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5 UNITED STATES DISTRICT COURT
6 EASTERN DISTRICT OF CALIFORNIA

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

1:10-cv-00674-OWW-JLT
MEMORANDUM DECISION REGARDING
PLAINTIFF'S MOTION TO FOR
PRELIMINARY INJUNCTION (Docs.
15, 16)

14 I. INTRODUCTION.

15 A. Plaintiff's Allegations

16 Plaintiff General Electric Company ("Plaintiff") brings this
17 action against Defendant Thomas Wilkins ("Defendant") for damages
18 and injunctive relief. According to Plaintiff's complaint,
19 Plaintiff is a developer of energy technologies and the holder of
20 U.S. Patent Nos. 6,921,985 (" '985 Patent") and 6,924,565, ("the '565
21 patent").¹ Defendant is listed as one of seven inventors of the
22 '565 patent and asserts that he is an unnamed co-inventor of the
23 '985 patent. Defendant asserts an ownership interest in both
24 patents.

25 Defendant was employed as an electrical engineer by Enron Wind
26 Corp. ("Enron"), Plaintiff's predecessor in interest,

27
28 ¹ Only allegations common to Plaintiff's original complaint and first amended
complaint are included in this summary.

1 intermittently from approximately April 1998 to May 2002.
2 Defendant's job responsibilities while employed by Enron included
3 the design, development, installation and testing of wind turbine
4 generators. Enron filed for bankruptcy protection in 2002. In May
5 2002, Plaintiff purchased Enron's assets, including its
6 intellectual property.

7 Defendant became Plaintiff's employee in May of 2002.
8 Defendant served as Plaintiff's lead power systems electrical
9 engineer in California, and his job was to develop new designs for
10 wind turbine equipment. On May 31, 2002, Defendant first conceived
11 the invention underlying the '565 patent. Plaintiff does not
12 allege when the invention underlying the '985 was first thought of,
13 or who first thought of it. Defendant voluntarily resigned from
14 Plaintiff in December 2002.

15 Plaintiff applied for the '565 and '985 patents after
16 Defendant terminated his employment with Plaintiff. In February
17 2004, Plaintiff requested that Defendant sign documents in
18 connection with Plaintiff's application for the '565 patent, but
19 Defendant refused. Defendant has never signed an assignment
20 expressly assigning the '565 patent to Plaintiff, despite
21 Plaintiff's requests that he do so. Plaintiff did not seek an
22 assignment from Defendant in connection with the '985 patent.

23 In 2009, Defendant purported to license the '985 patent to one
24 of Plaintiff's competitors.² In May 2010, Defendant informed
25 Plaintiff that he was offering to license the '565 patent to
26

27 ² On February 11, 2011, the court granted a motion to intervene filed by
28 Mitsubishi Heavy Industries, Ltd., and Mitsubishi Power Systems Americas, Inc.,
the competitors Defendant purported to grant licenses to.

1 others. Defendant refused Plaintiff's request to cease and desist
2 such conduct.

3 **B. Procedural History**

4 Plaintiff filed a motion for preliminary injunction on July 9,
5 2010. (Docs. 15, 16). On July 12, 2010, Plaintiff filed an *ex*
6 *parte* application requesting that the court advance the hearing on
7 its motion for preliminary injunction to August 16, 2010. (Doc.
8 23).³

9 Defendant filed a motion to dismiss Plaintiff's original
10 complaint on July 15, 2010; the hearing on the motion was set for
11 September 27, 2010. (Doc. 26). On July 20, 2010, Defendant filed
12 an *ex parte* motion seeking to "suspend briefing on the Motion for
13 Preliminary Injunction" until after the hearing on Defendant's
14 motion to dismiss. (Doc. 27).⁴ Defendant's *ex parte* motion
15 expressed Defendant's hope that resolution of the motion to dismiss
16 would moot Plaintiff's motion for preliminary injunction. (Doc. 27
17 at 2).

18 On July 21, 2010, the court issued a minute order setting a
19 scheduling conference for July 22, 2010 in order to discuss
20 resolution of the parties' respective *ex parte* requests. (Doc.
21 28). After conducting the July 22 scheduling conference, the court
22 issued a minute order that directed Plaintiff to file a motion for
23 a temporary restraining order ("TRO") by July 26, 2010 and set a
24 hearing for Plaintiff's motion for August 6, 2010. (Doc. 29). The

25
26 ³ Local Rule 230(b) provides a twenty-eight day notice requirement. E.D. Cal.
27 R. 230(b). A hearing date on August 16, 2010 would have provided Defendant
thirty-eight days notice.

28 ⁴ Defendant's motion also advanced opposition to Plaintiff's request to advance
the hearing on Plaintiff's motion for preliminary injunction. (Id).

1 minute order also directed the parties to complete limited
2 reciprocal depositions, "preferably" by August 3, 2010. (Id.).

3 On July 26, 2010, Plaintiff filed a motion seeking a TRO and
4 supporting documents. (Docs. 30, 31, 32, 33). On July 30, 2010,
5 the parties submitted a stipulation pursuant to which Plaintiff
6 agreed to withdraw its TRO application and cooperate with Defendant
7 on various scheduling matters in exchange for Defendant's agreement
8 to refrain from certain conduct. (Doc. 37). The court signed the
9 stipulation on July 20, 2010 ("Stipulation"). (Doc. 38). The
10 parties' Stipulation provided, in pertinent part:

11 1. GE's motion for a temporary restraining order is
12 denied as moot;

13 2. The hearing date for GE's motion for preliminary
14 injunction is taken off calendar pending the hearing on
15 Wilkins' motion to dismiss;

16 3. The hearing date for Wilkins' motion to dismiss shall
17 be set on a date agreeable to the Court at the earliest
18 practicable opportunity, and the briefing schedule shall
19 be pursuant to the local rules; and

20 4. The Court will set a hearing date on briefing schedule
21 for GE's motion for a preliminary injunction at the
22 hearing on Wilkins' motion to dismiss. The parties
23 request that the hearing on GE's motion for a preliminary
24 injunction be set within 35 days of the hearing on
25 Wilkins' motion to dismiss.

26 THEREFORE, the parties stipulate and agree that pending
27 GE's hearing on the motion for a preliminary injunction
28 that neither Wilkins, nor any person or entity acting in
concert with Wilkins, shall:

1. Take any steps to license, purport to license, grant,
or purport to grant rights to third parties in GE's
Patent Nos. 6,924,565 and 6,921,985 (the "565 and 985
Patents"); or

2. Modify or extend the license agreement with Mitsubishi
Heavy Industries, Ltd. and/or related entities related to
GE's '565 and '985 Patents; or

3. Engage in any conduct that would convey or tend to
convey to third parties that Wilkins is licensing or will

1 license any ownership interest in the „565 or „985
2 Patents; or

3 4. Represent on his website or otherwise, unless under
4 oath in judicially required or requested testimony, that
5 he believes he has an ownership interest in the '565 and
6 '985 Patents, or that he believes he has the lawful right
7 to license under the '565 and '985 Patents.

8 (Doc. 38 at 3-4).

9 On September 2, 2010, Plaintiff filed an ex parte application
10 to continue the hearing date on Defendant's motion to dismiss due
11 to a scheduling conflict. (Doc. 40). Defendant filed vehement
12 opposition to Plaintiff's request for continuance on September 7,
13 2010.⁵ (Doc. 41). Defendant's opposition argued that Defendant
14 only agreed to the Stipulation based on the assumption that his
15 motion to dismiss would be heard on September 27. (Doc. 41 at 2).
16 Defendant's opposition threatened noncompliance with the
17 Stipulation if the hearing on Defendant's motion to dismiss was not
18 held on September 27. (Doc. 41 at 4).

19 The court conducted a hearing on Plaintiff's ex parte request
20 to continue the hearing on the motion to dismiss on September 16,
21 2010. In an attempt to effect a compromise solution to the
22 parties' contentious dispute, the court issued a minute order that
23 granted Plaintiff's request for continuance but also stated that
24 the Stipulation would expire on September 27, 2010. (Doc. 45). On
25 September 17, Plaintiff's counsel emailed the court and stated that
26 Plaintiff would proceed with the September 27 hearing date for the
27 motion to dismiss in order to preserve the terms of Stipulation,

28 ⁵ In the opposition to Plaintiff's ex parte request, Defendant's counsel accused
Plaintiff's counsel of fraud in procurement of the Stipulation. The court
rejected Defendant's accusation. Defendant's counsel also vowed not to agree
to any further stipulations in this case. (Doc. 41 at 4).

1 pursuant to which the Stipulation was to remain in place until the
2 preliminary injunction hearing. (Doc. 46). The court issued a
3 minute order on September 17 which provided:

4 In view of the Plaintiff electing to proceed to hearing
5 on 9/27/2010, Stipulated [TRO] and Scheduling Order shall
6 remain in full force and effect according to its original
7 terms.

8 (Doc. 46).

9 The court heard Defendant's motion to dismiss on September 27,
10 2010. During the hearing, the court announced its tentative
11 decision to dismiss the contract cause of action pled in the
12 complaint with leave to amend. The court expressed its belief that
13 although Plaintiff's complaint was not technically deficient under
14 federal pleading standards, amendment of the complaint would be
15 beneficial during later stages of the litigation:

16 **The Court:** [D]o you agree that you should, in effect,
17 separately state the [distinct breach of contract] claims
18 you have?

19 **Mr. Hanlon:** Your Honor, I think the claims are
20 sufficiently alleged in the four causes of action that
21 are stated. I don't believe there's a requirement under
22 federal procedural law that each separate contractual
23 breach be separately alleged as a separate cause of
24 action. We could certainly do that if it's the Court's
25 preference, but we don't believe that GE was required to
26 so plead.

27 **The Court:** I think that's probably right, but if it does
28 -- what is alleged doesn't permit, if you will, the
application of the statute of limitations to what is
alleged to be breached, then you run the risk of having
that barred if you don't amend.

29 (Doc. 87, Trans. at 16-17). The court reiterated its view at the
30 close of the hearing:

31 I'll just close my thoughts by saying this. The reason
32 that I mentioned amendment was because although it
33 doesn't dictate the Court's pleading standards,

1 California law does utilize, to the extent that a
2 California contract is in dispute here, it does utilize
a primary rights theory to underlie pleading doctrine...

3 [I]t seems to me that there is more than one primary
4 right being asserted by GE in this lawsuit. There's a
5 contract right, three of them, and then there's some
6 intellectual property rights as well and then there is a
-- an employment property right also that is at dispute
and so down the line if GE wants to live dangerously, I
suppose they can do that...the matter stands submitted.
We'll get a decision out to you as soon as we can.

7 (Id. at 23-24). A Memorandum Decision dismissing Plaintiff's
8 complaint without prejudice was entered on October 8, 2010. (Doc.
9 58).⁶

10 On September 28, 2010, the court issued a minute order
11 vacating as moot the hearing date on Plaintiff's motion for
12 preliminary injunction; this minute order was a clerical error, as
13 there was no hearing date on calendar pursuant to the Stipulation.
14 (See Doc. 38 ¶2).

15 On October 1, 2010, the court held a status conference
16 regarding yet another contentious dispute among the parties--this
17 time, the parties' dispute concerned the status of their
18 Stipulation. Defendant argued that because the court stated its
19 tentative decision to dismiss the complaint, and because the court
20 did not set a hearing date or briefing schedule for the motion for
21 preliminary injunction at the close of the hearing on the motion to
22 dismiss, the Stipulation "expired on its own terms." (Doc. 52).
23 The court rejected Defendant's position, noting that the terms of
24 the stipulation enjoined Defendant from certain actions "pending
25 GE's hearing on the motion for preliminary injunction." (Doc. 108
26

27
28 ⁶ The formal order dismissing the original complaint was signed on October 18,
2010, after Plaintiff filed the FAC.

1 at 8). The court held that the language of the Stipulation
2 unequivocally specified that the life of the agreement was to
3 extend until the hearing on Plaintiff's motion for preliminary
4 injunction. (Doc. 108 at 8). In response to Defendant's argument
5 that there was no complaint on file, the court stated:

6 [W]e have a complaint...under the injunction and
7 declaratory relief claims for the alleged...interference
8 with the alleged patent rights...at least those claims
9 are going to survive until the next round or dispositive
10 motion...As of today we do have a complaint because I've
11 only announced a tentative ruling and I haven't made a
dispositive order...We had an agreement that this interim
order would be in effect until the hearing of the
preliminary injunction motion, and that was to be within
35 days of the [September 27], which was the hearing date
on the motion [to dismiss]

12 (Doc. 108 at 10).⁷ After the hearing, the court entered a minute
13 order which provided in pertinent part: "The Court ORDERED
14 stipulated temporary restraining order remains in full force and
15 effect pending the hearing on the motion for preliminary
16 injunction...Motion for Preliminary Injunction set for 10/18/2010 at
17 11:00 AM." (Doc. 53). The Court's October 1, 2010 minute order
18 directed Defendant to file opposition to Plaintiff's motion for
19 preliminary injunction on or before October 8, 2010. (Id.).
20 Defendant filed opposition to Plaintiff's motion on October 8,
21 2010. (Doc. 62). Plaintiff filed a reply to Defendant's
22 opposition on October 14, 2010. (Doc. 77)

23 On October 12, 2010, the court ordered Plaintiff to submit an
24 amended complaint by October 14, 2010 so that Defendant would have
25 the amended complaint in his possession at the hearing on
26

27 ⁷ After the court explained its holding that the Stipulation remained in force,
28 Defendant's counsel informed the court that Defendant would not comply with the
court's ruling. (Id.).

1 Plaintiff's motion for preliminary injunction. Plaintiff filed its
2 First Amended Complaint ("FAC") on October 13, 2010. (Doc. 74).

3 The court heard Plaintiff's motion for preliminary injunction
4 on October 18, 2010 and stated orally on the record that it would
5 issue a written decision granting a preliminary injunction. (Doc.
6 83). The court directed Plaintiff to prepare proposed findings of
7 fact and conclusions of law. (Id.).

8 Defendant submitted a request for leave to file supplemental
9 opposition to the motion for preliminary injunction on October 20,
10 2010; the court denied Defendant's request on October 21, 2010, as
11 the matter had been heard on notice. (Docs. 84, 86).

12 Plaintiff submitted proposed findings of fact and conclusions
13 of law on October 25, 2010. (Doc. 94). Defendant filed objections
14 to Plaintiff's proposed findings of fact and conclusions of law on
15 October 26, 2010. (Doc. 95).

16 **II. LEGAL STANDARD.**

17 "A preliminary injunction is an extraordinary remedy never
18 awarded as of right." *Winter v. Natural Resources Defense Council,*
19 *Inc.*, 129 S. Ct. 365, 376 (2008) (citation omitted). "A plaintiff
20 seeking a preliminary injunction must establish that he is likely
21 to succeed on the merits, that he is likely to suffer irreparable
22 harm in the absence of preliminary relief, that the balance of
23 equities tips in his favor, and that an injunction is in the public
24 interest." *Id.* at 374 (citations omitted). An injunction may only
25 be awarded upon a clear showing that the plaintiff is entitled to
26 relief. *Id.* at 376 (citation omitted) (emphasis added).

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28 ///

1 **III. FINDINGS OF FACT.**

2 **A. Defendant's Employment With GE and Enron**

3 1. Enron Wind Corporation ("Enron") extended a written offer of
4 employment to Defendant dated December 17, 2001 ("2001 Enron Offer
5 Letter"). (Doc. 18, Brace Decl. at 1). The title of the position
6 offered to Defendant in the 2001 Enron Offer Letter was "Power
7 Systems Engineer." The 2001 Enron Offer letter described the
8 responsibilities of a Power Systems Engineer as follows:

9 Will be responsible for the design, development,
10 installation, and testing of the Enron Wind Dynamic VAR
11 system. Duties will include direct interaction with
12 project developers, site operators, park owners,
13 utilities, Enron Wind Manufacturing and vendors. Will
14 help establish performance criteria, testing procedures,
15 installation procedures, and product manuals data

16 Will work to assure proper electrical design of all
17 Ballance-of-Plant (BOP) items including pad mount
18 transformers, electrical infrastructure, sub-station
19 design review including all data acquisition
20 requirements. Will work directly with Enron Wing
21 Execution group, and Enron Wing engineering.

22 Will be responsible for the specification, and overall
23 performance of the Variable Speed Drive Converters used
24 on all Enron Wind Variable Speed turbines. Duties will
25 include specification system design, testing, and vendor
26 qualification. Design development engineering input for
27 any in-house design is also expected.

28 Will interact with the Advanced Technology Group as
needed to provide input for new technology developments
including control system, converter system, ptich system,
generator system, and overall wind turbine design.

(Doc. 18, Brace Decl., Ex. A at 1). The 2001 Enron Offer Letter
stated "As part of your terms of employment, you will be required
to sign a Confidentiality and Inventions Agreement." (Id. at 2).

2. Defendant commenced employment with Enron in January 2002.
(Doc. 18, Brace Decl. at 2; Ex. A at 4). At some point in early

1 2002, Defendant signed the 2001 Enron Offer Letter. (Id.).
2 Pursuant to the terms of the 2001 Enron Offer Letter and Enron's
3 general business practice, Defendant was required to sign a
4 Confidentiality and Inventions Agreement ("Enron C & I Agreement")
5 as a condition of his employment. (Doc. 18, Brace Decl. at 2; Ex.
6 A at 2).

7
8 3. In early 2002, Norland Brace, Enron's Director of Human
9 Resources, was involved in due diligence preparations in connection
10 with the proposed sale of Enron. (Doc. 18, Brace Decl. at 2).
11 Mr. Brace was charged with ensuring that each of Enron's employees,
12 including its engineers, had signed Enron's C & I Agreement so that
13 Enron could present the agreements to prospective buyers. (Id.).
14 When Mr. Brace was unable to locate a signed copy of Defendant's C
15 & I Agreement, he personally took a copy of the Enron's C & I
16 Agreement along with other employment documents, including a copy
17 of the 2001 Enron Offer Letter; these documents comprised Enron's
18 "employment packet." (Id.).

19
20 4. Defendant initially refused to sign the Enron C & I Agreement.
21 (Doc 18, Brace Decl. at 2). Mr. Brace informed Defendant that
22 signing the C & I Agreement was a condition of his employment and
23 that he would be terminated if he did not sign the agreement.
24 (Id.). Mr. Brace witnessed Defendant sign the Enron C & I
25 Agreement and the 2001 Enron Offer Letter; Mr Brace's declaration
26 indicates that he witnessed Defendant sign these documents on
27 February 3, 2002. (Id.). The court takes judicial notice that
28 February 3, 2002 was a Sunday.

1 5. A signed copy of Defendant's Enron C & I Agreement was sent by
2 Enron to prospective buyers as part of Enron's due diligence
3 requirement, along with the C & I Agreements of Enron's other
4 employees. (Doc. 18, Brace Decl. at 2).

5
6 6. A signed copy of Defendant's Enron C & I Agreement cannot be
7 located by Plaintiff. (Doc. 18, Brace Decl. at 2). Plaintiff has
8 experienced problems locating documents from the set of records
9 that should contain Defendant's signed Enron C & I Agreement, as
10 such records have been moved off site. (Id.; Doc. 17, Hunt Decl.
11 at 2).

12
13 7. Defendant worked for Enron from January 2002 until May 2002.
14 (Doc 18, Brace Decl. at 2).

15
16 8. On May 10, 2002, Plaintiff acquired certain of Enron's assets,
17 including intellectual property related to Enron's wind turbine
18 operations. (Doc. 19, McGinness Decl. at 2; Doc. 63, Schulte
19 Decl., Ex. E at 5). Pursuant to the purchase agreement,
20 "rights...under any and all employment contracts" were expressly
21 excluded from the assets Plaintiff purchased from Enron. (Doc. 68,
22 Schulte Decl. at 5).

23
24 9. In 2002, David Hunt, GE's current Human Resources Manager,
25 Global Mergers and Acquisitions, was part of the human resources
26 team that was responsible for integrating Enron's employees into
27 Plaintiff's business. (Doc. 17, Hunt Decl. at 1-2). As part of
28 the integration process, all Enron employees were required to sign

1 various employment forms as a condition to employment with
2 Plaintiff. (Id.). If any employee refused to sign the forms
3 provided by Plaintiff, they would have been immediately terminated.
4 (Id.).

5
6 10. Defendant commenced employment with Plaintiff as a Power
7 Systems Engineer in May 2002. (Doc. 18, Brace Decl. at 3).

8
9 11. On May 29, 2002, Defendant signed a document entitled "The
10 Spirit & Letter of Our Commitment" in which Defendant acknowledged
11 that he had received various documents that comprised the guide to
12 Plaintiff's employee policies ("Spirit and Commitment Letter").
13 (Doc. 17, Hunt Decl. at 2, Ex. B). Plaintiff's business practice
14 was to require employees to sign all documents that accompanied the
15 Spirit and Commitment Letter at the same time. (Doc. 17, Hunt
16 Decl. at 2). One of the documents Defendant acknowledged receiving
17 by signing the Spirit and Commitment Letter was Plaintiff's
18 Employee Innovation and Proprietary Information Agreement ("GE EIPI
19 Agreement"). (Doc. 17, Hunt Decl. Ex. B). Plaintiff is unable to
20 locate a copy of the GE EIPI Agreement signed by Defendant. (Doc.
21 17, Hunt Decl. at 2).

22
23 12. The Spirit and Commitment Letter contains a provision which
24 provides "I understand that every employee is required to comply
25 with the policies described in the guide." (Doc. 17, Hunt Decl. at
26 2, Ex. B).

27
28 13. Defendant resigned from Plaintiff's employ on December 1,

1 2002. (Doc. 18, Brace Decl. at 3).

2 **B. The '565 Patent**

3 14. On May 31, 2002 Defendant signed and submitted to Plaintiff
4 a document entitled "Record of Invention" for technology described
5 as "Continuous WTG VAR Support and Prioritization." (Doc. 19,
6 McGinness Decl. Ex. B). A second person, Nagwa Elkachouty, also
7 signed the form as an inventor. (Id.). The Record of Invention
8 stated that Defendant first thought of the invention on May 31,
9 2002 and indicated that the inventors' division was "General
10 Electric Wind Energy." (Id).

11
12 15. On August 18, 2003, Plaintiff filed a patent application for
13 the technology described in the Record of Invention. (See Doc. 26,
14 Ex. 1 at 37; Doc. 19, McGinness Decl. at 2). Plaintiff filed the
15 patent application with an unsigned Inventor Declaration and Power
16 of Attorney Form for Defendant. (See Doc. 26, Ex. 1 at 37).

17
18 16. After receiving a "Notice to File Missing Parts of
19 Nonprovisional Application" in November 2003, Plaintiff, through
20 counsel, sent Defendant a letter dated February 10, 2004,
21 requesting that Defendant sign an Inventor Declaration and Power of
22 Attorney form in connection with the patent application. (Doc. 26,
23 Ex. 1 at 38). On February 11, 2004, Paul Mendonsa, Plaintiff's
24 attorney of record for the patent application, spoke with Defendant
25 on the phone and Defendant stated that he was not willing to sign
26 the Inventor Declaration and Power of Attorney form. (Id.). Mr.
27 Mendonsa received the unexecuted forms from Defendant on February
28 24, 2004. (Id.). On March 17, 2004, Plaintiff filed a petition

1 under 37 C.F.R. § 1.47(a) to continue the patent application in the
2 name of Defendant. (Id.).

3
4 17. On August 2, 2005, United States Patent No. 6,924,565 B2
5 ("`562 Patent") issued for technology titled "Continuous Reactive
6 Power Support for Wind Turbine Generators." (Doc. 19, McGinness
7 Decl. Ex. A at 1). The technology disclosed in the Record of
8 Invention established the basis for the `565 Patent. (Doc. 19,
9 McGinness Decl. at 2). The `565 Patent named seven inventors, one
10 of whom was Defendant and one of whom was Nagwa Elkchouty. (Id.).
11 Each of the inventors listed in the `565 Patent is a current or
12 former employee of Plaintiff, and other than Defendant, each has
13 assigned his or her rights in the patent to Plaintiff. (Doc. 19,
14 McGinness Decl. at 2). "General Electric Company" is listed as
15 the assignee on the `565 Patent. (Doc. 19, McGinness Decl. Ex. A
16 at 1). The abstract to the `565 Patent provides:

17 Real and reactive power control for wind turbine
18 generator systems. The technique described herein
19 provides the potential to utilize the total capacity of
20 a wind turbine generator system (e.g., a wind farm) to
21 provide dynamic VAR (reactive power support). The VAR
22 support provided by individual wind turbine generators in
23 a system can be dynamically varied to suit application
24 parameters.

25 (Id.).

26
27 18. Plaintiff has licensed and continues to offer licenses for the
28 use of the technology subject to the `565 Patent. (Doc. 19,
29 McGinness Decl. at 2).

30 19. On June 2, 2010, Defendant, through counsel, sent an email to

1 Plaintiff's counsel containing a document entitled "Notice of
2 Non-Abandonment and Intent to License" ("June 2010 Notice").
3 (Doc. 20, Glynn Decl. at 2, Ex. C1). The June 2010 Notice stated
4 that Defendant was "actively performing work in commerce by
5 selling, licensing, engineering, and designing wind turbines and
6 wind farms to utilize [the technology underlying the '565 Patent]."
7 (Id. at Ex. C1 at 1).

8
9 **C. The '985 Patent**

10 20. On July 26, 2005, United States Patent No. 6,921,985 B2 ("'985
11 Patent") issued for technology described as "Low Voltage Ride
12 Through for Wind Turbine Generators." (Doc. 19, McGinness Decl.
13 Ex. C at 1). Five inventors are named in the '985 Patent;
14 Defendant is not one of them. (Id.). However, Defendant's name
15 appeared on the application transmittal letter and cover sheet
16 Plaintiff initially filed with the U.S. Patent and Trademark
17 Office. (Doc. 64). Each of the inventors listed in the '985
18 Patent is a current or former employee of Plaintiff and each has
19 assigned his or her rights in the patent to Plaintiff. (Doc. 19,
20 McGinness Decl. at 2). "General Electric Company" is listed as the
21 assignee on the '985 Patent. (Doc. 19, McGinness Decl. Ex. C at
22 1). The abstract to the '985 Patent provides:

23 A wind turbine. The wind turbine includes a blade pitch
24 control system to vary a pitch of one or more blades and
25 a turbine controller coupled with the blade pitch control
26 system. A first power source is coupled with the turbine
27 controller and with the blade pitch control system to
28 provide power during a first mode of operation. Uninterruptible power supplies coupled to the turbine controller and with the blade pitch control system to provide power during a second mode of operation. The turbine controller detects a transition from the first mode of operation to the second mode of operation and

1 causes the blade pitch control system to vary the pitch
2 of one or more blades in response to the transition.
(Id.).

3
4 21. On August 7, 2009, an Administrative Law Judge ("ALJ") for
5 the United States International Trade Commission issued an "Initial
6 Determination" which held that Defendant was an inventor "of the
7 subject matter of claim 15 of the '985 patent." (Doc. 66 at 3).
8 On March 2, 2010 the United States International Trade Commission
9 affirmed the ALJ's finding that Defendant was an inventor of the
10 '985 patent, but held that because Defendant's name did not appear
11 on the face of the patent, he was not an "owner" of the patent.
12 (Doc. 67 at 7).

13
14 22. On May 17, 2010, Defendant, through counsel, informed
15 Plaintiff's counsel that Defendant had purported to license the
16 technology subject to the '985 Patent to MHI. (Doc. 20., Glynn
17 Dec. at 2, Ex. B).

18
19 23. On June 2, 2010, Defendant, through counsel, sent an email to
20 Plaintiff's counsel containing a document entitled "Notice of
21 Non-Abandonment and Intent to License" ("June 2010 Notice").
22 (Doc. 20, Glynn Decl. at 2, Ex. C1). The June 2010 Notice stated
23 that Defendant was "actively performing work in commerce by
24 selling, licensing, engineering, and designing wind turbines and
25 wind farms to utilize [the technology underlying the '985 Patent]."
26 (Id. at Ex. C1 at 2).

27 ///

28 ///

1 **D. Defendant's Recent Conduct**

2 24. On July 30, 2010, the parties submitted a Stipulation pursuant
3 to which Defendant agreed to refrain from certain conduct until
4 Plaintiff's motion for preliminary injunction was heard. (Doc.
5 37). *Inter alia*, Defendant agreed not to: (1) license or grant
6 any rights in the subject patents to third parties; (2) engage in
7 any conduct that would convey or tend to convey to third parties
8 that Defendant is licensing or will license any ownership interest
9 in the subject patents; or (3) represent on his website or
10 otherwise, unless under oath in judicially required or requested
11 testimony, that he believes he has an ownership interest in the
12 subject patents or that he believes he has the lawful right to
13 license the subject patents. (See Doc. 38 at 3-4). The court
14 signed the Stipulation on July 20, 2010. (Doc. 38). On October
15 1, 2010, the court held a hearing to resolve a dispute regarding
16 the parties disparate interpretations of the Stipulation. (Doc.
17 53). The court ordered that the Stipulation would remain in force
18 pending a hearing on Plaintiff's motion for preliminary injunction.
19 (Doc. 53). At the close of the hearing, Defendant's counsel
20 informed the court that Defendant would not comply with the court's
21 order. (Doc. 108, Trans. at 10-11).

22
23 25. On October 1, 2010, Defendant represented on his personal
24 website that (1) he had the capacity to assign an interest the '985
25 patent; (2) entities interested in licensing "LVRT or POWER FACTOR
26 CONTROL" technology should "contact [Defendant] directly to
27 discuss;" and (3) "there is no pending restraining order or
28 injunction preventing [Defendant] from licensing his rightful

1 technology." (Doc. 91, Eldredge Dec. Exs. B, B1). On October 20,
2 2010, Defendant modified his website by adding the text of the
3 court's October 1 minute order and stating "if you would like to
4 discuss licensing for terms for technologies contained in United
5 States Patents 985 and 565 you will have to wait until this matter
6 is handled with the court, and then terms can be negotiated. But
7 come back to this web site from time to time because you never
8 know. Things have a way of just working out for the benefit of all
9 parties." (Doc. 91, Eldredge Dec. Ex. C).

10 11 **IV. CONCLUSIONS OF LAW**

12 **A. Jurisdiction**

13 1. Jurisdiction over this action is proper pursuant to 28 U.S.C. §
14 1332 based on diversity of citizenship.

15
16 2. Equitable powers are an inherent part of the judicial power
17 committed to the federal courts by Article III of the United States
18 Constitution. *E.g. Rodriguez v. Hayes*, 591 F.3d 1105, 1120 (9th
19 Cir. 2010) (citing *Pa. v. Wheeling & Belmont Bridge Co.*, 59 U.S.
20 460, 462 (1855)). District courts have broad latitude in crafting
21 equitable relief; "[t]he essence of equity jurisdiction is the
22 power of the court to fashion a remedy depending upon the
23 necessities of the particular case." *United States v. Odessa Union*
24 *Warehouse Co-op*, 833 F.2d 172, 175 (9th Cir. 1987). District
25 courts also have inherent power to control their dockets and to
26 promote efficient use of judicial resources. *Dependable Highway*
27 *Express, Inc. v. Navigators Ins. Co.*, 498 F.3d 1059, 1066 (9th Cir.
28 2007) (citation omitted).

1
2 3. The court's dismissal of Plaintiff's original complaint with
3 leave to amend did not render Plaintiff's motion for preliminary
4 injunction moot, as the court and both parties were aware that
5 Plaintiff intended to and did amend its complaint to clarify its
6 breach of contract claims. An order of a district court dismissing
7 a complaint with leave to amend leaves the suit pending for further
8 proceedings. *E.g. Jung v. K. & D. Mining Co.*, 356 U.S. 335, 337
9 (1958) (citation omitted). Where the district court expressly
10 grants a party leave to amend its complaint, it is plain that the
11 court does not intend to relinquish jurisdiction over the case.
12 *See WMX Techs. v. Miller*, 104 F.3d 1133, 1137 (9th Cir. 1997)
13 (dismissal with leave to amend was not a final appealable order).
14 A district court's dismissal of a complaint with leave to amend *is*
15 *not* a dismissal of the underlying action. *Montes v. United States*,
16 37 F.3d 1347, 1350 (9th Cir. 1994) (noting distinction between
17 dismissal of a complaint and dismissal of the underlying action);
18 *De Tie v. Orange County*, 152 F.3d 1109, 1111 (9th Cir. 1998)
19 (same); *Martinez v. Flores*, 299 F.2d 888. Defendant's counsel's
20 misrepresentation of this law and Defendant's voluntary and
21 informed assumption of risk not to offer evidence to oppose the
22 injunction at the October 18, 2010 hearing on preliminary
23 injunction requires that Defendant be held accountable for this
24 strategic miscalculation.

25
26 **B. Likelihood of Success**

27 4. California Labor Code Section 2860 provides:

28 Everything which an employee acquires by virtue of his

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) (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"); accord *Treu v. Garrett Corp.*, 264
14 Cal. App. 2d 432, 436 (1968) (an invention created by an employee
15 was held to belong to the employer because that was the very reason
16 he was hired and paid); *Famous Players-Lasky Corp. v. Ewing*, 49
17 Cal. App. 676 (Cal. Ct. App. 1920) (same)); *Aero Bolt & Screw Co.*
18 *v. Iaia*, 180 Cal. App. 2d 728, 736 (Cal. Ct. App. 1960) (where
19 employee is hired to invent, employer owns invention); *United*
20 *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"). There
23 is no dispute that Defendant was Plaintiff's statutory employee at
24 all times relevant.

25 5. On or about May 31, 2002, Defendant signed a document entitled
26 "Record of Invention" providing that he first thought of the
27 technology underlying the '565 Patent on May 31, 2002. The Record
28 of Invention indicated that the invention was developed for

1 "General Electric Wind Energy." (Doc. 19, McGinness Decl. Ex. B).
2 At the time Defendant signed the Record of Invention, he was
3 employed by Plaintiff as a Power Systems Engineer.⁸ As Defendant
4 conceived the technology underlying the '565 patent while employed
5 by Plaintiff for the purpose of engineering, designing, and
6 developing such technology, pursuant to California law, the
7 technology presumptively belongs to Plaintiff. *E.g. Treu*, 264 Cal.
8 App. 2d at 436; Cal. Lab. Code § 2860.⁹ In light of the state of
9 the record and applicable case law, Plaintiff has established a

11 ⁸ As a power system's engineer at Enron, Defendant's duties included "design,
12 development, installation, and testing of the Enron Wind Dynamic VAR system;"
13 "[d]esign development engineering input for any in-house design;" and
14 "provid[ing] input for new technology developments including control system,
15 converter system, pitch system, generator system, and overall wind turbine
16 design." (Doc. 18, Brace Decl., Ex. A at 1). There is no admissible evidence
17 indicating that the scope of Defendant's job duties changed when he transferred
18 from Enron to GE, and it is reasonable to infer from the evidence on the record
19 that Defendant's job duties remained substantially the same at GE. Further,
20 Defendant's representations to the U.S. International Trade Commission reveal
21 that his job at GE was to "develop new designs" for technology used in GE's
22 business. (Doc. 66, Schulte Decl. Ex. C at 4-5).

23 ⁹ The cases provided in Defendant's opposition, *Dubilier Condenser Corp.*, 289
24 U.S. at 188 and *Banner Metals, Inc. V. Lockwood*, 180 Cal. App. 2d 728, 733 (Cal.
25 Ct. App. 1960) are of no help to Defendant. Rather, these cases serve to
26 reinforce the point that Plaintiff presumptively owns the subject technology in
27 this action, as the cases highlight the differences between Defendant's situation
28 and an employee who independently develops technology on his own. In *Banner
Metals*, the inventor was employed by his employer as an *order clerk*, developed
his invention on his own time at his own expense, and prosecuted the patent for
his invention without involvement from his employer. 180 Cal. App. 2d at 731,
736 (emphasis in original). Similarly, in *Dubilier*, the employees' invention was
not developed within the scope of their employment duties. 289 U.S. at 197.
Here, the evidence demonstrates that Defendant developed the subject technology
within the scope of his employment. *Williams v. Weisser*, 273 Cal. App. 2d 726,
733-34 (Cal. Ct. App. 1969), cited by Intervenor Mitsubishi, is not persuasive
either. 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. 1962)). *Whalen* expressly recognizes
that "[w]here a person is employed to design 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 high probability of success on its claim for declaratory relief
2 regarding its ownership claim to the technology subject to the '565
3 patent.

4
5 6. According to Defendant's representations to the U.S.
6 International Trade Commission, Defendant worked on developing the
7 technology underlying the '985 patent as an employee of Enron Wind
8 during 1999 and 2000. (Doc. 66, Schulte Decl. Ex. C at 3).
9 Defendant also represented to the U.S. International Trade
10 Commission that in 2002, he was the lead power systems electrical
11 engineer for GE and that his job was to develop new designs for low
12 voltage ride-through. (Id. at 4-5). In connection with his duties
13 as GE's lead power systems engineer, Defendant flew to Germany to
14 work on the technology underlying the '985 Patent with other GE
15 engineers. (Id.). Accordingly, any technology invented by
16 Defendant incorporated into the '985 Patent presumptively belongs
17 to Plaintiff, as Defendant invented such technology in his capacity
18 as an employee of Plaintiff's who was being paid to invent. *E.g.*
19 *Treu*, 264 Cal. App. 2d at 436; Cal. Lab. Code § 2860. Plaintiff
20 has established a high probability of success on its claim for
21 declaratory relief regarding the '985 patent.¹⁰

22 23 **C. Irreparable Harm**

24 7. A plaintiff seeking a preliminary injunction must demonstrate
25 that irreparable injury is likely in the absence of preliminary
26 relief; mere possibility of such injury is insufficient. *E.g.*

27
28 ¹⁰ As Plaintiff has established a high probability of success on this equitable
claim, it is unnecessary to discuss Plaintiff's contract claims.

1 *Winter*, 129 S.Ct. At 375. Loss of customers and damage to goodwill
2 may constitute irreparable harm. *E.g. Rogers Group, Inc. v. City*
3 *of Fayetteville*, 2010 U.S. App. LEXIS 26202*14 (8th Cir. 2010);
4 *BellSouth Telecomms., Inc. v. MCImetro Access Transmission*
5 *Services*, 425 F.3d 964, 970 (11th Cir. 2005); *Gallagher Benefit*
6 *Servs. v. De La Torre*, 283 Fed. Appx. 543, 546 (9th Cir.
7 2008) (unpublished).¹¹ A party's active interference with a patent
8 holder's right to license and practice a patent supports a finding
9 of irreparable harm protected by equity and injunctive relief, as
10 the "attendant loss of profits, goodwill, and reputation cannot be
11 satisfactorily quantified." *See, e.g., Societe Des Produits*
12 *Nestle, S.A. v. Casa Helvetia, Inc.*, 982 F.2d 633, 640 (1st Cir.
13 1992).

14
15 8. In light of Defendant's conduct, licensing and offering to
16 license technology claimed by Plaintiff, it is likely that
17 Plaintiff will suffer lost customers and damage to its goodwill
18 unless a preliminary injunction enjoins Defendant from further
19 licensing of technology that is presumptively owned by Plaintiff.
20 According to Defendant, he has already intentionally and knowingly
21 licensed a portion of the technology underlying the '985 Patent to
22

23 ¹¹In *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 393-94, (2006), the Supreme
24 Court held that the Federal Circuit erred in adopting a categorical rule that
25 permanent injunctive relief was available once a patentee established the
26 validity of its patent and infringement by defendant. *Id.* at 392-94. *eBay*
27 involved a permanent injunction, but the rule espoused therein "has been applied
28 to preliminary, as well as permanent, injunctions, and has been read to limit the
presumption of irreparable harm [based] solely upon the finding of infringement."
Aurora World, Inc. v. TY Inc., 2009 U.S. Dist. LEXIS 129128*146-47 (C.D. Cal.
2009) (collecting cases) but see *Marlyn Nutraceuticals, Inc. v. Mucos Pharma GmbH*
& *Co.*, 571 F.3d 873, 877 (9th Cir. 2009) (applying presumption in trademark case).

1 one of Plaintiff's competitors, and as recently as October 2010,
2 Defendant offered to license the technology at issue in this action
3 on his website despite the existence of a temporary restraining
4 order prohibiting such conduct. Plaintiff has established a
5 sufficient likelihood of irreparable harm to warrant a preliminary
6 injunction. See *Concrete Washout Systems, Inc.*, 2008 WL 5411965 at
7 * 3 (C.D. Cal. 2008) (granting injunction based on likelihood of
8 damage to goodwill); see also *Oakley, Inc. v. Sunglass Hut Int'l*,
9 2001 WL 1683252, * 11 (C.D. Cal. 2001) (same).

10
11 **D. Equities**

12 9. The equities favor Plaintiff. Based on the current record, it
13 does not appear that Defendant has rights in the subject technology
14 sufficient to permit Defendant to license the technology to
15 Plaintiff's competitors. Accordingly, an injunction does not impose
16 a significant burden on Defendant. At most, Defendant risks losing
17 licensing opportunities, for a limited period of time, for
18 technology that he does not hold a patent to. Such opportunities
19 are likely limited by prospective customers' reluctance to pay
20 Defendant money for technology for which he does not hold a patent.
21 Conversely, it appears that Plaintiff owns the subject technology
22 but is at risk of losing customers, suffering diminished goodwill,
23 and having to engage in litigation against multiple parties if
24 Defendant is permitted to continue attempting to license the subject
25 technology; indeed, Plaintiff is already engaged in litigation with
26 a competitor to which Defendant has purported to license some of the
27 subject technology.

1 **E. Public Interest**

2 10. The public has a strong interest in protecting intellectual
3 property rights. See, e.g., *Spansion, Inc. v. ITC*, 2010 U.S. App.
4 LEXIS 25900*68 (Fed. Cir. 2010).

5 **F. Conclusion**

6 For the reasons stated, Plaintiff has established it is likely
7 to prevail on the merits, that it is injured by the conduct of
8 Defendant, that the threatened harm is irreparable, and that an
9 injunction is in the public interest.

10 **ORDER**

11 For the reasons stated, Defendant Thomas Wilkins and those
12 acting in concert with him, and those who have actual notice of this
13 order, are enjoined and restricted from licensing or offering to
14 license any interest in the technology described in the '565 and
15 '985 patents, or from making any representation that Wilkins is
16 presently legally entitled to license such technology, pending the
17 entry of a final judgment in this action or further order of the
18 court.

19 IT IS SO ORDERED.

20 Dated: May 5, 2011

/s/ Oliver W. Wanger
UNITED STATES DISTRICT JUDGE