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5 UNITED STATES DISTRICT COURT
6 EASTERN DISTRICT OF CALIFORNIA

7
8 GENERAL ELECTRIC COMPANY,
9 Plaintiff,
10 v.
11 THOMAS WILKINS,
12 Defendant.
13

1:10-cv-00674-OWW-JLT
ORDER DENYING DEFENDANT'S
MOTION TO DISMISS FIRST
AMENDED COMPLAINT

14 I. INTRODUCTION.

15 Plaintiff General Electric Company ("Plaintiff") proceeds with
16 an action against Defendant Thomas Wilkins ("Defendant") for
17 damages and injunctive relief.

18 On October 13, Plaintiff filed a first amended complaint
19 ("FAC"). (Doc. 76). Defendant moved to dismiss the FAC on October
20 29, 2010. (Doc. 96). Plaintiff filed opposition to the motion to
21 dismiss on January 10, 2011. (Doc. 144). Defendant replied on
22 January 17, 2011. (Doc. 154). Defendant's motion to dismiss was
23 heard on January 24, 2011.

24 II. FACTUAL BACKGROUND.

25 Plaintiff is a developer of energy technologies and the holder
26 of U.S. Patent Nos. 6,921,985 (" '985 Patent") and 6,924,565,
27 ("the '565 patent") (collectively "the subject technology").
28 Defendant is listed as one of seven inventors of the '565 Patent

1 and asserts that he is an unnamed co-inventor of the '985 Patent.
2 Defendant claims an ownership interest in both patents.

3 Defendant was employed as an electrical engineer by Enron Wind
4 Corp. ("Enron"), Plaintiff's predecessor in interest,
5 intermittently from approximately April 1998 to May 2002. As a
6 condition of his employment with Enron, Defendant signed a
7 Confidentiality and Inventions Agreement ("C&I Agreement"). The
8 C&I Agreement provided, *inter alia*, that Defendant agreed "upon the
9 Company's request and without the need for further consideration,
10 to execute any and all documents and take such actions which may be
11 necessary in the Company's judgment to assign all rights to any
12 Invention Idea to the Company and to obtain patent or other
13 intellectual property protections for any Invention Idea." Under
14 the terms of the C&I Agreement, Defendant was obligated to assign
15 any interest in inventions created within the scope of his
16 employment duties to Plaintiff.

17 Defendant's job responsibilities while employed by Enron
18 included the design, development, installation and testing of wind
19 turbine generators. Enron filed for bankruptcy protection in 2002.
20 In May 2002, Plaintiff purchased Enron's assets, including its
21 intellectual property.

22 Defendant became Plaintiff's employee in May of 2002. A
23 requirement of employment was that Defendant sign Plaintiff's
24 Employee Innovation and Proprietary Information Agreement ("EIP
25 Agreement"). The EIP Agreement provided, *inter alia*, that
26 Defendant agreed "to disclose and assign to the Company (or as the
27 Company may direct) as its exclusive property, all inventions,
28 discoveries, innovations, improvements, trade secrets and technical

1 or business information which [he] may solely or jointly develop,
2 conceive, reduce to practice or author during the period of [his]
3 employment." Under the terms of the EIPI Agreement, Defendant was
4 obligated to assign any interest in inventions created within the
5 scope of his employment to Plaintiff. Defendant was also requested
6 to sign an acknowledgment that he was required to comply with the
7 policies described in the guide: "GE Policies. Integrity: The
8 Spirit the Letter of our Commitment" ("GE Policy Guide"), which
9 also specified Defendant's obligations to protect and assign
10 intellectual property Defendant worked on or invented in the course
11 of his work for Defendant.

12 Defendant served as Plaintiff's lead power systems electrical
13 engineer in California. His job was to develop new designs for
14 wind turbine equipment. On May 31, 2002, Defendant first conceived
15 the invention underlying the '565 Patent. Plaintiff does not
16 allege when the invention underlying the '985 Patent was first
17 conceived, or who first thought of it. Defendant voluntarily
18 resigned from Plaintiff's employ in December 2002.

19 Plaintiff applied for the '565 and '985 Patents after
20 Defendant terminated his employment with Plaintiff. In February
21 2004, Plaintiff requested that Defendant sign documents in
22 connection with Plaintiff's application for the '565 Patent, but
23 Defendant refused. Defendant has never signed an assignment
24 expressly transferring his rights in the '565 Patent to Plaintiff,
25 despite Plaintiff's requests that he do so. Plaintiff did not seek
26 an assignment from Defendant in connection with the '985 Patent.

27 In 2009, Defendant purported to license the '985 Patent to one
28 of Plaintiff's competitors. In May 2010, Defendant informed

1 Plaintiff that he was offering to license the '565 Patent to
2 others. Defendant refused Plaintiff's request to cease and desist
3 such conduct.

4 **III. LEGAL STANDARD.**

5 Dismissal under Rule 12(b)(6) is appropriate where the
6 complaint lacks sufficient facts to support a cognizable legal
7 theory. *Balistreri v. Pacifica Police Dep't*, 901 F.2d 696, 699
8 (9th Cir.1990). To sufficiently state a claim to relief and
9 survive a 12(b)(6) motion, the pleading "does not need detailed
10 factual allegations" but the "[f]actual allegations must be enough
11 to raise a right to relief above the speculative level." *Bell Atl.*
12 *Corp. v. Twombly*, 550 U.S. 544, 555, 127 S.Ct. 1955, 167 L.Ed.2d
13 929 (2007). Mere "labels and conclusions" or a "formulaic
14 recitation of the elements of a cause of action will not do." *Id.*
15 Rather, there must be "enough facts to state a claim to relief that
16 is plausible on its face." *Id.* at 570. In other words, the
17 "complaint must contain sufficient factual matter, accepted as
18 true, to state a claim to relief that is plausible on its face."
19 *Ashcroft v. Iqbal*, --- U.S. ----, ----, 129 S.Ct. 1937, 1949, 173
20 L.Ed.2d 868 (2009) (internal quotation marks omitted).

21 The Ninth Circuit has summarized the governing standard, in
22 light of *Twombly* and *Iqbal*, as follows: "In sum, for a complaint to
23 survive a motion to dismiss, the nonconclusory factual content, and
24 reasonable inferences from that content, must be plausibly
25 suggestive of a claim entitling the plaintiff to relief." *Moss v.*
26 *U.S. Secret Serv.*, 572 F.3d 962, 969 (9th Cir.2009) (internal
27 quotation marks omitted). Apart from factual insufficiency, a
28 complaint is also subject to dismissal under Rule 12(b)(6) where it

1 lacks a cognizable legal theory, *Balistreri*, 901 F.2d at 699, or
2 where the allegations on their face “show that relief is barred”
3 for some legal reason, *Jones v. Bock*, 549 U.S. 199, 215, 127 S.Ct.
4 910, 166 L.Ed.2d 798 (2007).

5 In deciding whether to grant a motion to dismiss, the court
6 must accept as true all “well-pleaded factual allegations” in the
7 pleading under attack. *Iqbal*, 129 S.Ct. at 1950. A court is not,
8 however, “required to accept as true allegations that are merely
9 conclusory, unwarranted deductions of fact, or unreasonable
10 inferences.” *Sprewell v. Golden State Warriors*, 266 F.3d 979, 988
11 (9th Cir.2001). “When ruling on a Rule 12(b)(6) motion to dismiss,
12 if a district court considers evidence outside the pleadings, it
13 must normally convert the 12(b)(6) motion into a Rule 56 motion for
14 summary judgment, and it must give the nonmoving party an
15 opportunity to respond.” *United States v. Ritchie*, 342 F.3d 903,
16 907 (9th Cir. 2003). “A court may, however, consider certain
17 materials-documents attached to the complaint, documents
18 incorporated by reference in the complaint, or matters of judicial
19 notice-without converting the motion to dismiss into a motion for
20 summary judgment.” *Id.* at 908.

21 **IV. Discussion**

22 **A. Contract Claims**

23 Defendant seeks dismissal of Plaintiff’s contract claims, with
24 prejudice, based on the statute of limitations. Defendant contends
25 that he breached his obligations under the C & I Agreement and EIPI
26 Agreement in 2004, when he refused to assign his rights in the ‘565
27 technology to Plaintiff in connection with Plaintiff’s prosecution
28 of the ‘565 Patent. Plaintiff contends that Defendant did not

1 cause Plaintiff appreciable harm until, at the earliest, 2009, when
2 Defendant first purported to assert an adverse ownership interest
3 in the subject technology.

4 The statute of limitations for breach of a written contract in
5 California is four years. Cal. Civ. Code 337. A breach of
6 contract ordinarily occurs upon the promisor's failure to render
7 the promised performance, but the statute of limitations cannot
8 begin to run until the plaintiff possesses a true cause of action,
9 meaning that events have developed to a point where the plaintiff
10 is entitled to a legal remedy, not merely a symbolic judgment such
11 as an award of nominal damages. *McCaskey v. California State*
12 *Automobile Assn.*, 189 Cal. App. 4th 947, 958-59 (Cal. Ct. App.
13 2010).

14 Defendant's refusal to cooperate with Plaintiff in connection
15 with the '565 Patent application in 2004 did not cause Plaintiff
16 any "compensable harm," as Defendant's refusal to assign his
17 interests in the '565 Patent did not inflict "an injury of a type
18 that could translate into damages in an action for breach of
19 contract." *Id.* at 960. The allegations of the complaint establish
20 that Plaintiff did not suffer any compensable injury until, at the
21 earliest, 2009, when Defendant first began to affirmatively assert
22 an ownership interest in the subject technology adverse to
23 Plaintiff's interest.

24 According to the complaint, in 2009, Wilkins granted MHI a
25 license in the '985 technology, and MHI has relied on Wilkins'
26 assertion of ownership interests in the subject technology to
27 challenge Plaintiff's standing to enforce Plaintiff's rights in its
28 patents. In contrast to the speculative injury entailed in

1 Defendant's refusal to cooperate in connection with the '565 Patent
2 application in 2004, Defendant's affirmative assertion of adverse
3 ownership interests in the patent in 2009 has caused Plaintiff
4 compensable harm in the form of, *inter alia*, infringement of its
5 patent interest and litigation costs resulting from the purported
6 license Defendant granted to MHI.

7 Defendant argues that, because the FAC references a "cloud on
8 the ownership and title" of the '565 Patent, the complaint
9 establishes that Plaintiff suffered compensable harm in 2005 when
10 the Patent issued. (Reply at 2). Defendant cites 35 U.S.C. § 262
11 for the proposition that, because Defendant was a presumed owner of
12 the '565 patent by virtue of his refusal to effect an assignment,
13 see 37 C.F.R. § 3.73(a) ("inventor is presumed to be the owner of
14 a patent application, and any patent that may issue therefrom,
15 unless there is an assignment"), Plaintiff was harmed in 2005
16 because Plaintiff "could have" used, sold, or licensed the '565
17 technology upon issuance of the patent. (Reply at 203). Section
18 262 provides:

19 *In the absence of any agreement to the contrary, each of*
20 *the joint owners of a patent may make, use, offer to*
21 *sell, or sell the patented invention within the United*
22 *States, or import the patented invention into the United*
States, without the consent of and without accounting to
the other owners.

23 35 U.S.C. § 262 (emphasis added). Defendant ignores the fact that
24 section 262 specifically provides that owners of a patent remain
25 bound by contractual restrictions related to the sale and use of
26 patented technology. Further, any injury based on Defendant's
27 purported ability to exercise the rights of an owner was completely
28 speculative until, at the earliest, 2009, when Defendant first

1 began affirmatively asserting ownership rights in the subject
2 technology by offering to license the technology to Plaintiff's
3 competitor.

4 Defendant also contends that Plaintiff was harmed in 2005
5 because Defendant could not have brought a patent infringement
6 action without Defendant's consent. Citing *Ethicon, Inc. v. U.S.*
7 *Surgical Corp.*, 135 F.3d 1456, 1467 (Fed. Cir. 1998) ("one co-owner
8 has the right to impede the other co-owner's ability to sue
9 infringers by refusing to voluntarily join in such a suit"),
10 Defendant contends that Plaintiff was "deprived of the right to sue
11 under the '565 patent since it issued in 2005." (Reply at 2).
12 However, other than a refusal to assign his rights, Defendant did
13 not exercise any adverse interest or contrary rights that derogated
14 Plaintiff's right to sue for patent infringement. Plaintiff did
15 not then, nor did anyone else until 2009, act to infringe the
16 subject technology. Defendant's claim he injured Plaintiff in 2005
17 is completely speculative. Plaintiff suffered no compensable harm,
18 in 2005, to its right to bring a patent infringement action or in
19 any other of its rights in the '565 Patent. Defendant's
20 hypothetical scenarios regarding the harm Plaintiff's "could have"
21 suffered in 2005 present no compensable injury, nor did Defendant
22 act to then interfere with Plaintiff's use or enjoyment of the
23 Patent.

24 Damages are an element of a cause of action for breach of
25 contract. *E.g.*, *Careau & Co. v. Security Pacific Business Credit,*
26 *Inc.*, 222 Cal. App. 3d 1371, 1389 (Cal. Ct. App. 1990). Because a
27 cause of action accrues "at the time when the cause of action is
28 complete with all of its elements," *e.g.*, *Fox v. Ethicon*

1 *Endo-Surgery, Inc.*, 35 Cal. 4th 797, 806 (Cal. 2005) (citations
2 omitted), the statute of limitations did not begin to run until
3 Defendant's conduct caused Plaintiff to suffer an actual injury of
4 the type that could translate into damages in an action for breach
5 of contract, see *McCaskey*, 189 Cal. App. 4th at 960. According to
6 the complaint's allegations, Plaintiff did not suffer compensable
7 harm until 2009 at the earliest, when Defendant licensed the '985
8 technology to MHI. Defendant has not established that on the face
9 of the complaint, Plaintiff's contract claims are barred by the
10 statute of limitations.¹

11 **B. Non-Contract Claims**

12 Plaintiff's non-contract causes of action are predicated on
13 the notion that:

14 Even in the absence of contractual agreement, pursuant to
15 California law, including but not limited to, California
16 Labor Code § 2860, Wilkins is required to assign to GE
17 any interest he claimed...[and] is [] constrained under
California law from purporting to offer to license [the
subject technology].

18 (FAC at 14, 19).² California Labor Code Section 2860 provides:

19 Everything which an employee acquires by virtue of his
20

21 ¹ Defendant also contends that the court does not have Article III
22 jurisdiction over Plaintiff's breach of contract claims concerning the '985
23 Patent because the FAC alleges that Defendant is not an inventor of the '985
24 Patent. In Defendant's view, accepting this allegation as true, "GE cannot
25 maintain any separate cause of action based on Mr. Wilkins' alleged hypothetical
26 obligations as to the '985 patent," because the case or controversy requirement
cannot be satisfied by requests for advisory opinions. (Motion to Dismiss at 12-
13). Defendant's argument lacks merit. It is axiomatic that parties may assert
alternative contentions. Plaintiff contends that Defendant has no rights in the
'985 Patent. Alternatively, Plaintiff contends that if Defendant does have
rights in the '985 Patent, he is obligated to assign such rights under the
applicable contracts.

27 ² The complaint does not clearly assert claims under any California law
28 other than section 2860, however, Defendant has not moved for a more definite
statement. Nor has Defendant asked for dismissal based on the ambiguity created
by the FAC.

1 employment, except the compensation which is due to him
2 from his employer, belongs to the employer, whether
3 acquired lawfully or unlawfully, or during or after the
4 expiration of the term of his employment

5 Cal. Lab. Code § 2860. California Labor Code section 2860 embodies
6 the universally accepted principal that work product created by an
7 employee belongs to the employer where the employee was hired to
8 create such work product. See e.g. *Lugosi v. Universal Pictures*,
9 25 Cal. 3d 813, 826 (Cal. 1979)³ (Mosk, J., concurring) (collecting
10 cases such as *Zahler v. Columbia Pictures Corp.*, 180 Cal. App. 2d
11 582, 589 (Cal. Ct. App. 1960) (where an employee creates something
12 as part of his duties under his employment, the thing created is
13 the property of his employer"); *Treu v. Garrett Corp.*, 264 Cal.
14 App. 2d 432, 436 (Cal. Ct. App. 1968) (an invention created by an
15 employee was held to belong to the employer because that was the
16 very reason he was hired and paid); *Famous Players-Lasky Corp. v.*
17 *Ewing*, 49 Cal. App. 676 (Cal. Ct. App. 1920) (same)); accord *Aero*
18 *Bolt & Screw Co. v. Iaia*, 180 Cal. App. 2d 728, 736 (Cal. Ct. App.
19 1960) (where employee is hired to invent, employer owns invention);
20 *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 216 (1933)
21 (employer owns invention where employee is "hired or assigned to
22 evolve a process or mechanism for meeting a specific need").⁴

23 ³ Superceded on other grounds as stated in *In re Sloppy Joe's Int'l., Inc.*,
24 43 U.S.P.Q.2D (Trademark Trial & App. Bd. 1997).

25 ⁴ In his reply, Defendant contends that section 2860 does not apply to
26 inventions. This argument was not raised in the motion to dismiss and cannot
27 provide the basis for a dismissal. The case Defendant relies on, *Williams v.*
28 *Weisser*, 273 Cal. App. 2d 726, 733-34 (Cal. Ct. App. 1969), does not stand for
the proposition Defendant cites it for. The *Williams* Court specifically
distinguished the lectures at issue in that case from inventions created by an
employee hired to invent: "University lectures are *sui generis*...they should not
be blindly thrown into the same legal hopper with valve designs." *Id.* at 735
(citing *Daniel Orifice Fitting Co. V. Whalen*, 198 Cal. App. 2d 791 (Cal. Ct. App.

1 The applicable limitations period on an action under section
2 2860 is either two years under California Civil Code section 339,
3 *see Lugosi*, 25 Cal. 3d at 854 (assuming, without deciding, that
4 section 339 provided the applicable limitations period), or four
5 years under the residual statute of limitations provided in
6 California Civil Code section 343, *see Cal. Civ. Code* § 343 ("An
7 action for relief not hereinbefore provided for must be commenced
8 within four years after the cause of action shall have accrued.").
9 Under either scenario, Defendant has failed to establish that
10 Plaintiff's claims under section 2860 are time-barred.

11 Where an employer's claim under section 2860 is predicated on
12 a former employee's attempt to grant licenses in the employer's
13 intellectual property to a third party, each licensing agreement
14 presents a "separate and distinct invasion of the [employer's]
15 rights," and the statute of limitations for each injury begins to
16 run from the time a license is granted. *See Lugosi*, 25 Cal. 3d at
17 854. According to the FAC, Plaintiff first asserted ownership
18 rights in the subject technology and began to license such rights
19 in 2009. Plaintiff initiated this action on April 15, 2010, within
20 two years following Defendant's first assertion of ownership
21 interests and grants of licenses in the subject technology.
22 Contrary to Defendant's conclusory argument, Defendant's refusal in
23 2004 to cooperate with GE's request for assignment of his rights in
24 the technology underlying the '565 Patent was not, as a matter of

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27 1962)). *Whalen* expressly recognizes that "[w]here a person is employed to design
28 improvements to the product of his employer, or to design new products for his
employer, and he does so, he may not use the results of such work for his own use
and benefit, and particularly not to the detriment of his employer." 198 Cal.
App. 2d at 798.

1 law, tantamount to assertion of an ownership interest in the '565
2 technology- much less the '985 technology. In any event, as the
3 California Supreme Court stated in *Lugosi*, Defendant's licensing of
4 the technology in 2009 created a separate and distinct invasion of
5 Plaintiff's rights. See *id.*

6 Defendant's reliance on *Bd. of Trs. of the Leland Stanford*
7 *Junior Univ. v. Roche Molecular Systems, Inc.*, 583 F.3d 832, 848
8 (Fed. Cir. 1999) is misplaced. In *Roche*, the district court
9 found, based on "undisputed evidence," that a Stanford employee put
10 Roche on notice that Stanford asserted an ownership interest in the
11 subject technology more than four years before Roche filed suit.
12 *Id.* Rather than support Defendant's position, *Roche* makes clear
13 that resolution of the statute of limitations issue is
14 inappropriate absent admissible evidence sufficient to support a
15 finding as to when Plaintiff was put on notice of Defendant's
16 assertion of an adverse ownership interest in the subject
17 technology.⁵

18 No allegations of the FAC suggest that Plaintiff's claims
19 under section 2680 accrued before 2009. Nor is there any evidence
20 or judicially noticeable fact cited to support such a conclusion.
21 Defendant has not established that Plaintiff's claims under section
22 2680 are barred by the statute of limitations.

24 ⁵ "When considering a motion to dismiss pursuant to Rule 12(b)(1) the
25 district court is not restricted to the face of the pleadings, but may review any
26 evidence, such as affidavits and testimony, to resolve factual disputes
27 concerning the existence of jurisdiction." See, e.g., *McCarthy v. United States*,
28 850 F.2d 558, 560 (9th Cir. 1988) (citing *Land v. Dollar*, 330 U.S. 731, 735 n.4,
(1947) ("when a question of the District Court's jurisdiction is raised . . . the
court may inquire by affidavits or otherwise, into the facts as they exist.")).
Defendant has provided no evidence that suggests Plaintiff was on notice of
Defendant's adverse assertion of ownership interests in the subject property
prior to 2009.

ORDER

For the reasons stated above, Defendant's motion to dismiss the FAC as time-barred is DENIED.

IT IS SO ORDERED.

Dated: March 15, 2011

/s/ Oliver W. Wanger
UNITED STATES DISTRICT JUDGE

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