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2 UNITED STATES DISTRICT COURT
3 Northern District of California
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5 CLARK PERMAR,

No. CV-09-0972 SBA (MEJ)

6 Plaintiff,

**ORDER RE TERMS OF
SETTLEMENT**

7 v.

8 SPECTRA WATERMAKERS, INC.,

9 Defendant.

10 **I. INTRODUCTION**

11 On April 20, 2010, the parties attended a court-supervised settlement conference, at the
12 conclusion of which terms of settlement were put on the record. Pursuant to the parties' agreement,
13 Defendant would purchase Plaintiff's '198 Patent in the total amount of \$275,000 with a specific
14 agreed upon payment plan. Subsequently, a dispute between the parties arose over whether the '414
15 Patent was included in the agreement. On May 19, 2010, the parties filed a Stipulation For
16 Magistrate to Resolve Dispute Re: Terms of Settlement. Dkt. No. 61. Each party also submitted a
17 Proposed Order resolving the dispute and a letter setting forth its arguments in support of its proposed
18 resolution. On November 30, 2010, the Court issued an Order approving Defendant's Stipulation,
19 which included the '414 Patent in the sale. Dkt. No. 68. Thereafter, the present dispute arose over
20 what additional documents must be executed to assign the patents.

21 **II. PARTIES' POSITIONS**

22 **A. Plaintiff's Position**

23 Plaintiff argues that as part of the documents required to consummate the sale, Defendant
24 must execute a secured payment agreement (SPA) and UCC-1, pursuant to which Defendant grants to
25 Plaintiff a security interest in and a lien on the subject patents until the balance of the purchase price
26 is paid in full. According to Plaintiff, the SPA, along with a UCC-1, was required in exchange for his
27 execution of the Patent Assignments. Defendant, however, refuses to execute the SPA and UCC-1.
28 Plaintiff, in turn, refuses to execute the Patent Assignments of the Stipulation and Order. Plaintiff

1 claims that because the parties have not executed the final documents, he has not received
2 compensation for his Patents since April 20, 2010, despite the fact that Defendant has continued to
3 use the Patents to manufacture its watermaker. Plaintiff argues that, but for this delay, he would have
4 received an initial \$75,000 down payment by June 1, 2011, and \$53,333 in monthly payments of
5 \$3,333 for 16 months for a total of \$128,333. This would leave a remaining purchase price of
6 \$146,666. At this point, Plaintiff contends that “[i]nstead of requiring [him] to transfer title to the
7 patents now and accept \$3,333.33 per month from [Defendant] for the next 44 months, without that
8 obligation being secured by the SPA and UCC-1, [Defendant] should be required to finance the
9 balance of the purchase price separately, and complete its purchase of the patents now.”

10 Plaintiff therefore seeks the following:

11 (1) Defendant shall deposit into the West America blocked account the amount of \$87,333,
12 representing the amounts it owes to date for its use of the subject patents since June 1, 2010. This
13 sum includes the \$34,000 balance of the \$75,000 down payment, plus \$53,333, representing 16
14 months of the \$3,333.33 monthly payments through September 2011.

15 (2) Defendant shall deposit \$146,667 into the West America blocked account, representing the
16 balance due of the \$275,000 purchase price.

17 (3) Upon deposit of said sums, Plaintiff shall execute and deliver to Defendant’s counsel the
18 Patent Assignments for each patent, subject to his reservation of rights.

19 (4) Upon receipt of the executed Patent Assignments, Defendant’s counsel will release to
20 Plaintiff and his counsel all of the funds on deposit in the West America Account.

21 (5) Upon completion of the above, this action shall be dismissed.

22 Thus, Plaintiff now seeks an order requiring Defendant to pay the entire purchase price
23 immediately in order to resolve the dispute.

24 **B. Defendant’s Position**

25 Defendant contends that the present conflict regarding execution of the additional documents
26 was not completely addressed by the stipulated settlement entered into on April 20, 2010. Rather,
27 Defendant claims that when the subject of providing security in the form of a pledge or collateral by
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1 Defendant or the recording of a UCC-1 in favor of Plaintiff, Defendant rejected it. Thus, Defendant
2 argues that Plaintiff now is overreaching with his demand for the filing of a UCC-1 document.

3 In support, Defendant argues that the agreement includes several features that addresses
4 Plaintiff's concerns. Specifically, upon the execution of the stipulated Settlement Agreement and
5 dismissal of the litigation, Plaintiff will receive \$75,000 and \$3,333.33 per month for 5 years.
6 Additionally, if Defendant fails to cure the default in the payment of the agreed sum at any time
7 during the five-year period, Defendant has agreed to forfeit the '414 Patent and Plaintiff gets to keep
8 the money he received prior to the default by Defendant. Furthermore, upon motion filed by Plaintiff
9 and following a hearing, the Court can enter an order/judgment against Defendant for the unpaid
10 balance, provided Plaintiff properly establishes the facts of serving a proper notice of default, failure
11 to cure in a timely fashion, and the unpaid balance. Finally, William Edinger, President of Spectra
12 Watermakers, Inc. has expressly agreed that this Court has personal jurisdiction over him individually
13 without the need to file any additional action for Plaintiff to obtain this judgement should Defendant
14 be in default of any unpaid balance. Therefore, Defendant contends that Plaintiff has adequate and
15 substantial remedies to enforce the stipulated settlement and dismissal should Defendant default and
16 the requirement of the additional Secured Payment Agreement and UCC-1 should be dismissed as an
17 additional term.

18 III. DISCUSSION

19 Based upon the parties' arguments, the Court finds Plaintiff's request for Defendant to sign a
20 Secured Payment Agreement and UCC-1 document as a stipulation to this already-agreed-upon
21 settlement is unnecessary. The Court finds that Plaintiff has adequate remedies should Defendant
22 default on payment and therefore will not require Defendant to sign additional security documents.
23 Under the settlement agreement, should Defendant default, there are procedural steps that Plaintiff
24 may take to enforce the payments due. Also, Defendant has indicated that should it default in
25 payment for the '414 Patent, there will be a reversion of ownership back to Plaintiff. Additionally,
26 Defendant has expressly agreed to personal jurisdiction over it for purposes of this settlement, and
27 this Court retains jurisdiction over this matter to enforce the terms of this Stipulation. Therefore,

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