

STATE OF MICHIGAN  
MACOMB COUNTY CIRCUIT COURT

R & E AUTOMATED SYSTEMS, LLC,

Plaintiff,

vs.

Case No. 2013-3550-CB

DENNIS YENGLIN, JR., PHANTOM ROBOTICS,  
INC., MPS CONTROLS, INC., STUART ROGERS,  
and ANDREW VANDAGRIFF,

Defendants.

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OPINION AND ORDER

Plaintiff has filed a motion for imposition of a constructive trust. Defendants Phantom Robotics, Inc. and MPS Controls, Inc. have filed a response and request that the motion be denied. Additionally, Defendant Dennis Yenglin, Jr. (“Defendant Yenglin”) has filed a joinder in response.

*Facts and Procedural Background*

From 2000 through May 2009, Defendant Yenglin co-founded and co-owed a robotics programming company named Complete Robotics. Defendant Yenglin then worked for Spectrum Robotics until April 2012. When Defendant Yenglin left Spectrum Robotics he discussed founding a new programming company with Defendants Andrew Vandagriff and Stuart Rogers. Defendant Yenglin ultimately began working for Plaintiff on April 25, 2012. Defendants Vandagriff and Rogers proceeded to found Defendant Phantom Robotics, Inc. (“Defendant Phantom”). Defendant Rogers also is the owner of Defendant MPS Controls, Inc. (“Defendant MPS”).

Defendant Yenglin executed a non-compete agreement when he began working for Plaintiff. Plaintiff alleges that during his employment Defendant Yenglin, in violation of his employment contract, began working with the other Defendants to wrongfully and unfairly compete against Plaintiff. Defendant Yenglin's employment with Plaintiff ended in October 2013. Plaintiff alleges that Defendant Yenglin has continued to violate the non-compete agreement by conspiring and acting in concert with the other Defendants.

On November 7, 2013 Plaintiff filed its first amended complaint against Defendants. Plaintiff asserts claims for: Count I- Breach of Contracts against Defendant Yenglin, Count II- Breach of Promissory Note against Defendant Yenglin, Count III- Breach of Fiduciary Duty against Defendant Yenglin, Count IV- Fraud and Misrepresentation against Defendant Yenglin, Count V- Silent Fraud against Defendant Yenglin, Count VI- Misappropriation of Trade Secrets against all Defendants. Count VII-Tortious Interference with Contractual and Business Relations against all Defendants; Count VIII- Tortious Interference with Employment Contracts against all Defendants, Count IX- Unfair Competition against all Defendants, Count X- Civil Conspiracy against all Defendants, Count XI- Concerted Action against all Defendants, Count XII- Fraudulent Concealment against Defendant Yenglin, and Count XIII- Temporary Restraining Order/Preliminary Injunction/Permanent Injunction.

On January 15, 2014, Plaintiff filed its instant motion for imposition of a constructive trust. Defendants have since filed their response/joiner in response to the motion and request that it be denied.

#### *Standard of Review*

A constructive trust is a legal fiction that is used purely as an equitable remedy. *Nelson v Woodworth*, 363 Mich. 244, 250; 109 NW2d 861 (1961). It is imposed when property has been

acquired under such circumstances that the holder of legal title may not, in good conscience, retain the beneficial interest. *Kent v Klein*, 352 Mich. 652, 656; 91 NW2d 11 (1958). The party seeking to have a constructive trust imposed has the burden to establish fraud, misrepresentation, concealment, undue influence, duress, or similar circumstance that would make it inequitable for the legal title holder to retain and enjoy the property. *Kammer Asphalt v East China Twp Sch*, 443 Mich 176, 188; 504 NW2d 635 (1993).

#### *Arguments and Analysis*

In its motion, Plaintiff requests that the Court order “that all funds received by Defendants since April 25, 2012 and going forward in connection with any business conducted by Defendants be held in a constructive trust until further order of the Court.” (Plaintiff’s motion, at 4.) In their response, Defendants contend that the motion must be denied because Plaintiff has failed to identify what proceeds, if any, are the result of their alleged wrongful conduct.

As stated in 76 Am Jur 2d, Trusts, § 175, p 230, “[a] constructive trust requires money or property identified as belonging in good conscience to the plaintiff which can clearly be traced to particular funds or property in the defendant's possession.” See also *Detroit Trust Co v Struggles*, 283 Mich 471, 474-475; 278 NW 385 (1938). In this case, Plaintiff seeks to have all of the funds Defendants have received over the last roughly two years placed into a constructive trust. However, Plaintiff has failed to link any particular funds to one or more of Defendants’ wrongful conduct. While Plaintiff has presented strong evidence that Defendant Yenglin breached his employment contract with Plaintiff, and that one or more of the other Defendants were involved/encouraged the wrongful conduct, Plaintiff has failed to trace any particular funds to the wrongful conduct. Consequently, the Court is convinced that Plaintiff’s motion must be denied.

*Conclusion*

For the reasons discussed above, Plaintiff's motion for imposition of a constructive trust is DENIED. In compliance with MCR 2.602(A)(3), the Court states this Opinion and Order does not resolve the last claim and does not close the case.

IT IS SO ORDERED.

/s/ John C. Foster  
JOHN C. FOSTER, Circuit Judge

Dated: March 6, 2014

JCF/sr

Cc: *via e-mail only*

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