

ENTERPRISE

Court Case Sheds Light on Major Danger for Inventors

Jury Finds Company Sat on Energy-Saving Design Since Buying It in 1981

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As a young man, C.R. Stevens earned money at country fairs by donning a special protective suit, running two million volts of electricity over his body and incinerating pieces of wood he held in his hand.

As the entrepreneur and inventor later discovered, being a human torch was easy compared with getting his ideas for innovation accepted in the electric-lighting business. For more than a decade, Mr. Stevens and his partner, William Alling, have been struggling to bring a new lighting device to market. They say it could save as much as 70% of the electricity that conventional fluorescent light fixtures now consume. Year after year, their efforts produced nothing but large debts and frustration.

But earlier this week, things took a marked turn for the better for the two entrepreneurs. A state court jury in Oakland, Calif., awarded two of their small development entities \$96 million in damages in connection with a lawsuit the entities had filed against a unit of MagneTek Inc., an electrical equipment company with annual revenue of more than \$1 billion.

The case casts light on inventors' recurring contention that big companies sometimes buy technology in order to keep it from competing with existing products, a practice that is commonly suspected but rarely proven. The fight also shows the lengthy ordeal that can face inventors who decide to take on big companies in patent disputes.

In the litigation, the plaintiffs contended that the MagneTek unit, Universal

Manufacturing Corp., had purchased rights to the lighting-fixture technology in 1981 with the promise to promote it aggressively. Instead, the plaintiffs argued, Universal withheld the technology from the market to protect its investment in conventional fixture technology.

In its verdict, the jury essentially agreed with the plaintiffs' contentions. The jury found that Universal had "committed fraud" through "false" promises and "intentional misrepresentation." Separate from the verdict, MagneTek has returned the rights to the design to the plaintiffs.

The problem of companies moving slowly, or not at all, to develop a new idea is "such a common phenomenon that savvy inventors should always put a floor on the licensing payments due them so companies can't sit on a technology," says Jon Goodman, director of the entrepreneur program at the University of Southern California.

Ms. Goodman says the big company's motives aren't always nefarious. Sometimes, the company is simply waiting for a market or supporting technologies to develop better.

In a press statement after the verdict, MagneTek said it didn't expect the judgment to have an effect on the company because it has an indemnification agreement with Universal's previous owner, Fruit of the Loom Inc. MagneTek, which purchased Universal in 1986, said Fruit of the Loom "is responsible for any adverse judgments against Universal" stemming from this litigation. A MagneTek spokesman declined to comment on the verdict itself.

Fruit of the Loom, in its own statement, acknowledged its obligation to pay any

damages in the case. The company called the verdict "incorrect and contrary to the evidence" and said it plans to "vigorously appeal."

In New York Stock Exchange composite trading yesterday, MagneTek shares rose 25 cents apiece to \$14.375, while Fruit of the Loom shares rose 75 cents to \$26.75.

Mr. Stevens and Mr. Alling got together in the mid-1970s to develop and promote Mr. Stevens's idea for a better ballast, the part of a fluorescent light fixture that regulates the flow of electricity. Traditionally, ballasts were composed of magnetic coils. Mr. Stevens developed a solid-state electronic version that used less electricity to run the light. To further save energy, he included a feature that automatically dimmed or brightened the light depending upon available sunlight.

Oil Shortage Boosted Interest

With the national push to conserve energy after the Arab oil embargo of the early 1970s, people in business and government began taking notice of the invention. In 1981, Mr. Stevens and Mr. Alling agreed to sell the rights to the technology to Universal, which at the time was one of the two major makers of traditional magnetic ballasts.

The two entrepreneurs say they made the sale for minimal upfront money with the promise of royalties and profits down the line as Universal sold the new electronic ballasts by the millions. "Universal promised us they would pick up the baton" to promote the product, Mr. Alling says.

Instead, the entrepreneurs contended, Universal quickly buried the baton. Promised money and other support never materialized, they say.

Eugene Crew, an attorney for the plain-

tiffs, says that at the trial former Universal officials testified about conversations in which top company officials expressed concerns that the electronic ballasts could hurt the sales of traditional magnetic ballasts while opening the door for electrical equipment giants, such as General Electric Co., to bring out their own electronic ballasts, to the detriment of Universal.

A spokesman for Fruit of the Loom declined to comment on specific accusations involved in the case.

Prior Case

Mr. Stevens and Mr. Alling initially filed suit in the matter in 1984. In early 1990, a prior state court jury in Oakland court awarded the entrepreneurs nearly \$26 million. However, that verdict was overturned on appeal and the matter was sent back for retrial.

In recent years, electronic ballasts have become a fast-growing segment of the overall ballast market. However, few of the those electronic ballasts have all the energy-saving features of the Stevens-Alling design, says Amory Lovins, a noted energy expert who testified for the plaintiffs during the recent trial. The Stevens-Alling device "is still the best technology for controlling fluorescent lamps," says Mr. Lovins.

Mr. Stevens says the costs of the litigation and the lack of revenue from his invention helped push him into personal bankruptcy in 1992. He has since emerged from the bankruptcy proceedings.

Travails aside, Mr. Stevens says he and Mr. Alling are still determined to get the invention to market. "We aren't going to let it die," he says.