other Personal Injury	PERSONAL INJURY <input type="checkbox"/> 362 Personal Injury - Med. Malpractice <input type="checkbox"/> 365 Personal Injury - Product Liability <input type="checkbox"/> 368 Asbestos Personal Injury Product Liability PERSONAL PROPERTY <input type="checkbox"/> 370 Other Fraud <input type="checkbox"/> 371 Truth in Lending <input type="checkbox"/> 380 Other Personal Property Damage <input type="checkbox"/> 385 Property Damage Product Liability	<input type="checkbox"/> 610 Agriculture <input type="checkbox"/> 620 Other Food & Drug <input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881 <input type="checkbox"/> 630 Liquor Laws <input type="checkbox"/> 640 R.R. & Truck <input type="checkbox"/> 650 Airline Regs. <input type="checkbox"/> 660 Occupational Safety/Health <input type="checkbox"/> 690 Other	<input type="checkbox"/> 422 Appeal 28 USC 158 <input type="checkbox"/> 423 Withdrawal 28 USC 157 PROPERTY RIGHTS <input type="checkbox"/> 820 Copyrights <input checked="" type="checkbox"/> 830 Patent <input type="checkbox"/> 840 Trademark
REAL PROPERTY <input type="checkbox"/> 210 Land Condemnation <input type="checkbox"/> 220 Foreclosure <input type="checkbox"/> 230 Rent Lease & Ejectment <input type="checkbox"/> 240 Torts to Land <input type="checkbox"/> 245 Tort Product Liability <input type="checkbox"/> 290 All Other Real Property	CIVIL RIGHTS <input type="checkbox"/> 441 Voting <input type="checkbox"/> 442 Employment <input type="checkbox"/> 443 Housing/Accommodations <input type="checkbox"/> 444 Welfare <input type="checkbox"/> 445 Amer. w/Disabilities - Employment <input type="checkbox"/> 446 Amer. w/Disabilities - Other <input type="checkbox"/> 440 Other Civil Rights	PRISONER PETITIONS <input type="checkbox"/> 510 Motions to Vacate Sentence Habeas Corpus: <input type="checkbox"/> 530 General <input type="checkbox"/> 535 Death Penalty <input type="checkbox"/> 540 Mandamus & Other <input type="checkbox"/> 550 Civil Rights <input type="checkbox"/> 555 Prison Condition	LABOR <input type="checkbox"/> 710 Fair Labor Standards Act <input type="checkbox"/> 720 Labor/Mgmt. Relations <input type="checkbox"/> 730 Labor/Mgmt. Reporting & Disclosure Act <input type="checkbox"/> 740 Railway Labor Act <input type="checkbox"/> 790 Other Labor Litigation <input type="checkbox"/> 791 Empl. Ret. Inc. Security Act IMMIGRATION <input type="checkbox"/> 462 Naturalization Application <input type="checkbox"/> 463 Habeas Corpus - Alien Detainee <input type="checkbox"/> 465 Other Immigration Actions	<input type="checkbox"/> 400 State Reapportionment <input type="checkbox"/> 410 Antitrust <input type="checkbox"/> 430 Banks and Banking <input type="checkbox"/> 450 Commerce <input type="checkbox"/> 460 Deportation <input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations <input type="checkbox"/> 480 Consumer Credit <input type="checkbox"/> 490 Cable/Sat TV <input type="checkbox"/> 810 Selective Service <input type="checkbox"/> 850 Securities/Commodities/Exchange <input type="checkbox"/> 875 Customer Challenge 12 USC 3410 <input type="checkbox"/> 890 Other Statutory Actions <input type="checkbox"/> 891 Agricultural Acts <input type="checkbox"/> 892 Economic Stabilization Act <input type="checkbox"/> 893 Environmental Matters <input type="checkbox"/> 894 Energy Allocation Act <input type="checkbox"/> 895 Freedom of Information Act <input type="checkbox"/> 900 Appeal of Fee Determination Under Equal Access to Justice <input type="checkbox"/> 950 Constitutionality of State Statutes
FEDERAL TAX SUITS <input type="checkbox"/> 861 HIA (1395ff) <input type="checkbox"/> 862 Black Lung (923) <input type="checkbox"/> 863 DIWC/DIWW (405(g)) <input type="checkbox"/> 864 SSID Title XVI <input type="checkbox"/> 865 RSI (405(g)) <input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant) <input type="checkbox"/> 871 IRS—Third Party 26 USC 7609				

V. ORIGIN

(Place an "X" in One Box Only)

- ☒ 1 Original Proceeding ☐ 2 Removed from State Court ☐ 3 Remanded from Appellate Court ☐ 4 Reinstated or Reopened ☐ 5 Transferred from another district (specify) ☐ 6 Multidistrict Litigation ☐ 7 Appeal to District Judge from Magistrate Judgment

VI. CAUSE OF ACTION

Cite the U.S. Civil Statute under which you are filing (Do not cite jurisdictional statutes unless diversity):

35 U.S.C. § 271

Brief description of cause:

Action for declaratory judgment, breach of contract and patent infringement.

VII. REQUESTED IN COMPLAINT:

☐ CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23

DEMAND \$

CHECK YES only if demanded in complaint:

JURY DEMAND: ☐ Yes ☐ No

VIII. RELATED CASE(S) (See instructions)

PENDING OR CLOSED:

JUDGE T. John Ward

DOCKET NUMBER 2:06CV-426-TJW

DATE

December 3, 2010

SIGNATURE OF ATTORNEY OF RECORD

Anthony Maguire

FOR OFFICE USE ONLY

RECEIPT #

AMOUNT

APPLYING IFP

JUDGE

MAG. JUDGE

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

**T-NETIX, INC. and
SECURUS TECHNOLOGIES, INC.**

Plaintiffs,

v.

INMATE CALLING SOLUTIONS, LLC

Defendant.

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§

Civil Action No. _____

Jury Trial Requested

**PLAINTIFFS' ORIGINAL COMPLAINT
AND JURY DEMAND**

Plaintiffs T-Netix, Inc. Inc. and Securus Technologies, Inc. file this Complaint for a declaratory judgment, breach of contract, specific performance and patent infringement against Defendant Inmate Calling Solutions, LLC, and allege as follows:

**I.
PARTIES**

1. Plaintiff T-Netix, Inc. ("T-Netix") is a Delaware corporation with its principal place of business in Dallas, Texas.

2. Plaintiff Securus Technologies, Inc. ("Securus") is a Delaware corporation with its principal place of business in Dallas, Texas. Securus was formerly known as Evercom Systems, Inc. ("Evercom").

3. Upon information and belief, Inmate Calling Solutions, LLC, ("ICS") is a California limited liability company with its corporate headquarters located at 2200 Danbury Street, San Antonio, Texas 78217. ICS may be served with process by serving its registered agent, National Registered Agents, Inc., at 16055 Space Center, Suite 235, Houston, Texas 77062.

II.
JURISDICTION AND VENUE

4. This action arises under the laws of the State of Texas and the patent laws of the United States, 35 U.S.C. § 101 *et seq.* This Court has original and exclusive jurisdiction over the patent infringement claims asserted in the Complaint under 28 U.S.C. §§ 1331 and 1338(a) and has supplemental jurisdiction over the other claims asserted in this Complaint under 28 U.S.C. § 1367(a).

5. ICS has its corporate headquarters in and transacts business within the State of Texas. On November 21, 2007, ICS and Plaintiff entered into a Settlement Agreement, which is the subject matter of this Complaint. The Settlement Agreement was made in and has been partially performed in Dallas, Texas. ICS and Plaintiffs agreed that the courts of Dallas County, Texas shall have sole and exclusive venue and jurisdiction over disputes concerning the Settlement Agreement. ICS is, therefore, subject to the personal jurisdiction of this Court.

6. Venue is proper in this District pursuant to 28 U.S.C. §§ 1391(b)-(c) and 1400(b).

III.
BACKGROUND FACTS

7. Plaintiffs make, use, sell, and offer to sell to the telecommunications industry specialized call-processing and billing equipment and services for correctional institutions, direct local and long-distance call processing for correctional facilities, value-added telecommunications services such as pre-connection restrictions, digital recording, jail and inmate management systems, electronic mail and other related goods and services, including commissary services.

8. Plaintiffs are innovative companies that own numerous United States patents covering technology used to provide telecommunication services and other services to the inmate correctional industry, including the Patents-in-Suit identified below.

9. United States Patent No. 6,560,323 (the “’323 Patent”) entitled “Computer-Based Method and Apparatus for Controlling, Monitoring, Recording and Reporting Telephone Access” was duly and legally issued by the United States Patent and Trademark Office on May 6, 2003, after full and fair examination. T-Netix is the assignee of all rights, title, and interest in and to the ’323 Patent, and possesses all rights of recovery, including the right to recover all past damages under the ’323 Patent, a copy of which is attached as **Exhibit “1.”**

10. United States Patent No. 5,319,702 (the “’702 Patent”) entitled “Method and Apparatus for Directing and Responding to Hook Flash Events Occurring on a Remote Telephone” was duly and legally issued by the United States Patent and Trademark Office on June 7, 1994, after full and fair examination. T-Netix is the assignee of all rights, title, and interest in and to the ’702 Patent, and possesses all rights of recovery, including the right to recover all past damages under the ’702 Patent, a copy of which is attached as **Exhibit “2.”**¹

11. ICS makes, manufactures, uses, sells, or offers to sell specialized telephone call-processing and billing equipment and/or services for correctional institutions in competition with Plaintiffs. By making, using, selling, or offering to sell in the United States, without authority, products and services, including its Enforcer inmate telephone system, ICS is directly and indirectly infringing the ’323 Patent and ’702 Patent within the United States. Plaintiffs believe that ICS may also be infringing other patents belonging to T-Netix or Securus and reserve the right to amend this Complaint to add infringement claims relating to such other patents, as appropriate.

¹ The ’323 Patent and the ’702 Patent are referred to collectively in this Complaint as the “Patents-in-Suit.”

12. In October, 2006, T-Netix and Evercom filed their First Amended Complaint joining ICS as a defendant to a suit filed in the United States District Court for the Eastern District of Texas, Marshall Division, asserting claims for infringement of the Patents-in-Suit, among other patents, (the “Marshall Lawsuit”). On November 21, 2007, T-Netix, Evercom and ICS settled all claims and counterclaims asserted against each other in the Marshall Lawsuit and filed a joint stipulation of dismissal without prejudice of T-Netix and Evercom’s causes of action and ICS’s counterclaims. By Order dated November 26, 2007, the Court granted the joint stipulation of dismissal. On November 21, 2007, T-Netix, Evercom, and ICS entered into a Settlement Agreement and Mutual Release (the “Settlement Agreement”), whereby they agreed, among other things, to execute the patent license agreement attached as Exhibit “A” to the Settlement Agreement. On November 21, 2007, T-Netix and Evercom, as Licensors, and ICS, as Licensee, entered into a Patent License Agreement (the “License Agreement”), whereby Licensors granted to ICS a non-exclusive license under the Licensed Patents, as defined in the License Agreement, which included the Patents-in-Suit.

13. Pursuant to Section 7.1 of the License Agreement, the initial term of the License Agreement extended through and until November 30, 2010, unless terminated earlier (the “Initial License Term”). The Initial License Term was not terminated earlier and expired on November 30, 2010.

14. Section 5 of the Settlement Agreement provides that at the expiration of the Initial License Term, ICS and T-Netix will determine whether to enter into a further license agreement or extend the License Agreement. In April 2010, in anticipation of the expiration of the Initial License Term, T-Netix and ICS met and determined that they desired to enter into a further license agreement. In accordance with Section 5 of the License Agreement, therefore, ICS and T-

Netix were obligated to negotiate in good faith the patents and the royalty rate for such patents to be included in the license.

IV.
ICS'S BREACH OF THE SETTLEMENT AGREEMENT

15. Between April and May 2010, T-Netix and ICS discussed the proposed terms and conditions of the license, including the patents and the royalty rate for such patents to be included in the license. T-Netix engaged in these discussions regarding the royalty rate upon the assumption, based on ICS's express representations to T-Netix, that ICS did not intend during the term of the proposed license to merge with or be acquired by a company that was a direct competitor of T-Netix, i.e., a company that was involved in the business of providing services to the inmate correctional industry. Based on ICS's representations, T-Netix discussed with ICS a royalty amount to be included in the license that assumed ICS would not grow significantly during the term of the license. The royalty amount that the parties discussed was based on a lump sum royalty that would be payable by installments during the term of the license, rather than a royalty rate calculated on a fluctuating royalty base.

16. In accordance with its obligations under Section 5 of the Settlement Agreement, T-Netix negotiated the patents and royalty rates for the patents to be included in the license in good faith. During its discussions with ICS, T-Netix assumed, wrongly as it turned out, that ICS was also negotiating in good faith. T-Netix subsequently discovered, however, that ICS was not negotiating in good faith. Contrary to the express representations that ICS made to T-Netix in April 2010 that it did not intend to merge with or be acquired by a direct competitor of T-Netix, ICS informed T-Netix in August 2010, that it had agreed to be acquired by a company called the Keefe Group, with whom it had been in discussions before and during the time that ICS and T-Netix were negotiating the terms of the proposed license.

17. The revelation that ICS had been negotiating with and had agreed to be acquired by the Keefe Group came as a complete shock to T-Netix. The revealed events demonstrated that the representations ICS had made during the parties' discussions about its merger or acquisition plans were completely untrue and that ICS had not been negotiating in good faith, as required by Section 5 of the Settlement Agreement. In fact, ICS's revelation demonstrated that ICS had been negotiating in bad faith in order to procure from Plaintiffs a license for a substantially inadequate royalty payment. ICS's acquisition by the Keefe Group completely undermined the assumptions as to ICS's growth potential that formed the basis for the parties' negotiations regarding the appropriate royalty amount to be included in the license.

18. The Keefe Group is a very substantial company which provides many types of services to the inmate correctional industry, in which it enjoys a very large customer base. By being acquired by the Keefe Group, ICS will likely experience exponential growth in its business opportunities and revenues within a very short period of time. ICS knew or should have known when it was negotiating the license with T-Netix that ICS's growth potential was and is highly relevant to the amount of royalties that ICS should pay to T-Netix under the license. By not revealing to T-Netix that ICS was negotiating to be acquired by the Keefe Group at the very same time that ICS and T-Netix were negotiating the patents and the royalty rate for the patents to be included in the license, ICS blatantly breached its obligation under the Settlement Agreement to negotiate in good faith. By reason of its misrepresentation as to its merger or acquisition plans, ICS was negotiating in bad faith in an improper attempt to secure from T-Netix a royalty amount that is substantially lower than the amount that T-Netix would have been willing to discuss if ICS had disclosed the true facts to T-Netix, and which is wholly inadequate under the circumstances.

19. Upon learning that ICS had agreed to be acquired by the Keefe Group, T-Netix informed ICS that the royalty amount that the parties had previously discussed was no longer appropriate and proposed that the royalty amount to be included in the license be increased to reflect the impact of ICS's acquisition by the Keefe Group. T-Netix believes, in good faith, that the higher amount it has proposed is an appropriate royalty amount to be included in the license agreement in light of the changed circumstances. ICS has refused to discuss increasing the royalty amount to be included in the license. ICS has contended that the parties should conclude a license that includes the smaller royalty amount that the parties had previously discussed before ICS revealed that it had agreed to be acquired by the Keefe Group.

20. By refusing to discuss including a higher royalty amount in the license, ICS has further breached and continues to breach its obligation to negotiate in good faith under Section 5 of the Settlement Agreement. As a direct and foreseeable result of ICS's breach of its obligation to negotiate in good faith, Plaintiffs have suffered and will continue to suffer loss and damage. By refusing to negotiate in good faith, ICS is preventing the parties from finalizing a further license agreement to the Plaintiffs' financial detriment.

V.
ICS'S INFRINGEMENT OF T-NETIX'S PATENTS

21. To date, the parties have not executed a renewal or extension of the License Agreement, which expired on November 30, 2010. Accordingly, as of December 1, 2010, ICS is no longer licensed under any of the Licensed Patents, including the Patents-in-Suit. Upon information and belief, despite the fact that the License Agreement has expired and that the parties have not yet executed a renewal or extension of the License Agreement, as contemplated by Section 5 of the Settlement Agreement, ICS has continued unabated to make, manufacture, use, sell, or offer to sell specialized telephone call-processing and billing equipment and/or

services for correctional institutions in competition with Plaintiffs. By doing so, ICS is infringing some or all of the Licensed Patents, including the Patents-in-Suit.

22. By continuing to make, use, sell, or offer to sell in the United States, products and services, including its Enforcer inmate telephone system, after the expiration of the License Agreement, ICS is directly and indirectly infringing, at least, the '323 Patent and '702 Patent within the United States. Plaintiffs believe that ICS may also be infringing other patents belonging to Plaintiffs, including some of the other Licensed Patents, and reserve the right to amend this Complaint to add claims for infringement of such other patents, as appropriate.

VI. CAUSES OF ACTION

Count One –Declaratory Judgment

23. Plaintiffs re-allege and incorporate by reference paragraphs 1 through 22 above.

24. Pursuant to Chapter 37 of the Texas Civil Practice and Remedies Code, Plaintiffs assert that a genuine controversy exists between Plaintiffs and ICS as to whether ICS has breached and continues to breach its obligation under Section 5 of the Settlement Agreement to negotiate in good faith the royalty rate to be included in the license that will replace the License Agreement. ICS has refused to consider increasing the royalty amount previously discussed by the parties in light of the changed circumstances described in this Complaint and insists that the lower royalty amount should prevail. As a result, the parties have reached an impasse in their negotiations, which they are obligated to pursue in good faith under the Settlement Agreement. Therefore, an actual controversy exists involving a genuine conflict of tangible interest.

25. Plaintiffs seek a judgment, pursuant to Chapter 37 of the Texas Civil Practice and Remedies Code, declaring that ICS has breached and is continuing to breach its obligation under Section 5 of the Settlement Agreement to negotiate in good faith the royalty rate to be included

in the license contemplated by Section 5 of the Settlement Agreement and that ICS is obligated to continue to negotiate in good faith a royalty rate that takes into account the fact that ICS has agreed to be acquired by the Keefe Group.

Count Two – Breach of the Settlement Agreement

26. Plaintiffs re-allege and incorporate by reference paragraphs 1 through 25 above.

27. On November 21, 2007, Plaintiffs and ICS executed the Settlement Agreement.

28. In pertinent part, the Settlement Agreement provides if the parties agree to a further license agreement after the expiration of the License Agreement or to an extension of the License Agreement, the patents and the royalty rate for such patents to be included in the licensed will be negotiated in good faith by ICS and T-Netix.

29. All conditions precedent to the Settlement Agreement have occurred or been performed or excused.

30. Plaintiffs have fully performed their obligations under the Settlement Agreement.

31. The parties agreed, in principle, to enter into a further license agreement after the expiration of the License Agreement and began to negotiate the patents and the royalty rate for such patents to be included in the license, but to date have not reached agreement on the pertinent terms of such license.

32. ICS breached the Settlement Agreement, as set out in the preceding paragraphs, by failing to negotiate in good faith the royalty amount to be included in the license, as required by Section 5 of the Settlement Agreement.

33. As a direct and foreseeable result of ICS's breach of the Settlement Agreement, as set out in the preceding paragraphs, Plaintiffs have sustained financial harm and have lost the benefits expected to be received if ICS had performed as promised. In this connection, Plaintiffs

contend that because ICS has agreed to be acquired by the Keefe Group, a reasonable royalty amount to be included in good faith in the license contemplated by Section 5 of the Settlement Agreement would significantly exceed the amount that ICS contends should be included in the license, and that ICS would or should have negotiated such higher amount if it had negotiated with T-Netix in good faith, as required by Section 5 of the Settlement Agreement.

34. Further or in the alternative, Plaintiffs seek an order for specific performance of ICS's obligation to negotiate in good faith under Section 5 of the Settlement Agreement.

Count Three – Infringement of '323 and '702 Patents

35. Plaintiffs re-allege and incorporate by reference paragraphs 1 through 34 above.

36. ICS has infringed and continues to directly and indirectly infringe one or more claims of the '323 Patent by, among other things, making, manufacturing, using, selling, or offering to sell goods and services, as stated above, that practice the '323 Patent in violation of 35 U.S.C. § 271.

37. ICS has infringed and continues to directly and indirectly infringe one or more claims of the '702 Patent by, among other things, making, manufacturing, using, selling, or offering to sell goods and services, as stated above, that practice the '702 Patent in violation of 35 U.S.C. § 271.

38. As a direct and proximate consequence of the acts and practices of ICS in infringing and/or inducing the infringement of one or more claims of the '323 Patent and the '702 Patent, T-Netix has been damaged in an amount to be determined at trial and will continue to be damaged in its business and property rights as a result of ICS's infringing activities, unless such activities are enjoined by this Court. Pursuant to 35 U.S.C. § 284, T-Netix is entitled to damages

adequate to compensate for the infringement, including, *inter alia*, lost profits and/or a reasonable royalty.

39. By reason of its infringing acts and practices, ICS has caused, is causing, and, unless such acts and practices are enjoined by the Court, will continue to cause immediate and irreparable harm to T-Netix for which there is no adequate remedy at law, and for which T-Netix is entitled to injunctive relief under 35 U.S.C. § 283. T-Netix therefore requests a permanent injunction prohibiting ICS, its directors, officers, employees, agents, parents, subsidiaries, affiliates, and anyone else in active concert or participation with it from infringement, inducement to infringe, or contributory infringement of the '323 Patent and the '702 Patent, including the making, manufacture, use, sale, offer for sale, distribution, or promotion of products and/or services falling within the scope of the '323 Patent or the '702 Patent.

40. ICS has had actual notice of T-Netix's rights in the '323 Patent and the '702 Patent and of T-Netix's assertion that ICS's actions complained of in this Complaint infringe the '323 Patent and the '702 Patent since no later than October 2006 when Plaintiffs filed suit for patent infringement against ICS in the United States District Court for the Eastern District of Texas. ICS has knowledge of the '323 Patent and the '702 Patent and has not ceased its infringing activities despite the fact that the License Agreement has expired and the parties have not yet agreed upon an extension or renewal of the License Agreement. ICS's continuing infringement of the '323 Patent and the '702 Patent is willful and deliberate.

VII.
COSTS, INTEREST, AND ATTORNEYS' FEES

41. Plaintiffs re-allege and incorporate by reference paragraphs 1 through 40 above.

42. Plaintiffs request that the Court award them all reasonable attorneys' fees and costs incurred in this litigation and pre-judgment and post-judgment interest incurred in connection with its patent infringement claims pursuant to 35 U.S.C. §§ 284 and 285.

43. As a result of ICS's breach of Section 5 of the Settlement Agreement, Plaintiffs have been required to retain the undersigned legal counsel to institute and prosecute this action and have agreed to pay the firm reasonable and necessary attorneys' fees. Plaintiffs are, therefore, entitled pursuant to Section 38.001 of the Texas Civil Practice & Remedies Code to recover their reasonable attorneys' fees for the services rendered in instituting and prosecuting this action.

44. Further or in the alternative, an award of reasonable and necessary attorneys' fees to Plaintiffs would be equitable and just and therefore authorized by Section 37.009 of the Texas Civil Practice and Remedies Code.

VIII.
JURY DEMAND

45. Plaintiffs request a jury trial of all issues in this action so triable.

IX.
PRAYER FOR RELIEF

WHEREFORE, Plaintiffs respectfully request the following relief:

1. A judgment, pursuant to Section 37.001 *et seq.* of the Texas Uniform Declaratory Judgments Act, declaring that ICS has breached and is continuing to breach its obligation under Section 5 of the Settlement Agreement to negotiate in good faith the royalty rate to be included in the license contemplated by Section 5 of the Settlement Agreement and that ICS is obligated under Section 5 of the Settlement Agreement to continue

to negotiate in good faith a royalty rate that takes into account the fact that ICS has agreed to be acquired by the Keefe Group;

2. An order that Section 5 of the Settlement Agreement be specifically performed and that ICS be ordered to negotiate in good faith the royalty rate to be included an extension or renewal of the License Agreement as required by Section 5 of the Settlement Agreement;
3. Further, or in the alternative, an award of compensatory damages to Plaintiffs in an amount to be determined at trial for ICS's breach of its obligation to negotiate in good faith under Section 5 of the Settlement Agreement;
4. A judgment declaring that ICS has infringed, directly and/or indirectly, the '323 Patent and the '702 Patent;
5. A judgment and order permanently enjoining ICS and its directors, officers, employees, agents, parents, subsidiaries, affiliates, and all persons in active concert or participation with it from infringement, inducement to infringe, or contributory infringement of the '323 Patent and the '702 Patent, including the making, manufacture, use, sale, offer for sale, distribution, or promotion of products and/or services falling within the scope of the '323 Patent or the '702 Patent pursuant to 35 U.S.C. § 283;
6. A judgment and order requiring ICS to pay T-Netix damages sufficient to compensate T-Netix for the infringement of the '323 Patent and the '702 Patent in an amount not less than T-Netix's lost profits and/or a reasonable royalty and interest and costs, pursuant to 35 U.S.C. § 284, and

supplemental damages for any continuing post-verdict infringement up until entry of final judgment with an accounting, as needed;

7. A judgment and order awarding treble damages, pursuant to 35 U.S.C. § 284, to the extent that ICS's acts of infringement of the '323 Patent and the '702 Patent are determined to be willful;
8. An award of pre-judgment interest, pursuant to 35 U.S.C. § 284, on any award of damages for patent infringement from the date of each act of infringement of the '323 Patent and the '702 Patent by ICS to the day on which a judgment for damages is entered, and a further award of post-judgment interest, pursuant to 28 U.S.C. § 1961, continuing until such judgment is paid;
9. An award of pre-judgment and post-judgment interest on any award of damages for breach of contract;
10. An award of all costs of suit and reasonable attorneys' fees against ICS, pursuant to 35 U.S.C. §§ 284 and 285 based on its infringement of the '323 Patent and the '702 Patent, pursuant to Section 38.001 of the Texas Civil Practice & Remedies Code based on ICS's breach of the Settlement Agreement, and pursuant to Section 37.009 of the Texas Civil Practice & Remedies Code;
11. Such other and further relief to which Plaintiffs may be entitled.

DATED: December 3, 2010

Respectfully submitted,

By: /s/ Anthony J. Magee

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