

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WISCONSIN

GAMESA EOLICA, S.A.,

Plaintiff,

v.

GENERAL ELECTRIC COMPANY
d/b/a GE WIND ENERGY,

Defendant.

OPINION AND
ORDER

04-C-43-C

Plaintiff Gamesa Eolica, S.A. and defendant General Electric Company d/b/a GE Wind Energy are in the business of designing, manufacturing and selling wind turbines, among other things. In its complaint, plaintiff alleges that defendant is selling turbines that violate U.S. Patent No. 4,695,736, which plaintiff owns. In addition, plaintiff seeks a declaration under the Declaratory Judgment Act, 28 U.S.C. § 2201, that (1) its own wind turbines do not infringe three patents owned by defendant, U.S. Patent Nos. 5,083,039; 6,137,187; and 6,420,795 and (2) these three patents are invalid under 35 U.S.C. §§ 102, 103 or 112.

Defendant has filed a motion to dismiss plaintiff's claim for declaratory relief, arguing

that this court lacks subject matter jurisdiction to consider the claim because plaintiff has failed to allege facts showing an “actual controversy” between the parties. At the outset, I must determine what facts I may consider in reviewing defendant’s motion. Defendant argues that because it is challenging the legal sufficiency of plaintiff’s complaint, the court should not consider any materials outside the pleadings. Plaintiff argues that courts reviewing motions to dismiss under Fed. R. Civ. P. 12(b)(1) may look beyond the complaint and consider affidavits submitted by the parties.

Both parties are correct in part. Although plaintiff is right that courts may and sometimes must consider materials outside the pleadings before making a final determination on jurisdictional issues, Szabo v. Bridgeport Machines, Inc., 249 F.3d 672, 676 (7th Cir. 2001), defendant is correct in stating that the question its motion raises is not whether plaintiff’s claim is justiciable *in fact* but whether plaintiff’s complaint *adequately alleges* an actual controversy. Thus, if plaintiff’s complaint were sufficient, it would not be necessary to consider additional materials, at least at this stage of the proceedings. However, I see no reason to disregard the affidavits submitted by plaintiff. Dismissing a claim because the complaint was insufficient would be unfair and a waste of judicial resources if there was other evidence in the record showing that the plaintiff *could* file a legally adequate complaint if it included the facts alleged in the other materials. Therefore, I will construe plaintiff’s affidavits as an implied motion to amend the complaint and consider the additional facts in

deciding defendant's motion to dismiss.

Nevertheless, I will deny the motion to amend because including the additional facts in the complaint would be futile. Foman v. Davis, 371 U.S. 178, 182 (1962) (court may withhold permission to amend complaint when doing so would be futile). Even if I consider plaintiff's affidavits, plaintiff has failed to allege sufficient facts to show that there is an actual controversy between the parties with respect to plaintiff's claim for a declaratory judgment. Accordingly, I will grant defendant's motion to dismiss this claim.

I note briefly that just before this opinion was about to be released, plaintiff filed a motion to file a sur-reply brief as well as the brief itself. Plaintiff's sur-reply brief is devoted to rebutting arguments by defendant that I did not consider (e.g., that plaintiff's allegations are "illogical") and rehashing the arguments it made in its response brief (e.g., that the court should consider the affidavits submitted by plaintiff). Because nothing in plaintiff's sur-reply brief suggests a different result, plaintiff's motion will be denied.

For the sole purpose of deciding defendant's motion to dismiss, I accept as true the allegations of fact in plaintiff's complaint and affidavits.

ALLEGATIONS OF FACT

Plaintiff Gamesa Eolica, S.A. is a Spanish corporation that designs, manufactures and sells wind turbines. Plaintiff's United States subsidiary is located in Wisconsin. Defendant

General Electric Company sells various products throughout the United States. Through its business GE Wind Energy, defendant sells wind turbines. Plaintiff owns at least one patent (U.S. Patent No. 4,695,736) and defendant owns at least three patents (U.S. Patent Nos. 5,083,039; 6,137,187; and 6,420,795) related to wind turbines.

Wind turbines use wind to generate electricity. There are two basic types: fixed speed and variable speed. Demand for variable speed wind turbines has been increasing in recent years in part because they are capable of producing power more efficiently. Thus far, plaintiff has limited its sales of variable speed wind turbines to Europe and Asia, but it is interested in entering the United States market. To plaintiff's knowledge, defendant is the only company that currently sells variable speed wind turbines in the United States.

In the 1990s, a previous owner of the '039 patent, Kenetech Windpower, Inc., filed a complaint with the International Trade Commission to stop Enercon GmbH from importing variable speed wind turbines into the United States. Kenetech's position was that any sales of Enercon's turbines in the United States would infringe the '039 patent. The commission found in favor of Kenetech.

In November 2003, representatives of plaintiff met with representatives of defendant to discuss defendant's alleged infringement of plaintiff's '736 patent. Defendant's representatives expressed their belief that defendant did not need a license from plaintiff. Instead, they stated that it "would be required" and "necessary" for plaintiff to obtain a

license from defendant under its '039 patent if plaintiff wished to sell variable speed turbines in the United States. (In its complaint, plaintiff alleged that defendant “has asserted that Gamesa needs to obtain a license under the '039, '187 and '795 patents in order to sell Gamesa’s variable speed wind turbines in the United States.” However, because defendant averred in its affidavits that plaintiff “specifically emphasized” only the '039 patent, I have disregarded the allegation as it applies to the '187 and '795 patents.)

Plaintiff has submitted proposals to potential customers in the United States for variable speed wind turbines. The average cost of each project is \$85,000,000; the total value of the proposals is \$770,000,000. Plaintiff has entered into a contract with one United States company in Minnesota to supply variable speed wind turbines.

Defendant has stated publicly that it will enforce its patent rights in the courts.

OPINION

To maintain any suit in federal court, a plaintiff must show that an “actual controversy” exists between the parties. Aetna Life Insurance Co. v. Haworth, 300 U.S. 227, 239-40 (1937) (“actual controversy” requirement in Declaratory Judgment Act is same as standard under Constitution). The parties agree on the two elements required to make this showing in the context of a patent suit brought under the Declaratory Judgment Act: (1) conduct by the defendant that gives rise to a “reasonable apprehension” that the defendant

will bring an infringement suit against the plaintiff; (2) actions by the plaintiff that could constitute infringement. Sierra Applied Sciences, Inc. v. Advanced Energy Industries, Inc., 363 F.3d 1361, 1372 (Fed. Cir. 2004). (The parties appear to agree also that the case law of the federal circuit controls on this issue, so that is the law to which I have looked for guidance.) If either of these two factors is not present, the action is not justiciable and must be dismissed. The parties have focused on the first element only.

Plaintiff points to several facts that it believes support a finding that it had a reasonable apprehension that defendant would file an infringement suit: (1) during a meeting in November 2003, defendant told plaintiff that “it would be necessary” and that it “would be required” for plaintiff to obtain a license under defendant’s ‘039 patent if plaintiff wanted to sell its variable speed wind turbines in the United States; (2) a previous owner of the ‘039 patent had filed a complaint against another company that was planning to import variable speed wind turbines into the United States; (3) defendant has “stated publicly that it will enforce its patent rights in the courts with regard to variable speed wind turbines”; (4) the lack of competition in the United States in the area of variable speed wind turbines; (5) “the vast size and resources” of defendant; (6) the high cost and long-term nature of wind turbine projects; and (7) the danger that plaintiff’s customers, public utilities, “will be especially wary of a shut-down due to injunctive relief based on the assertion of patent rights.”

Generally, no single factor is determinative; courts must examine the “totality of the

circumstances” in deciding whether the plaintiff had a reasonable apprehension that it would be sued. Shell Oil Co. v. Amoco Corp., 970 F.2d 885, 888 (Fed. Cir. 1992). Of course, the contours of any “totality of the circumstances” test will not be precisely defined. Maryland Casualty Co. v. Pacific Coal & Oil Co., 312 U.S. 270, 273 (1941) (“The difference between an abstract question and a ‘controversy’ contemplated by the Declaratory Judgment Act is necessarily one of degree, and it would be difficult, if it would be possible, to fashion a precise test for determining in every case whether there is such a controversy”). However, the Court of Appeals for the Federal Circuit has identified at least two bright line rules in this area. An express threat of litigation is always sufficient by itself to create a reasonable apprehension; an offer of a license by the defendant to the plaintiff is never enough without additional facts to show an actual controversy. Fina Research, S.A.v. Baroid Ltd., 141 F.3d 1479, 1482 (Fed Cir. 1998) (“The law states that a letter threatening an infringement suit unless the alleged infringer ceases the offending activity satisfies the first prong of the justiciability test.”); EMC Corp. v. Norand Corp., 89 F.3d 807, 811 (Fed Cir. 1996) (“A patentee’s offer of a license, without more, is insufficient to establish the predicate for declaratory judgment jurisdiction.”).

In this case, plaintiff alleges that defendant said that it would be “necessary” and “required” for plaintiff to obtain a license from defendant if plaintiff wished to sell variable speed wind turbines in the United States. I agree with plaintiff that such statements are more

suggestive than an offer of a license. Although defendant's alleged statements were not explicit, the most plausible inference that may be drawn is that defendant was expressing its belief that plaintiff's turbines would infringe the '039 patent if they were sold in the United States. EMC Corp. v. Norand Corp., 89 F.3d 807, 812 (Fed. Cir. 1996) (existence of actual controversy "does not turn on whether the parties have used particular 'magic words' in communicating with one another").

However, I agree also with defendant that these statements are a far cry from an express threat to file suit. Although an express threat is not the only conduct that may create a reasonable apprehension, Vanguard Research, Inc. v. Peat, Inc., 304 F.3d 1249, 1255 (Fed. Cir. Cir. 2002), an implied belief of infringement means little unless there is some indication that the defendant will act on that belief. Plaintiff suggests that defendant's readiness to act is demonstrated by "public" statements that it intends to protect its patent rights for its variable speed wind turbines. In some contexts, an accusation of infringement coupled with a statement that the defendant intends to protect its rights can be enough to support a declaratory judgment action. Sierra Applied Sciences, 363 F.3d at 1374 (actual controversy demonstrated by defendant's accusation of infringement together with statement that defendant "intend[ed] to aggressively protect its rights"); see also GAF Building Materials Corp. v. Elk Corp. of Dallas, 90 F.3d 479, 481-82 (Fed. Cir. 1996) (accusation of infringement coupled with demand to cease and desist from engaging in infringing activities

is sufficient to establish actual controversy).

The difference in this case is that plaintiff does not allege that defendant made statements about “protecting its rights” during the November 2003 meeting or even that defendant *ever* made such a statement *to plaintiff*. This distinction is significant. A generalized statement to the public that one will protect its rights can hardly generate much surprise or alarm. It cannot reasonably create the same sense of apprehension as a statement directed to a particular party that is made immediately after the speaker has accused the other party with infringement.

Even defendant’s implied accusation of infringement appears less threatening when the statement is viewed in context. Shell Oil, 970 F.2d at 889 (“We must look at these events in the context in which the discussions arose.”). Plaintiff admits that the original purpose of the November 2, 2003 meeting was to discuss *defendant’s* alleged infringement of plaintiff’s ‘736 patent. Aff. of Carl Forest, attached to Dft.’s Br., dkt. #15. When a party makes statements implying infringement only in the context of defending itself from the other party’s accusations, there is less support for an exercise of jurisdiction. See Shell Oil, 970 F.2d at 889 (finding statement not sufficiently threatening when plaintiff approached defendant and provoked defendant’s response that plaintiff’s activities “fall within” and are “covered by” defendant’s patent).

The remaining allegations fail to support plaintiff’s position because they are not

related to defendant's conduct. BP Chemicals Ltd. v. Union Carbide, 4 F.3d 975, 978 (Fed. Cir. 1993) ("The element of threat or reasonable apprehension of suit turns on the conduct of the patentee.") I agree with defendant that the likelihood that it will file an infringement action against plaintiff does not turn on a suit of a *previous owner* of the '039 patent against a *different* competitor selling *different* wind turbines. Plaintiff does not cite any authority in which a court found such a tenuously related action to be probative. (In fact, plaintiff has not identified *any* cases that would support an exercise of jurisdiction in this case. Instead, plaintiff's brief is devoted primarily to explaining why the cases defendant cites are not controlling.) Similarly, defendant's alleged "lack of competition" and its "vast size and resources" reflect a state of affairs, not conduct by defendant against plaintiff. Although these facts may suggest that defendant would be in a position to *carry out* a threat that it made, they cannot turn otherwise innocuous behavior into grounds for seeking a declaratory judgment.

Finally, defendant cannot be blamed for the size of plaintiff's investments or the possibility that public utility companies will be wary of doing business with plaintiff in the absence of a declaration. Plaintiff seems to be suggesting a "sliding scale" test, under which the more a plaintiff has to lose, the lower the burden it has to show that legal action by the defendant is likely. If the issue in this case were one of ripeness only, it would be appropriate to consider "whether delayed review would cause hardship to the plaintiffs." Ohio Forestry Association, Inc. v. Sierra Club, 523 U.S. 726 (1998). However, this aspect of the ripeness

doctrine is prudential. Before a court may even consider whether prudential factors counsel for or against exercising jurisdiction, it must determine whether the minimum *constitutional* requirements have been met. The Court of Appeals for the Federal Circuit has held that its “reasonable apprehension” test mirrors the requirements for Article III. Sierra Applied Sciences, 363 F.3d 1371-72. Therefore, if defendant’s conduct is not sufficiently threatening by itself to create a reasonable apprehension of suit, plaintiff cannot satisfy the standard by pointing to how much *might* be at stake if defendant were to file suit.

In sum, I conclude that plaintiff’s allegations either alone or in combination cannot show that an “actual controversy” exists in this case with respect to the issue whether plaintiff’s variable speed wind turbines infringes defendant’s patents. Accordingly, plaintiff’s claim for a declaratory judgment must be dismissed.

ORDER

IT IS ORDERED that the plaintiff Gamesa Eolica, S.A.’s motions for leave to file an amended complaint and a sur-reply brief are DENIED as futile. FURTHER, IT IS ORDERED that defendant General Electric Company d/b/a GE Wind Energy’s motion to

dismiss plaintiff's claim in count 2 of its complaint for a declaratory judgment is GRANTED.

Entered this 18th day of May, 2004.

BY THE COURT:

BARBARA B. CRABB
District Judge