

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF CALIFORNIA

<p>GENERAL ELECTRIC COMPANY,</p> <p style="text-align: center;">Plaintiff,</p> <p style="text-align: center;">v.</p> <p>THOMAS WILKINS,</p> <p style="text-align: center;">Defendant.</p>	<p>1:10-cv-00674-OWW-JLT</p> <p>ORDER RE: MOTION TO DISMISS COUNTERCLAIMS (Doc. 192)</p>
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I. INTRODUCTION.

Plaintiff General Electric Company ("Plaintiff") proceeds with an action against Defendant Thomas Wilkins ("Defendant") for damages and injunctive relief. On March 1, 2011, the court granted the motion to intervene filed by Mitsubishi Heavy Industries Ltd. and Mitsubishi Power Systems America, Inc. ("Mitsubishi") pursuant to Federal Rule of Civil Procedure 24(a)(2). (Docs. 161, 166).¹

Plaintiff filed its first amended complaint ("FAC") on October 13, 2010. (Doc. 76). Defendant filed an answer to the FAC and a counterclaim against Plaintiff on March 29, 2011. (Doc. 177). Mitsubishi filed an answer to the FAC and a counterclaim against Plaintiff on March 29, 2011. (Doc. 178).

¹ Plaintiff and Mitsubishi are currently litigating infringement actions concerning some of the technology at issue in this case before the United States International Trade Commission ("ITC") and the U.S. District Court for the Southern District of Texas.

1 Plaintiff filed a motion to dismiss Defendant's counterclaim
2 and Mitsubishi's counterclaim on May 17, 2011. (Doc. 192).
3 Defendant filed opposition to the motion to dismiss on June 13,
4 2011. (Doc. 220). Mitsubishi filed opposition to the motion to
5 dismiss on June 13, 2011. (Doc. 219). Plaintiff filed a reply on
6 June 20, 2011. (Doc. 230).

7 **II. FACTUAL BACKGROUND.**

8 Plaintiff is a developer of energy technologies and the holder
9 of U.S. Patent Nos. 6,921,985 (" '985 Patent") and 6,924,565,
10 ("the '565 patent") (collectively "the subject technology").
11 Defendant is listed as one of seven inventors of the '565 Patent
12 and asserts that he is an unnamed co-inventor of the '985 Patent.
13 Defendant claims an ownership interest in both patents.

14 Defendant was employed as an electrical engineer by Enron Wind
15 Corp. ("Enron"), Plaintiff's predecessor in interest,
16 intermittently from approximately April 1998 to May 2002.
17 Defendant's job responsibilities while employed by Enron included
18 the design, development, installation and testing of wind turbine
19 generators.

20 As a condition of his employment with Enron, Defendant signed
21 a Confidentiality and Inventions Agreement ("C&I Agreement"). The
22 C&I Agreement provided, *inter alia*, that Defendant agreed

23 "upon the Company's request and without the need for
24 further consideration, to execute any and all documents
25 and take such actions which may be necessary in the
26 Company's judgment to assign all rights to any Invention
Idea to the Company and to obtain patent or other
intellectual property protections for any Invention
Idea."

27 Under the terms of the C&I Agreement, Defendant was obligated to
28 assign any interest in inventions created within the scope of his

1 employment duties to Enron. Enron filed for bankruptcy protection
2 in 2002. In May 2002, Plaintiff purchased Enron's assets, including
3 its intellectual property.

4 Defendant became Plaintiff's employee in May of 2002. A
5 requirement of employment was that Defendant sign Plaintiff's
6 Employee Innovation and Proprietary Information Agreement ("EIP
7 Agreement"). The EIP Agreement provided, *inter alia*, that
8 Defendant agreed "to disclose and assign to the Company (or as the
9 Company may direct) as its exclusive property, all inventions,
10 discoveries, innovations, improvements, trade secrets and technical
11 or business information which [he] may solely or jointly develop,
12 conceive, reduce to practice or author during the period of [his]
13 employment." Under the terms of the EIP Agreement, Defendant was
14 obligated to assign any interest in inventions created within the
15 scope of his employment to Plaintiff. Defendant was also required
16 to sign an acknowledgment that he was required to comply with the
17 policies described in the guide: "GE Policies. Integrity: The
18 Spirit the Letter of our Commitment" ("GE Policy Guide"), which
19 specified Defendant's obligations to protect and assign
20 intellectual property Defendant worked on or invented in the course
21 of his work for Defendant.

22 During the term of his employment, Defendant served as
23 Plaintiff's lead power systems electrical engineer in California.
24 His job was to develop new designs for wind turbine equipment. On
25 May 31, 2002, Defendant first conceived the invention underlying
26 the '565 Patent. Plaintiff does not allege when the invention
27 underlying the '985 Patent was first conceived, or who first
28 thought of it. Defendant voluntarily resigned from Plaintiff's

1 employ in December 2002.

2 Plaintiff applied for the '565 and '985 Patents after
3 Defendant terminated his employment with Plaintiff. In February
4 2004, Plaintiff requested that Defendant sign documents in
5 connection with Plaintiff's application for the '565 Patent, but
6 Defendant refused. Defendant has never signed an assignment
7 expressly transferring his rights in the '565 Patent to Plaintiff,
8 despite Plaintiff's requests that he do so. Plaintiff did not seek
9 an assignment from Defendant in connection with the '985 Patent.

10 In 2009, Defendant purported to license his interest in the
11 '985 Patent to Mitsubishi; Mitsubishi and Plaintiff are currently
12 litigating infringement actions concerning the '985 patent before
13 the ITC and the U.S. District Court for the Southern District of
14 Texas. In May 2010, Defendant informed Plaintiff that he was
15 offering to license the '565 Patent to others. Defendant refused
16 Plaintiff's request to cease and desist such conduct.

17 **III. LEGAL STANDARD.**

18 Dismissal under Rule 12(b)(6) is appropriate where a
19 complaint or counterclaim lacks sufficient facts to support a
20 cognizable legal theory. See *Balistreri v. Pacifica Police Dep't*,
21 901 F.2d 696, 699 (9th Cir.1990). To sufficiently state a claim to
22 relief and survive a 12(b)(6) motion, the pleading "does not need
23 detailed factual allegations" but the "[f]actual allegations must
24 be enough to raise a right to relief above the speculative level."
25 *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007). Mere "labels
26 and conclusions" or a "formulaic recitation of the elements of a
27 cause of action will not do." *Id.* Rather, there must be "enough
28 facts to state a claim to relief that is plausible on its face."

1 *Id.* at 570. In other words, the "complaint must contain sufficient
2 factual matter, accepted as true, to state a claim to relief that
3 is plausible on its face." *Ashcroft v. Iqbal*, --- U.S. ----, ----,
4 129 S.Ct. 1937, 1949 (2009) (internal quotation marks omitted).

5 The Ninth Circuit has summarized the governing standard, in
6 light of *Twombly* and *Iqbal*, as follows: "In sum, for a complaint to
7 survive a motion to dismiss, the nonconclusory factual content, and
8 reasonable inferences from that content, must be plausibly
9 suggestive of a claim entitling the plaintiff to relief." *Moss v.*
10 *U.S. Secret Serv.*, 572 F.3d 962, 969 (9th Cir.2009) (internal
11 quotation marks omitted). Apart from factual insufficiency, a
12 complaint is also subject to dismissal under Rule 12(b)(6) where it
13 lacks a cognizable legal theory, *Balistreri*, 901 F.2d at 699, or
14 where the allegations on their face "show that relief is barred"
15 for some legal reason, *Jones v. Bock*, 549 U.S. 199, 215 (2007).

16 In deciding whether to grant a motion to dismiss, the court
17 must accept as true all "well-pleaded factual allegations" in the
18 pleading under attack. *Iqbal*, 129 S.Ct. at 1950. A court is not,
19 however, "required to accept as true allegations that are merely
20 conclusory, unwarranted deductions of fact, or unreasonable
21 inferences." *Sprewell v. Golden State Warriors*, 266 F.3d 979, 988
22 (9th Cir.2001). "When ruling on a Rule 12(b)(6) motion to dismiss,
23 if a district court considers evidence outside the pleadings, it
24 must normally convert the 12(b)(6) motion into a Rule 56 motion for
25 summary judgment, and it must give the nonmoving party an
26 opportunity to respond." *United States v. Ritchie*, 342 F.3d 903,
27 907 (9th Cir. 2003). "A court may, however, consider certain
28 materials-documents attached to the complaint, documents

1 incorporated by reference in the complaint, or matters of judicial
2 notice-without converting the motion to dismiss into a motion for
3 summary judgment." *Id.* at 908.

4 **IV. DISCUSSION.**

5 **A. Statute of Limitations**

6 **1. The '565' Patent**

7 Plaintiff contends that Defendant's co-ownership claims are
8 time-barred. Plaintiff contends that the '565 patent issued on
9 August 2, 2005 "identifying General Electric as the sole owner,"
10 and invokes the four-year statute of limitations set forth in
11 California Code of Civil Procedure § 343. (Doc. 192, Motion to
12 Dismiss at 7). Plaintiff's contention is factually and legally
13 incorrect. The '565 patent lists Defendant as an inventor.
14 Accordingly, Defendant has been a presumed owner of the '565 patent
15 since its issuance. 37 C.F.R. § 3.73("an inventor is presumed to be
16 the owner of a patent application, and any patent that may issue
17 therefrom, unless there is an assignment"). Plaintiff first
18 attempted to extinguish Defendant's interest in the '565 patent
19 with the commencement of this action on April 15, 2010.
20 Defendant's co-ownership claim to the '565 Patent is not time
21 barred.

22 In its reply, Plaintiff argues that "Wilkins had clear reason
23 to suspect that GE viewed itself as...[the] sole owner" of the '565
24 patent when it issued, because GE had sought an assignment from
25 him. (Doc. 230, Reply at 6). Assuming *arguendo* Plaintiff's
26 contention is correct, the fact remains that Defendant was a
27 presumed owner of the '565 patent upon its issuance even if he
28 "suspected" that Plaintiff believed he was not entitled to

1 ownership rights. Plaintiff further contends that Defendant
2 "suffered actual and appreciable harm due to his inability to
3 practice or license the patent without ownership rights," but
4 offers no legal or factual support of this contention. (Id. at 7).
5 As a presumed owner, Defendant could have exercised his rights in
6 the '565 Patent at any time after its issuance. Plaintiff's motion
7 to dismiss on statute of limitations grounds is DENIED as to
8 Defendant's co-ownership claim to the '565 patent.

9 **2. The '985 Patent**

10 Pursuant to California's "discovery rule," as a general
11 matter, a cause of action does not accrue until the point in time
12 at which a party knew, or should have known, all material facts
13 essential to show the elements of her cause of action. See, e.g.,
14 *Hebrew Academy of San Francisco v. Goldman*, 42 Cal. 4th 883, 890-91
15 (Cal. 2007) (discussing an exception to the discovery rule). The
16 principal purpose of the discovery rule is to protect aggrieved
17 parties who, with justification, are ignorant of their right to
18 sue. *Id.* at 894. California's discovery rule embodies the
19 principle that statutes of limitations should not be interpreted so
20 as to bar a victim of wrongful conduct from asserting a cause of
21 action before he could reasonably be expected to discover its
22 existence. *Id.*

23 Unlike the '565 patent, Defendant is not named as an inventor
24 in the '985 patent. Defendant avers that he did not discover the
25 basis for his claims arising out of the '985 patent upon the
26 patent's issuance. Plaintiff contends that Defendant "had
27 constructive knowledge of his supposed co-ownership rights when the
28 '985 patent issued on July 26, 2005, with GE again listed on the

1 face of the patent as sole assignee and owner." (Doc. 192, Motion
2 to Dismiss at 7). Plaintiff cites *Bd. of Trustees of Leland*
3 *Stanford Jr. Univ. v. Roche Molecular Sys., Inc.*, 583 F.3d 832,
4 838, 839-40 (Fed. Cir. 2009) and *Wise v. Hubbard*, 769 F.2d 1, 1-3
5 (1st Cir. 1985) for the proposition that issuance of the '985
6 patent established Defendant's constructive knowledge of his claim
7 for relief in 2005. (Doc. 192, Motion to Dismiss at 7).²

8 Defendant notes that Plaintiff's authorities stand for nothing
9 more than the proposition that Defendant had constructive notice of
10 the existence of the '985 Patent upon its issuance, as
11 distinguished from notice of the facts giving rise to his cause of
12 action. Defendant cites *General Bedding Corp. v. Echevarria*, 947
13 F.2d 1395, 1398 (9th Cir. 1991) for the proposition that knowledge
14 of a patent's existence is not the same as knowledge of a cause of
15 action based on conduct underlying issuance of the patent. (Doc.
16 220, Def.'s Opp. at 4). *General Bedding* is persuasive. As the
17 Ninth Circuit reasoned:

18 Issuance of a patent and recordation in the Patent Office
19 constitute notice to the world of its existence.
20 Appellant does not dispute that the issuance of the
21 patent in 1980 gave it constructive notice of that
22 patent. Appellant contends, however, that knowledge of
23 the patent does not constitute constructive notice of
24 appellant's claims against the defendants.

25 Appellant argues that because Brandau's name was not on
26 the patent, a reasonable person might not infer from the
27 patent's existence that fraud had occurred. The patent
28 could instead be the result of an independent discovery
by Echevarria. We find this argument compelling, given

26 ² In a footnote, Plaintiff contends that Plaintiff's state law tort claims
27 are also time-barred. Plaintiff cannot carry the burden of establishing its
28 affirmative defense in a single, conclusory footnote. Further, because the court
is unable to discern the nature of Defendant's tort claims due to pleading
deficiencies discussed below, resolving Plaintiff's statute of limitations
defense to such claims at this stage in the proceedings is inappropriate.

1 appellant's allegation that Brandau was involved in the
2 fraud. Brandau was apparently the only employee of
3 General Bedding involved in the investigation of the
4 application of tubes to waterbeds. Viewing the evidence
5 in the light most favorable to appellant, only Brandau
6 knew the details of his research and cooperation with
7 Echevarria. In that case, only Brandau could have known
8 if the patent was for the same design. Because only
9 Brandau would have been alerted by the design, arguably
10 only Brandau should have been alerted by this patent.
11 What was most likely to alert the other employees of
12 General Bedding -- Brandau's name - was absent from the
13 patent.

8 The patent may also have put General Bedding on
9 constructive notice if it should have alerted General
10 Bedding of the need to inquire further...Yet, for the
11 reasons discussed above, it is not clear that a
12 reasonable person would investigate merely because this
13 patent was issued. Although the patent application was
14 filed soon after Brandau worked with Echevarria,
15 Brandau's name was not on it. It was not necessarily
16 unusual for Echevarria to patent such a design. Many
17 inventions and discoveries are made soon after
18 unsuccessful research. Thus, a reasonable person might
19 not suspect fraud and investigate.

17 The fact that the evidence would also support an
18 inference that General Bedding was on constructive
19 notice, even if such an inference is stronger, is not a
20 sufficient basis for granting summary judgment.

17 *General Bedding Corp.*, 947 F.2d at 1398 (citations omitted).

18 Plaintiff has not carried its burden of establishing that
19 Defendant had reason to know of his claims concerning the '85
20 Patent by virtue of its issuance. Unlike Plaintiff's conduct with
21 respect to the '565 patent, Plaintiff did not seek an assignment
22 from Defendant in connection with the '85 patent. In order for
23 Defendant to have known the basis for his claims arising out of the
24 '85 patent, Defendant would have had to scour the Patent Office's
25 records for all patents issued to Plaintiff each year and then
26 review the substance of each patent to determine whether he should
27 have been named as an inventor. Based on the current record,
28

1 imposition of such an onerous burden on Defendant is not
2 reasonable. Plaintiff's motion to dismiss Defendant's co-ownership
3 claims arising out of the '985 Patent is DENIED, without prejudice.

4 **B. Preemption**

5 The preemptive scope of federal patent law is governed by the
6 decisional law of the United States Supreme Court and the United
7 States Court of Appeal for the Federal Circuit. *E.g.*,
8 *Ultra-Precision Mfg. v. Ford Motor Co.*, 411 F.3d 1369, 1376 (Fed.
9 Cir. 2005) ("Federal Circuit law governs whether federal patent law
10 preempts a state law claim"); see *Bonito Boats v. Thunder Craft*
11 *Boats*, 489 U.S. 141, 146 (1989) (landmark Supreme Court case
12 discussing preemptive scope of federal patent law). State law tort
13 claims that frustrate the objectives embodied in the federal patent
14 scheme are subject to conflict preemption. *Ultra-Precision*, 411
15 F.3d at 1376; *Bonito Boats*, 489 U.S. at 146; *Aronson v. Quick Point*
16 *Pencil Co.*, 440 U.S. 257, 266 (1979) (state law preempted if it
17 "stands as an obstacle to the accomplishment and execution of the
18 full purposes and objectives of" federal patent law). The
19 objectives of Congress reflected in federal patent law include
20 seeking to foster and reward invention, promoting disclosure of
21 inventions to stimulate further innovation and to permit the public
22 to practice the invention once the patent expires, promoting the
23 stringent requirements for patent protection to assure that ideas
24 in the public domain remain there for the free use of the public,
25 providing a clear federal demarcation between public and private
26 property, and promoting nationwide uniformity in patent law.
27 *Ultra-Precision*, 411 F.3d at 1378.

28 ///

1 A state law tort claim is preempted by federal patent law if,
2 in light of the claim's elements and the remedy sought, *University*
3 *of Colo. Found., Inc. v. American Cyanamid Co.*, 196 F.3d 1366, 1371
4 (Fed. Cir. 1999) (examining state law tort claim's elements and
5 remedy sought in adjudicating preemption defense), the claim seeks
6 patent-like protection for an intellectual creation that would
7 otherwise remain unprotected as a matter of federal patent law,
8 *Bonito Boats*, 489 U.S. at 146.³ The type of relief sought under a
9 state law tort claim is an important factor in preemption analysis.
10 *See, e.g., Cyanamid*, 196 F.3d at 1371; *see also Smith v. Healy*, 744
11 F. Supp. 2d 1112, 1128 (D. Oregon 2010) (holding quasi-contract
12 claim preempted due to the nature of damages sought under claim).

13 **1. Unjust Enrichment**

14 The elements of unjust enrichment under California law are
15 (1) the receipt of a benefit; (2) the unjust retention of the
16 benefit; (3) at the expense of another. *Peterson v. Cellco*
17 *Partnership*, 164 Cal. App. 4th 1583, 1593 (Cal. Ct. App. 2008).
18 Because California's unjust enrichment cause of action covers a
19 wide range of conduct that does not bear on federal patent
20 policies, *see Cyanamid*, 196 F.3d at 1371 (discussing unjust
21 enrichment claim under Colorado law),⁴ Defendant's unjust
22

23 ³ Defendant cites *Dow Chem. Co. v. Exxon Corp.*, 139 F.3d 1470, 1473 (Fed.
24 Cir. 1999) for the proposition that state law tort claims are not preempted by
25 federal patent law provided the state law cause of action includes additional
26 elements not found in the federal patent law. (Doc. 220, Opp. at 9-10). As *Dow*
27 *Chem.* expressly recognized, the paramount preemption inquiry is whether a tort
28 cause of action seeks patent-like protection. *Id.*

29 ⁴ Unjust enrichment under Colorado law entails the following elements: "(1)
30 at plaintiff's expense (2) defendant received a benefit (3) under circumstances
31 that would make it unjust for defendant to retain the benefit without paying"
32 *Id.* (citing *DCB Constr. Co. v. Central City Dev. Co.*, 965 P.2d 115, 19-20 (Colo.
1998)).

1 enrichment claim is not necessarily preempted, see *Ultra-Precision*,
2 411 F.3d at 1378, 1380 (holding that claim was preempted "as pled"
3 while noting that party could have pled an unjust enrichment claim
4 not subject to preemption). Whether Defendant's claim is preempted
5 by federal patent law depends on the nature of Defendant's theory
6 of recovery. See, e.g., *id.*

7 Defendant's unjust enrichment claim is set forth in three
8 sentences:

9 240. Upon information and belief, GE has wrongfully
10 claims, and continues to wrongfully claim, that it is the
11 sole and exclusive owner and assignee of the '565 patent
and the '985 patent.

12 241. Upon information and belief, GE has derived, and
13 will continue to derive, substantial benefits, including
licensing revenue, from its wrongful claims of sole and
exclusive ownership...

14 242. GE unjustly retained, and will continue to retain,
15 those benefits at the expense of Mr. Wilkins, injuring
him in an amount not yet determined.

16 (Doc. 177, Def.'s Answer at 24). The nature of Defendant's unjust
17 enrichment claim is unclear, but it appears that at least a portion
18 of Defendant's claim is preempted.

19 The only benefit identified in Defendant's unjust enrichment
20 claim is "licensing revenue." To the extent Defendant seeks to
21 obtain a patent-like royalty from Plaintiff based on licensing
22 revenue attributable to the '565 and '985 Patents, Defendant's
23 unjust enrichment claim is preempted. E.g., *Ultra-Precision*, 411
24 F.3d at 1382; 35 U.S.C. § 262 (2010) ("each of the joint owners of
25 a patent may make, use, offer to sell, or sell the patented
26 invention within the United States, or import the patented
27 invention into the United States, without the consent of and
28

1 without accounting to the other owners"). To the extent Defendant
2 has cognizable unjust enrichment claims, no such claims are
3 discernible from the four corners of Defendant's counterclaim.

4 In his opposition, Defendant clarifies that his unjust
5 enrichment claim is based on incremental benefits "attributable to
6 [Plaintiff's] misbehavior...including the false exclusivity it
7 created." (Doc. 220, Opp. at 10). Defendant cites *Cyanamid* for
8 the proposition that "if Mr. Wilkin's co-ownership claims succeed,
9 then he may recover from GE damages...for the payments he would
10 have received from GE to secure his cooperation at the PTO." (Doc.
11 220, Opp. at 11).⁵ In *Cyanamid*, research conducted by two
12 university professors provided the basis for a patent obtained by
13 a company for a reformulated prenatal vitamin. The Federal Circuit
14 explained:

15 [E]ven assuming that the Doctors were the sole inventors
16 of the Materna reformulation (a fact to be determined
17 upon remand), the only financial opportunity that the
18 University could have lost was the payment for an
assignment of ownership rights in the '634 patent or a
license from the University to sell the reformulated
product at the time the patent issued.

19 If the court finds that the Doctors jointly invented the
20 reformulated product with Dr. Ellenbogen, the financial
21 opportunity that the University could have lost was the
22 payment that Cyanamid would have made to secure the
23 Doctors' cooperation in filing the required documents
with the PTO, such as oaths and declarations. Because
federal patent law allows joint owners to practice a
patented technology without accounting to the other

24 ⁵ Defendant avers that this category of damages is "distinct
25 from...disgorgement of any incremental benefits [Plaintiff] derived by wrongfully
26 asserting that [Defendant] had no ownership interest." However, under the unjust
27 enrichment theory articulated in Defendant's opposition, it appears that the
28 measure of damages attributable to any alleged "false exclusivity" is the cost
of obtaining either an assignment of the Defendant's ownership interests in the
subject patents or an exclusive license thereunder. (See Doc. 220, Opp. at
10-11) (discussing benefits attributable to "false exclusivity"); *Cyanamid*, 196
F.3d at 1373 (discussing benefit patent holder obtained in the market by omitting
co-inventor from patent).

1 co-owners, Cyanamid would not have needed to acquire
2 ownership of the patent or licenses thereunder. See 35
3 U.S.C. § 262 (1994). However, in that case, the
4 University would have been within its rights to license
5 others under the '634 patent or to produce and sell
6 products thereunder. See *id.* Thus, the district court
7 could find that Cyanamid would have also paid the
8 University for either an assignment of the University's
9 ownership interest in the '634 patent or an exclusive
10 license thereunder. Either arrangement would have assured
11 Cyanamid the exclusivity, which they enjoyed during the
12 life of the '634 patent.

13 *Cyanamid*, 196 F.3d at 1373.

14 Defendant's unjust enrichment claim makes no distinction
15 between the general licensing revenue Plaintiff has obtained from
16 the '585 and '985 Patents and any portion of such revenues
17 attributable to "false exclusivity." Compare *Shum v. Intel Corp.*,
18 630 F. Supp. 2d 1063, 1079 (N.D. Cal. 2009) (unjust enrichment
19 claim not preempted where theory of recovery was based on a
20 discrete transaction allegedly tainted by misrepresentation of sole
21 ownership of patent) with *Smith*, 744 F. Supp. 2d at 1128
22 (quasi-contract claim preempted where party sought only "general
23 damages for Defendants' sales of either Plaintiffs' product or
24 copies of the product without a license from Plaintiffs and without
25 paying royalties to Plaintiffs"). Because Defendant's counterclaim
26 does not suggest the nature of the incremental benefits underlying
27 Defendant's unjust enrichment theory, but instead appears to seek
28 patent-like royalties pertaining to all licensing revenue Plaintiff
has obtained from the '585 and '985 Patents, Defendant's unjust
enrichment claim is preempted as currently pled. See, e.g., *Smith*,
744 F. Supp. 2d at 1128 (claim seeking general damages preempted);
Ultra-Precision, 411 F.3d at 1382 ("In the absence of an
incremental benefit conferred, any attempt to obtain a patent-like

1 royalty for the making, using, or selling of a product in the
2 public domain under the rubric of state unjust enrichment law is
3 preempted").

4 Defendant's counterclaim also fails to distinguish between
5 licensing revenue attributable to the '585 Patent and licensing
6 revenue attributable to the '985 Patent. Defendant is a named
7 inventor and presumed owner of the '585 Patent. 37 C.F.R. §
8 3.73(a) (an "inventor is presumed to be the owner of a patent
9 application, and any patent that may issue therefrom, unless there
10 is an assignment"). Because the market has been on notice of
11 Defendant's status as an inventor and presumed co-owner of the '585
12 Patent since the date it issued, Defendant's unjust enrichment
13 claim does not allege sufficient facts to state a plausible claim
14 based on a "false exclusivity" theory with respect to the '585
15 Patent. In contrast to the '585 Patent, the '985 Patent does not
16 list Defendant as a co-inventor. However, Defendant's unjust
17 enrichment claim makes no distinction between alleged unjust
18 benefits attributable to the '985 Patent and unjust benefits
19 attributable to the '585 Patent. No cognizable theory of unjust
20 enrichment applicable to both the '585 and '985 Patents is
21 discernible. Defendant's unjust enrichment claim is DISMISSED,
22 without prejudice.

23 **2. Conversion**

24 The elements of a conversion under California law are (1) the
25 plaintiff's ownership or right to possession of the property at the
26 time of the conversion; (2) the defendant's conversion by a
27 wrongful act or disposition of property rights; and (3) damages.
28 *Plummer v. Day/Eisenberg, LLP*, 184 Cal. App. 4th 38, 45 (Cal. Ct.

1 App. 2010). Even where patented subject matter is involved, it is
2 possible to state a claim for conversion that does not implicate
3 the interests underlying the federal patent scheme. See *HIF Bio,*
4 *Inc. v. Yung Shin Pharms. Indus. Co.*, 600 F.3d 1347, 1354 (Fed.
5 Cir. 2010) ("Because plaintiffs could establish conversion by
6 reference to the defendants' alleged misappropriation of
7 'experiments, pre-publication experimental data, and non-public,
8 pre-publication drafts of papers,' an alternative, non-patent
9 theory exists which entitles plaintiffs to relief"). However,
10 where a conversion claim is based on alleged misappropriation of
11 patent rights, it is preempted by federal patent law. *E.g.*, *Smith*
12 *v. Healy*, 744 F. Supp. 2d 1112, 1130 (D. Oregon 2010) ("Plaintiffs'
13 proposed conversion claim does not concern Plaintiffs' tangible
14 property but rather their intangible idea...therefore...Plaintiffs'
15 proposed conversion claim would be preempted by patent law.");
16 *Bonito Boats*, 489 U.S. at 146 (states may not offer patent-like
17 protection).

18 As currently pled, Defendant's claim for conversion is clearly
19 preempted. Defendant's conversion claim provides, in pertinent
20 part, as follows:

21 235. By virtue of his inventorship, Mr. Wilkins possesses
22 and undivided ownership interest in the '565 patent and
the '985 patent.

23 236. By its conduct...GE has wrongfully interfered, and
24 continues to interfere, with Mr. Wilkin's ownership
interests in the '565 patent and the '985 patent.

25 (Doc. 177, Def.'s Answer at 23). It is settled that the federal
26 patent scheme "preempts any state law that purports to define
27 rights based on inventorship." *E.g.*, *Cyanamid*, 196 F.3d at 1372.
28

1 Defendant contends that its conversion claim is not preempted
2 because it seeks to recover only incremental benefits based on
3 Plaintiff's creation of false exclusivity "by converting Mr.
4 Wilkin's rights." (Doc. 220, Opp. at 14). Assuming *arguendo* it is
5 legally possible to state a conversion claim predicated on
6 inventorship that is not preempted, Defendant's counterclaim is
7 insufficient to allege any such claim. As currently pled,
8 Defendant's conversion claim seeks compensation for Plaintiff's
9 purported interference with Defendant's inventorship interests in
10 the intellectual property embodied in the '565 and '985 patents; in
11 other words, Defendant seeks patent-like protection under the guise
12 of the tort of conversion.

13 Defendant also contends that, because the counterclaim
14 contains conclusory allegations of "oppressive, malicious, willful
15 and/or fraudulent action by GE," Plaintiff's conversion claim falls
16 outside the ambit of patent law and is not preempted. (Doc. 220,
17 Opp. at 14, n.13) (citing *Zenith Elecs. Corp. V. Exzec, Inc.*, 182
18 F.3d 1340, 1351 (Fed. Cir. 1999)).⁶ *Zenith* does not support
19 Plaintiff's argument, as the portion of the opinion cited by
20 Defendant stands only for the unremarkable proposition that "there
21 is no conflict-type preemption of various state law claims based on
22 publicizing an allegedly invalid and unenforceable patent in the
23 marketplace as long as the claimant can show that the patent holder
24 acted in bad faith in publication of the patent." *Id.* Defendant's
25 conversion claim is DISMISSED, without prejudice.

26
27 ⁶ It appears Defendant's argument is that his conversion claim is not
28 preempted because it contains additional elements not required in an infringement
action. See footnote 3, *supra*.

1 **C. Mitsubishi's Counterclaims**

2 **1. Standing Under Section 35 U.S.C. § 256**

3 Plaintiff contends that Mitsubishi lacks standing to assert a
4 correction of inventorship claim pursuant to 35 U.S.C. § 256.
5 Plaintiff cites no apposite authority. Instead, Plaintiff cites a
6 slew of cases that stand for the general proposition that a third
7 party lacks standing to assert another entities' rights. (Doc.
8 192, Motion to Dismiss at 8-9). None of Plaintiffs's authorities
9 pertains to the unique language of section 256, which provides:

10 Whenever through error a person is named in an issued
11 patent as the inventor, or through error an inventor is
12 not named in an issued patent and such error arose
13 without any deceptive intention on his part, the Director
14 may, on application of all the parties and assignees,
with proof of the facts and such other requirements as
may be imposed, issue a certificate correcting such
error.

15 The error of omitting inventors or naming persons who are
16 not inventors shall not invalidate the patent in which
17 such error occurred if it can be corrected as provided in
18 this section. The court before which such matter is
called in question may order correction of the patent on
notice and hearing of all parties concerned and the
Director shall issue a certificate accordingly.

19 35. U.S.C. 256 (2011) (emphasis added).

20 In interpreting the broad language contained in section 256,
21 the Federal Circuit has held that a concerned party can pursue a
22 claim under section 256 provided that the requirements for
23 constitutional standing--namely injury, causation, and
24 redressability--are satisfied. *Chou v. Univ. of Chi. & Arch Dev.*
25 *Corp.*, 254 F.3d 1347, 1358 (Fed. Cir. 2001); *Larson v. Correct*
26 *Craft, Inc.*, 569 F.3d 1319, 1326 (Fed. Cir. 2009). In *Chou*, the
27 Federal Circuit explained:

28 an expectation of ownership of a patent is not a
prerequisite for a putative inventor to possess standing

1 to sue to correct inventorship under § 256. The statute
2 imposes no requirement of potential ownership in the
3 patent on those seeking to invoke it. We have previously
4 interpreted § 256 broadly as a "savings provision" to
5 prevent patent rights from being extinguished simply
6 because the inventors are not correctly listed. *Pannu v.*
7 *Iolab Corp.*, 155 F.3d 1344, 1349, 47 U.S.P.Q.2D (BNA)
8 1657, 1662 (Fed. Cir. 1998). The same considerations
9 apply here. Chou should have the right to assert her
10 interest, both for her own benefit and in the public
11 interest of assuring correct inventorship designations on
12 patents. The interest of both inventors and the public
13 are thus served by a broad interpretation of the statute.

14 254 F.3d at 1358. In light of the broad construction the Federal
15 Circuit has afforded section 256, and in light of the fact that
16 Mitsubishi is an assignee of the '985 patent that has satisfied
17 constitutional standing requirements, Mitsubishi has standing to
18 pursue a section 256 claim. See *id.*, see also *Ethicon v. United*
19 *States Surgical Corp.*, 135 F.3d 1456, 1459 (Fed. Cir. 1998)
20 (licensee of purported unnamed inventor permitted to pursue section
21 256 claim); *Xechem Int'l., Inc. v. Univ. of Tex. M.D. Anderson*
22 *Cancer Ctr.*, 382 F.3d 1324, 1332 (Fed. Cir. 2004) (noting that
23 assignee may be necessary party to section 256 action).
24 Plaintiff's motion to dismiss Mitsubishi's counterclaim under
25 section 256 for lack of standing is DENIED.

26 **2. 28 U.S.C. § 1659**

27 Plaintiff seeks dismissal of Mitsubishi's counterclaim for
28 declaratory judgment concerning ownership of the '985 patent based
on 28 U.S.C. § 1659. Section 1659 provides:

In a civil action involving parties that are also parties
to a proceeding before the United States International
Trade Commission under section 337 of the Tariff Act of
1930 [19 USCS § 1337], at the request of a party to the
civil action that is also a respondent in the proceeding
before the Commission, the district court shall stay,
until the determination of the Commission becomes final,
proceedings in the civil action with respect to any claim

1 that involves the same issues involved in the proceeding
2 before the Commission, but only if such request is made
within--

3 (1) 30 days after the party is named as a respondent
in the proceeding before the Commission, or

4 (2) 30 days after the district court action is filed,
whichever is later.

5
6 Plaintiff complains that Mitsubishi is precluded from alleging that
7 Wilkins is a co-owner of the '985 patent because

8 that claim is already pending in earlier-filed litigation
9 pending between GE and MHI in the Southern District of
10 Texas. To date, however, the parties have not litigated
11 those allegations in Texas because MHI invoked the
12 automatic stay afforded by 28 U.S.C. § 1659—and as
recently as September 2010, MHI refused to respond to an
offer from GE to lift that stay. The Texas action will,
therefore, remain stayed until the ITC concludes its
investigation involving the '985 patent, including
through any appeals.

13 Having secured a stay of the Texas action under § 1659,
14 MHI cannot seek to litigate its Texas noninfringement
15 defenses in this case—one in which GE has not, and
16 cannot, press its stayed infringement claims under the
'985 patent. It would be both extremely unfair, a
violation of the claim-splitting doctrine, and in
violation of § 1659, to permit MHI to do so.

17 (Doc. 192, Motion to Dismiss at 9-10) (citations omitted).

18
19 Section 1659 does not authorize dismissal of a claim that
20 involves the same issues involved in a proceeding before the ITC.
21 The remedy contemplated by section 1659 is a stay. Plaintiff has
22 not sought a stay under section 1659 and is precluded from doing so
at this point in time pursuant to section 1659's own terms.

23 Plaintiff's citation to *Adams v. Cal. Dept. of Health Servs.*,
24 487 F.3d 684, 689 (9th Cir. 2007) is of no avail. In *Adams*, the
25 Ninth Circuit held:

26 The district court acted within its discretion in
27 dismissing Adams's duplicative complaint with prejudice
28 and preventing her from fragmenting a single cause of
action and litigating piecemeal the issues which could

1 have been resolved in one action.

2 *Id.* at 694. Here, Mitsubishi has not filed a duplicative complaint
3 in an attempt to fragment a single cause of action into piecemeal
4 litigation. To the contrary, Plaintiff has invited the scenario
5 currently faced by the parties by initiating a third proceeding in
6 this court that implicates Mitsubishi's rights.

7 Nor is *In re Princo Corp.*, 478 F.3d 1345, 1355 (Fed. Cir.
8 2007) helpful to Plaintiff. Plaintiff cites *Princo* for the
9 proposition that "the purpose of § 1659 is to prevent separate
10 proceedings on the same issues occurring at the same time."
11 However, Plaintiff has already thwarted the purpose embodied in
12 section 1659 by initiating the instant lawsuit, which necessarily
13 requires adjudication of ownership issues already pending in at
14 least two other proceedings.

15 Plaintiff cites no authority that requires dismissal of
16 Mitsubishi's co-ownership claim. Plaintiff's motion is DENIED,
17 without prejudice.

18 **ORDER**

19 For the reasons stated, IT IS ORDERED:

- 20 1) Defendant's conversion and unjust enrichment counterclaims
21 are DISMISSED, without prejudice;
22 2) Defendant shall file an amended counterclaim within fifteen
23 days following electronic service of this memorandum decision;
24 Plaintiff shall file its reply within fifteen days following
25 service of any amended counterclaim; and
26 3) Plaintiff shall file a form of order consistent with this
27 memorandum decision within five days following electronic
28

1 service of this decision.

2 IT IS SO ORDERED.

3 **Dated: July 26, 2011**

/s/ Oliver W. Wanger
UNITED STATES DISTRICT JUDGE

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