

MGE UPS SYSTEMS, INC. vs. FAKOURI ELECTRICAL ENGINEERING, ET AL.

CIVIL ACTION NO. 4:04-CV-445-Y

UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS, FORT WORTH DIVISION

September 28, 2004, Filed

SUBSEQUENT HISTORY: Motion to strike denied by *MGE UPS Sys. v. Fakouri Elec. Eng'g, Inc., 2006 U.S. Dist. LEXIS 14142 (N.D. Tex., Mar. 14, 2006)*

DISPOSITION: Plaintiff's motion for preliminary injunction granted in part.

COUNSEL: For MGE UPS Systems Inc, Plaintiff: Stephen A Kennedy, Jackson Walker -- Dallas, Dallas, TX. Albon O'Neal Head, Jr, Jackson Walker, Fort Worth, TX. Cami Dawson Boyd, Jackson Walker, NationsBank Plaza, Dallas, TX. James D Bradbury, Jackson Walker -- Fort Worth, Fort Worth, TX.

For Fakouri Electrical Engineering Inc, Defendant: Joseph F Cleveland, Jr, Brackett & Ellis, Fort Worth, TX. Michael A O'Neil, Law Office of Michael A O'Neil, Dallas, TX.

For Michael Khalil, Defendant: Jeffrey L Cureton, Beasley Cureton & Gordon, Fort Worth, TX.

For Eldrick Lee Lofton, Defendant: Jeffrey L Cureton, Beasley Cureton & Gordon, Fort Worth, TX.

For DC Group Inc, Defendant: Stephen L Tatum, Cantey & Hanger -- Fort Worth, Fort Worth, TX. Timothy D Howell, Cantey & Hanger, Burnett Plaza, Fort Worth, TX.

For Andrew Powell, Defendant: Stephen L Tatum, Cantey & Hanger -- Fort Worth, Fort Worth, TX. Timothy D Howell, Cantey & Hanger, Burnett Plaza, Fort Worth, TX.

For Maxel B (Bud) Silverberg, Provider: Maxel B (Bud) Silverberg, Pro Se, Law Office of Maxel (Bud) Silverberg, Dallas, TX.

Fakouri Electrical Engineering Inc, Counter Claimant.

MGE UPS Systems Inc, Counter Defendant.

DC Group Inc, Counter Claimant.

MGE UPS Systems Inc, Counter Defendant.

JUDGES: TERRY R MEANS, UNITED STATES DISTRICT JUDGE.

OPINION BY: TERRY R MEANS

OPINION

ORDER PARTIALLY GRANTING PLAINTIFF'S MOTION FOR PRELIMINARY INJUNCTION

Pending before the Court is plaintiff MGE UPS Systems, Inc. ("MGE")'s Motion for Preliminary Injunction, filed June 16, 2004. Having carefully considered the motion, response, reply, the evidence submitted, and the testimony presented at the hearing on September 8, 2004, and September 10, the Court concludes that MGE's motion should be PARTIALLY GRANTED.

In its motion and at the hearing, MGE claims that it is entitled to a preliminary injunction against the defendants that enjoins the defendants from infringing on MGE's copyrights and misappropriating MGE's trade secrets. MGE provides high-quality power solutions that increase power availability and system uptime to personal computers and enterprise-wide computer networks, mission-critical telecommunication systems, and industrial/manufacturing processes. MGE's product offering includes uninterruptible power supply ("UPS") systems, inverters, rectifiers, power-management software, active harmonic conditions, and surge suppressors that provide Plaintiff's customer with end-to-end infrastructure solutions. MGE manufactures several UPS systems, including the Galaxy and Comet models, and sells, installs, and services the Galaxy and Comet in the United States under the trade names EPS 3000, Comet, and EPS 6000. MGE has developed software programs, known as Muguet and Pacret, to service the EPS 3000, Comet, and EPS 6000.

In addition, the plaintiff has developed a number of trade secrets relating to its operation of UPS systems. Some of the trade secrets are stored in electronic form on

a CD-ROM data disk ("data disk") that is used by field engineers in the servicing of MGE UPS devices. The data disk is a supplemental resource used with the protected software to service MGE UPS" devices. The information on the data disk is revised on an as-needed basis.

Under well settled Fifth Circuit precedent, a preliminary injunction is an extraordinary remedy that should not be granted unless the movant demonstrates by a clear showing: (1) a substantial likelihood of success on the merits; (2) a substantial threat of irreparable harm if the injunction is not granted; (3) that the threatened injury to the movant outweighs any harm to the nonmovant that may result from the injunction; and (4) that the injunction will not undermine the public interest. *See Roho, Inc. v. Marquis*, 902 F.2d 356, 358 (5th Cir. 1990). A party is not required to prove its case in full at a preliminary injunction hearing. *See Univ. of Tex. v. Camenisch*, 451 U.S. 390, 395, 68 L. Ed. 2d 175, 101 S. Ct. 1830 (1981). However, the plaintiff bears the burden of persuading the court that the factors weigh in favor of granting a preliminary injunction. *See Granny Goose Foods, Inc. v. Brotherhood of Teamsters & Auto Truck Drivers, Local No. 70 of Alameda Cty.*, 415 U.S. 423, 441, 39 L. Ed. 2d 435, 94 S. Ct. 1113 (1974).

With respect to its claim for copyright infringement, MGE asserts that the defendants¹ infringed upon MGE's registered copyrights by using the unauthorized copies of MGE's software to: (1) create Fakouri's FEE Tool software and (2) assist in servicing MGE-manufactured UPS units. A plaintiff is likely to succeed on a claim for copyright infringement if the plaintiff can establish: (1) ownership in a valid copyright and (2) copying by the defendant. *See Lakedreams v. Taylor*, 932 F.2d 1103, 1107 (5th Cir. 1991). "To establish ownership,' the plaintiff must prove that the material is original, that it can be copyrighted, and that he has complied with statutory formalities." *Id. at 1107-08*. "A certificate of copyright registration constitutes prima facie evidence of copyrightability." *DSC Communications Corp. v. DGI Tech., Inc.*, 898 F. Supp. 1183, 1187 (N.D. Tex. 1995); *see 17 U.S.C. § 410(c)*. There are two ways to prove copying: (1) with proof of direct evidence of copying or (2) through circumstantial evidence demonstrating that the defendant had access to the copyrighted work and that the two works are "probatively" similar.² *See Gen. Univ. Sys., Inc. v. Lee*, 379 F.3d 131, 141 (5th Cir. 2004).

1 MGE is seeking a preliminary injunction as to defendants Fakouri Electrical Engineering, Inc. ("Fakouri"), Michael I. Khalil, and Eldrick Lee Lofton. MGE has reached a separate agreement with defendants DC Group, Inc. and Andrew Powell.

2 "Probative similarity . . . requires a showing that the works, when compared as a whole, are adequately similar to establish appropriation." *Gen. Univ. Sys., Inc.*, 379 F.3d at 141 (quoting *Peel & Co., Inv. v. The Rug Market*, 238 F.3d 391, 397 (5th Cir. 2001)).

In this case, MGE has presented evidence of ownership by presenting the certificates of registration of its Pacret and Muguet software with the United States Copyright Office.³ Thus, the issue becomes whether MGE has demonstrated evidence of copying. As to the issue of copyright infringement in the development of Fakouri's FEE Tool software, the Court concludes, based largely on the testimony of Dr. Udo Pooch and John Wiechman, that MGE failed to sustain its burden that Fakouri copied portions of the Pacret and Muguet software in developing its FEE Tool software.

3 The defendants try to rebut the *prima-facie* showing by arguing that under French law MGE does not have valid ownership of the copyrights due to alleged deficiencies in various purchase and sale agreements where a number of MGE-related sister companies were consolidated. After reviewing the evidence and the legal arguments raised, the Court, at least at this time, does not find the defendants' argument persuasive for the reasons noted by MGE in its closing argument. (*See Pl.'s Closing Argument at 5-6.*)

As to the issue of copyright infringement in the defendants' unauthorized use of MGE's software to service MGE-manufactured UPS systems, MGE provides evidence that the software the defendants were using was a direct copy of MGE's registered Pacret and Muguet software. The defendants do not appear to refute that they were using copies of MGE's registered Pacret and Muguet software; instead, they claim that they were authorized to use the software because they had obtained, through legal methods, authorized copies of the software. After reviewing the evidence presented, however, especially the testimony of Lloyd Sisemore, Phil McAndrew, Nasser Paraham, Michael O'Brien, and Rod Saunders, the Court concludes that the defendants have failed to show, at least for the purposes of issuance of a preliminary injunction, that they were legally authorized to use the copies of MGE's Pacret and Muguet software. Consequently, MGE has established a substantial likelihood of success on the merits on the issue of copyright infringement.

Because MGE has established such a likelihood on its claim that the defendants are using unauthorized copies of MGE's software to service UPS systems manufactured by MGE, the next question is whether there is a substantial threat of irreparable harm if the injunction is

not granted. When a plaintiff seeks an injunction under the *Copyright Act*, the plaintiff establishes a rebuttable presumption of irreparable harm when the plaintiff shows that a valid copyright has been infringed. *Dallas Cowboy Cheerleaders, Inc. v. Scoreboard Posters, Inc.*, 600 F.2d 1184, 1187 (5th Cir. 1979); *Olan Mills, Inc. v. Eckerd Drug of Tex., Inc.*, 1988 WL 161314, at *2 (N.D. Tex. 1998). In addition, it is clear that the plaintiff will suffer irreparable harm without the grant of the extraordinary relief because the defendants continued use of MGE's software to service UPS systems manufactured by MGE will reduce MGE's profits. Ascertaining the amount of such loss will be difficult. This potential injury far outweighs any harm that might be caused the defendants, especially because, with the development of its FEE Tool software, Fakouri has no real reason to continue using any of MGE's software. As to the final preliminary-injunction element, the Court finds that the public interest is advanced by protecting valid copyrights. Because MGE has sustained its burden, it is entitled to a preliminary injunction against the defendants on its claim of copyright infringement.⁴

4 The defendants argue that the plaintiff's motion for preliminary injunction should be denied because the plaintiffs have committed antitrust violations, copyright misuse, and have unclean hands. However, because the Court, based on the testimony thus presented, does not find the defendants' defenses persuasive and because a preliminary injunction may issue despite the existence of a plausible defense as long as the movant demonstrates a substantial likelihood of success, the Court concludes that the plaintiff is entitled to a preliminary injunction. *See, e.g., Dallas Cowboys Cheerleaders, Inc.*, 600 F.2d at 1188; Testimony of Warren Prescott at Preliminary Injunction Hearing.)

As to its claim for misappropriation of trade secrets,⁵ MGE claims that Fakouri unfairly used MGE's proprietary code and trade secrets to develop its FEE Tool software, which accomplishes the same functions as MGE's software. To prevail on a claim of trade-secret misappropriation, the plaintiff must establish that: (1) a trade

secret existed, (2) the trade secret was acquired through a confidential relationship or through unauthorized or improper means; and (3) the defendant used the trade secret without the plaintiff's authorization. *See Picker Int'l, Inc. v. Blanton*, 756 F. Supp. 971, 979-80 (N.D. Tex. 1990). After reviewing the evidence and particularly the testimony of Dr. Udo Pooch, Peter Vann, Michael Khalil, Eldrick Lofton, and Phil McAndrew, the Court concludes that the plaintiff has failed to demonstrate, at least for the purposes of the issuance of a preliminary injunction, that the defendants acquired any trade secrets through unauthorized or improper means.

5 A trade secret is defined as information "which gives the owner an advantage over competitors who do not know it." *Picker Int'l, Inc. v. Blanton*, 756 F. Supp. 971, 980 (N.D. Tex. 1990).

Based on the foregoing, it is ORDERED that MGE's Motion for Preliminary Injunction [doc. # 1] is PARTIALLY GRANTED.

It is further ORDERED that, pending a final trial on the merits, each defendant, including such defendants' agents, employees, servants, attorneys, successors, and assigns, and all others in privity or acting in concert with the defendants, who receive actual notice of this order by personal service or otherwise, are enjoined from:

- (1) using MGE's software for any purpose;
- (2) using MGE's software to establish a communications link to a MGE-manufactured UPS system;
- (3) any further use of MGE's software, including any copy thereof, employed by the defendants on June 9 and 11, 2004, to service a MGE-manufactured UPS in Irving, Texas;
- (4) altering, destroying, disseminating, copying, or duplicating in any manner any MGE software used to communicate with a MGE-manufactured UPS system.

SIGNED September 27, 2004.

TERRY R MEANS

UNITED STATES DISTRICT JUDGE