No. 22-5928

IN THE

SUPREME COURT OF THE UNITED STATES

DAVID L. HILDEBRAND,

Petitioner Pro-Se

v.

WILMAR CORPORATION

Respondent (s)

On Petition For Writ Of Certiorari

To The United States Court Of Appeals For The Tenth Circuit

PETITIONER FOR WRIT OF CERTIORARI

David L. Hildebrand
Petitioner *Pro-Se*
9402 Pierce street
Westminster, Colorado 80021
(303) 995-9533

10

QUESTIONS PRESENTED

1. Is it illegal to agree to continue to pay royalties or fees of any kind to an inventor following the expiration of his patent.

2. Should a court be required to consider the intent of a settlement agreement, before dismissing its enforceability.

2. Is a patent holder allowed to negotiate any business dealings with his patented product, after the expiration of his patent.

LIST OF PARTIES

All parties appear on the caption of the case

RELATED CASES

Hildebrand v. Wilmar Corporation
Jefferson County Colorado
Case Number 2018-cv-31957

Hildebrand v. Wilmar Corporation
In The United States District Court for the District of Colorado
Case Number 19-cv-00067-RM-NRN

OPINIONS BELOW

The opinion of the United States court of appeals appears at **Appendice-A** to the petition and it is unclear if it has been published.

JURISDICTION

The United States Court of Appeals for the Tenth Circuit decided my case on July 20th, 2022.

The jurisdiction of this court is therefore invoked under 28 U.S. C. 1254 (1).

CONSTITUTIONAL AND SATUATORY PROVISIONS INVOLVED

Contractual Law
Patent Law

TABLE OF AUTHORITIES

INDEX TO APPENDICES

PETITION TABLE OF CONTENTS

STATEMENT OF THE CASE

BACKGROUND

Petitioner Hildebrand invented a tool for the removal of damaged threaded fastener (such as nuts bolts, damaged lug nuts, and the likes thereof).

He applied for a United States Patent and began manufacturing and distributing said invention.

During this time various Tool Manufacturers and distributors (most of whom Petitioner had disclosed his invention to for potential distribution) began manufacturing and/or distributing 'knock offs' of Petitioner Hildebrand's invention nation-wide.

Petitioner notified said entities of his patent filings (to no avail), and then patiently awaited review and approval of his patent filings

On April 14th, 1998, a Patent issued to Petitioner: United States Patent Number 5.737,981 **(APPENDIX-G).**

Days later, one of the then infringing companies filed for a declaratory judgement action in Ohio, seeking to invalidate said patent. See ***Steck v. Hildebrand*** (Ohio 1998)

Petitioner responded by filing an infringement action in Colorado against Steck and several other entities (Snap-On Tools, Matco Tools, Mac Tools, Cornwell Tools), see ***Hildebrand v. Steck et al 1998.***

Steck then requested Petitioners case to be transfer to Ohio, over objections.

Colorado then transferred Petitioners Patent case to Ohio over said objections.

(This resulted in several years of litigation, and eventually a judgement by default being entered against Petitioner Hildebrand when he ran out of funds and could no longer afford to fight for his rights at such a distance. His Patent was also invalidated per default judgement).

Petitioner then sought loans from investors to appeal the jurisdictional dispute (and resulting default) to the Federal Circuit before any further judgements could be rendered against him in Ohio.

Said appeal to the Federal Circuit ended in Petitioners favor, setting case law guidance for where it is (or is not) fair to bring a declaratory action against a patent holder.

The CAFC Ruled petitioner had no substantial contacts in Ohio to justify jurisdiction over him and remanded the case accordingly; resulting in the Steck action being dismissed on remand entirely, and Petitioner Hildebrand's Patent infringement action being returned to Colorado to proceed.

(Said decision is CAFC 01-1087, -1195 (Findings attached as **APPENDIX-H**).

NOTE; In error (upon return) the Colorado District Court handled the case as a transferred case rather than a returning case to them and assigned it an entirely new case number. It can be found in U.S. District Court for Colorado, under case # 02-CV-01126.

Years more of litigation then took place back in Colorado, and ultimately (after running out of funding yet again), Petitioner finally made it to trial representing himself *pro-se* in 2005.

Said trial ended in favor of Petitioner, with finding that the patent was valid, and that Petitioner was entitled to lost profits, not mere royalties (do to the fact he was a manufacturer and distributor of his own invention).

The record also reflects that (in a rare instance), said trial also resulting in U.S, District Judge Johnson issuing an injunction; ordering any future sales and infringing acts to end by all the Defendant/infringers AND their associates/agents, in effort to protect Petitioners rights further moving forward.

CURRENT CASE WITH RESPONDANTS WILMAR

An investigation following trial resulted in uncovering that several entities just ignored the Trial Court findings (and known injunction) and continued to buy/sell/or re-distribute through whomever would entertain doing so with them.

Current respondents to this writ, **Wilmar Corporation** was found to be one of said entities found in the investigation, resulting in the current dispute before this court on writ.

Wilmar "one of the largest in North America" (as indicated through the record and pleadings of their own Attorney), chose to ignore earlier court findings, and took over supplying virtually 10s of thousands of Auto Parts stores throughout the U.S., including all of the O'Reilly & Advance Auto Parts locations in every state.

In 2009, Petitioner was left with no choice but to file an action against Wilmar after negotiations addressing their infringing acts rendered no resolution.

Upon the filing of said complaint by Petitioner Hildebrand, Wilmar's CEO Mr. Herman Nevil contacted Petitioner and sought to finally settle the dispute, suggesting compensation and a licensing agreement from Petitioner Hildebrand.

The result was the current disputed settlement/license agreement before this court for review.

Attached as **(APPENDIX-E)**.

TERMS OF SAID AREEMENT

The terms as indicated were to compensate Petitioner for infringing sales and included a license agreement for Wilmar to continue to sell the product.

During negotiations for settlement figures, Wilmar wanted to keep costs down, and thus proposed paying Petitioner a smaller amount up front, in exchange for promising to continue paying him a non-royalty sales fee as compensation, to continue after the patent expiration.

Petitioner at the time stressed his concern over the enforcement & legality of said terms, and Wilmar replied by stating the terms would be in three separate formats,

First: A payment of $25k.

Second; A 15% royalty until the patent expired.

Third; An ongoing non patent royalty/fee of 5% moving forward, for any product they continued to sale after the patent expiration, if it remained profitable to them and wasn't discontinued.

The agreement also stated that any disputes over violations, be resolved within the state of Colorado

(Thus, they could end payments and terminate said terms at any time they desired, should the product become un-profitable)

Petitioner accepted said terms to avoid further litigation, and Wilmar (through counsel) then drafted said agreement before the Court. In fact, Wilmar's then CEO Mr. Nevil personally flew into Denver with agreement in hand... to deliver and sign with Petitioner Hildebrand in person.

VIOLATIONS OF SAID AGREEMENT

Although Wilmar initially sent quarterly checks/payments to Petitioner as agreed upon, non were accompanied by any sales reports as required by said agreement. Raising obvious concerns.

Complaints of said violations continued, and in 2011 after being put under notice, Wilmar responded by requiring Petitioner to enter yet another agreement, agreeing that anything they disclose remain confidential, and that any disputes over disclosure violations, were to be resolved in the state of Washington

(Said second agreement (documenting the dispute over sales report violations), was presented as an exhibit at trial in the current case, it is part of the record before the court).

At that time Wilmar only provided sales records for the year of 2010, after that Wilmar once again quit providing any required records requested by Petitioner. In fact, Petitioner never received even one Quarterly report with any payments made by Wilmar

Then, in 2015 when the patent expired; Wilmar quit paying Petitioner completely.

Petitioner contacted Wilmar to find out why payments weren't being made and was told by Wilmar that the agreement was faulty, and that because of the law, they did not have to honor the terms of said agreement after the patent expired.

Petitioner then again tried to resolve this new dispute with Wilmar (resulting in being ignored), and in 2017 brought suit #2 against Wilmar to address the terms violated.

Said suit was filed by Petitioner pleading Patent infringement for any of the sales they made, while they were violation the terms of said license/ settlement agreement.

Wilmar responded by arguing jurisdiction was not proper for the action in Colorado, and that the case should be transferred to the state of Washington.

Petitioner addressed the motion to dismiss by requesting an opportunity to amend his complaint, to include a charge for violation of a contract, (which would thus invoke diversity jurisdiction, overcoming any jurisdictional concerns presented at the time).

The Court did not allow any requested amendments, and ultimately dismissed that action without prejudice.

Petitioner then sought counsel to address the law surrounding contract disputes/violations in Colorado, and hired counsel to file a contract violation claim in a Colorado State Court, within the County of Jefferson Colorado where Petitioner lives

Immediately upon filing said state action, Wilmar responded by themselves arguing diversity jurisdiction, and requesting the case be sent to U.S District Court for the State of Colorado (after previously arguing diversity jurisdiction should not be considered).

THE CONTRACT AND CURRENT ISSUES BEFORE THIS COURT

Wilmar has repeatedly been dishonest in its dealings with Petitioner, and the pleadings they have used citing two earlier Supreme Court decisions now, are not much less disingenuous before this Court.

Wilmar (in short), appears to have bated Petitioner into entering an agreement that they had no intentions of complying with completely, to escape the exposure of previously willful infringing acts upon his U.S. Patent.

Not only had Wilmar blatantly infringed, but the record reflects they did so by reducing the pricing of Petitioners Patented socket/tool, from Petitioner's pricing of approx. $29ea down to less than $4ea, virtually ruining and bankrupting Petitioners Automotive sales completely. (Wilmar imports said knock offs from China, thus running the pricing into the ground).

As a result of said acts by Wilmar, Petitioner (being a manufacturer and distributor of his product) then had to end employment to other Americans he had hired to assist in the manufacturing and distributing of his product, and also during this time had his family home foreclosed upon.

The current case before this Court is a result of Wilmar (through counsel) blatantly disrespecting United States Patent laws and a known Federal Injunctions. Then (again), bating Petitioner Hildebrand into entering what now appears to be a deliberate & possibly fictitiously prepared settlement agreement, to avoid their clear liability for willful infringing acts they committed in excess of millions in sales/damages.

PREVIOUS REVIEW OF THE SUPREME COURT

The true heart of the mater before this Court now, culminates in the results (and confusion) Wilmar has created to the underlying court thus far, over what the two cases really indicated was proper application of the law.

Although this has been exceptionally hard for Petitioner to address *pro-se*, Petitioner feels this gives the court an opportunity for further needed review and guidance moving forward, to clarify further what is needed to avoid this type confusion by litigants in the future, while also disallowing the type of tactics Wilmar had employed throughout this un-necessary ordeal.

The two previous cases have resulted in clear confusion, justifying a new review, due to the likes of Wilmar 'shuffling' said findings.

First Case: ***Brulotte v. Thys Co.*** *369 U.S. 29* **(1964)**

Second case: ***Kimble v. Marvel Entertainment, LLC.***

576 U.S. 446 **(2015)**

Petitioners pleadings have consistently (and properly) quoted right from said ***Brulotte & Kimble*** cases supporting that the settlement agreement should have been found to be valid. The following has been either ignored (or) misconstrued by Wilmar...

..."*The Brulotte rule may prevent some parties from entering into deals they desire, but parties can often find ways to achieve similar outcomes. For example, Brulotte leaves parties free to defer payments pre-existing use of a patent, or tie royalties to non-patent rights, or make non-royalty-based arrangements*"

...."*post expiration royalties* ***are allowed*** *so long as they are tied to a non-patent right....even when closely related to a patent....*

And finally;

...."*Brulotte posses* ***no bar*** *to business arrangements other than Patent rights*"

(All quotes directly from the ***Brulotte*** findings)

The current dispute before this Court, is a result of Petitioner trusting Wilmar to do what they agreed to do per said settlement agreement, and Wilmar violating the terms of its own drafted agreement. It is of particular importance that the agreement before the court is not just a license agreement at dispute, it was an agreed upon part of a settlement to settle a Federal Patent Infringement case, and eliminate Petitioner and the lower court from ongoing litigation, and now it has just created a concern to others of whether you can even trust terms of a settlement agreement.

Wilmar has repeatedly argued that it is irrelevant what the intent of the agreement was, or who drafted it, that it is simply an illegal agreement per law, per the findings in ***Brulotte v. Thys Co., 379 U.S. 29 (1964)***....followed by ***Kimble v, Marvel Entertainment, LLC, 576 U.S. 446***

(2015), which they claim bars <u>any type</u> of royalty on a product that's patent has expired on.

<u>But</u>; Wilmar ignores the exceptions & findings in both ***Brulotte*** and the later ***Kimble*** review, that clearly state that the only thing barred are ongoing <u>patent royalties</u>. Exceptions are allowed, as noted by ***Brulotte*** findings.

In <u>*Brulotte*</u> the Supreme Court held that *"a patent holder cannot charge patent royalties for use of his invention after its term expired"* ***KImble*** 576 U.S. at 449....

....but ***Kimble*** also clarified ***Brulotte's*** rule <u>does not</u> bar parties from charging **<u>fees</u>** for non-patent rights, or from deferring compensation owed for pre-expiration use of a patent into the post-expiration period. *Id* at 453-54

Said settlement agreement is attached for review here as **<u>APPENDIX-E.</u>**

<u>Again;</u>

Section 2.7 speaks of the time frame the patent was valid, indicating an expiration date of said Patent, & thus also ending the 15% <u>Patent Royalty</u> provision/payments at that time.

Section 2.8 distinctly indicates a different time frame and term of settlement, with Wilmar paying a 5% Royalty/**<u>Fee</u>** following the expiration of the Patent. A "**<u>Fee</u>**" just like one of the exceptions listed in ***Brulotte*** at 453-54

It is clearly described differently for said term, stating it as being a Royalty/Fee, not a patent royalty. It is thus legal as defined by ***Brulotte***

This current settlement agreement distinctly differs from the ***Kimble*** case. In ***Kimble*** they simply purchased the Patent rights from the inventor and agreed to pay a 3% Patent Royalty.

There was no acknowledgement or intent within the ***Kimble*** agreement addressing sales after the patent's expiration date. The patent holder just obviously assumed he would continue to be paid 3% after expiration in that particular case, and suit followed because of said belief

(not because of it being agreed upon, as presently before the Court) There are no such assumptions in the current agreement, the terms are distinctly written and were (more importantly) agreed upon.

Kimble & Brulotte have unfortunately left open just the type of manipulation that this court was previously concerned about. The time is ripe to accept this case on writ, and further address the inconsistency's the lower court is already having, as indicated in this current case.

Brulotte & Kimble both have exceptions ignored (or misinterpreted), thus far by the Previous Courts.

The current agreement was drafted to address the differences, in fact Wilmar has not once disputed that they agreed to keep paying a non-patent fee moving forward, as part of a package to settle said dispute.

Had Wilmar not included & promised such compensation as part of said agreement, Petitioner certainly would not have accepted just a $25K settlement for millions of dollars in sales done in violation of a Patent that a Court had already determined validity on.

A trial would have only been needed to determine damages, it is why the CEO was so quick to fly to Denver with agreement in hand to settle, something Petitioner now regrets entertaining for obvious reasons.

Wilmar's CEO Mr. Nevil flew into Denver with agreement in hand, and respectfully, it should have ever been determined non enforceable by the district Court in any way under a rule 12 motion to dismiss (especially without any discovery on intent ever being allowed or addressed at the time).

The ***Brulotte*** and ***Kimble*** exceptions were cast away like they didn't exist, Wilmar has been able to use one liner's such as "[a] court need only ask whether a licensing agreement provides for post-expiration use of a patent. If not no problem; if so, no dice".

This is not taking any exceptions into consideration, as allowed by both cases previously reviewed by this court.

Said confusion is now apparent to the lower courts, justifying corrections.

Not allowing any discovery at all before dismissing away said term of compensation moving forward under a rule 12 motion to dismiss, was clearly unfair and un-justified

It stresses a need for further clarification by this court, then what was given in ***Brulotte or Kimble***. Intent should have been part of the review.

Kimble/Brulotte rulings have left open misinterpretation's further. The concern that the invention go's back into the public domain upon expiration of a patent, was already common knowledge, leaving it available for anyone to make or use it at that time.

Individuals and corporations agree to pay fee's and/or royalty for non-patented product in this Country regularly, and in fact advertise that they will do so if you bring them an idea they like. The current product before this Court is no exception to said options, it differs in no way after the patent expired, it simply returned to the normal domain.

Obviously, Wilmar and others would like to manipulate the findings thus far, by putting limits on the product after the patent's expiration, claiming anything is illegal after that time period. But that would mean prejudicing the product following the expiration of the patent, by disallowing any business agreements to be made. This is the confusion before courts currently, justifying writ of review.

Petitioner was not attempting to extend his monopoly of his patent in any way, the right to continue to be compensated was expressly given to him by the terms of the agreement drafted by Wilmar themselves, to settle a dispute.

Said agreement affected absolutely no one in the domain, other than Wilmar and Petitioner. The ***Brulotte*** and ***Kimble*** findings have merely confused & taken incentives of settlement off the table un-necessarily...

.... (a previous concern noted in decent in previous review of this court). This respectfully should re-reviewed and corrected through this writ.

WILMARS RULE 12 MOTION BEFORE THE COURT

Petitioner has attached relevant portions of the transcript of a hearing before the Federal Magistrate addressing Wilmar's Motion to dismiss under rule 12....

...it is specifically telling in what the concerns were of the court, over the potential luring of a litigant into an agreement possibly drafted purposefully to be non-enforceable.

If time allows, please review **APPENDIX-J.**

It details the Federal Magistrate's concern over the preparation of said agreement, who prepared it, and intent clearly being a concern plead and argued at said hearing, (with the Magistrate stating that maybe discovery needed to be done to properly address the intent)

At pg-3 @22; Quote by Magistrate;

"Maybe the...there's a possibility that what they anticipated.....that this should be 25%, but I'm willing to put it off until after the patents expired, as long as I get 5 percent while you continue to sell the product. ...If that's the case, then your motion to dismiss will be denied, and maybe we have discovery.....about what the intent of the party's was"

(2) Similar concern of intent stated at pg-7 at line-20

(3) Concern of Fraudulent inducement into said agreement at pg-9, line21

(4) Noting an amendment might be in order @ pg-10 line-7

The transcript also notes the Magistrate concern over Wilmar drafting the settlement agreement...and if they had counsel do so.

Then finally in an attempt at discrediting Petitioner and the value of his damages and case...

..... Wilmar's counsel at pg-45 line 13 states;

"Plaintiff's counsel makes the argument that this would have been compensation for lost profits...As far as I'm aware.... first of all, lost profits are very rarely given in a patent case. I know from experience there...second of all, I don't think plaintiff ever made the product, so I don't think he'd ever be entitled to lost profits by law".

This was disingenuous at best, Defense counsel was intimately aware that Petitioners Patent rights had been fully litigated at a previous trial, resulting in a finding of lost profits, not Royalties.

Petitioner had no intentions of ever licensing the product to anyone, he was a manufacturer and distributor.

Petitioner took a great loss allowing Wilmar a license agreement of any sort, but the reality was that the damage was already done by Wilmar....so Petitioner thought avoiding further litigation by settling the case was the right thing to do, to avoid further trauma to his life.

Upon reviewing the transcript, it is unclear why the Magistrate recommended Petitioner not be allowed to seek royalties after expiration of the Patent, without following through with some discovery over intent as plead and argued during said hearing.

U.S DISTRICT JUDGE RAYMOND P MOORES ORDER

District Judge Moore then adopted the portion excluding Petitioner Hildebrand from pursuing post expiration royalties within said agreement as well.

Judge Moore stating that intent was never properly plead and thus was irrelevant, was in error....as the pleadings and transcript clearly document intent was plead, argued, and addressed during the dismissal proceedings, and hearing

PRICEDINGS BEFORE THE COURT OF APPEALS FOR THE 10TH CIRCUIT

The Court of appeals merely adopted the lower proceedings findings without proper application of ***Brulotte and Kimble*** as well.

Further justifying re-visiting the ***Brulotte*** case and the obvious confusion.

REASONS FOR GRANTING THE PETITION

Petitioner has fought a long battle to protect his Patent rights. Most inventors never get a chance to or can endure such a long process. Petitioner has paid a heavy price over this ordeal and has still to be properly compensated after losing nearly everything he worked his entire life for.

Future litigants and patent holders should not be subjected to ongoing manipulations by the likes of Corporations such as Wilmar before this Court.

The sanctity of settlement agreement should be the forefront of the Courts concern, and the agreement should have been looked at in a light most favorable to upholding the terms of said agreement.

Future litigants will now be skeptical and reluctant to entertain settlement based upon the outcome thus far in this case. Its term for ongoing payments to compensate for years of infringing acts should have been found acceptable, and not dismissed under rule 12 without any discovery even being allowed to address intent.

Furthermore, review under writ will allow the court to re-visit the legality of certain terms, helpful in promoting settlements, rather than discouraging them as this case has done.

Ongoing royalties of any type only effect the people within said agreements, it has no negative effect on anyone else in any domain. The confusion that currently exists simply allows litigants like Wilmar to manipulate settlement agreements and outcomes.... benefiting no one in any way other than themselves.

Further concern here should be that anyone reviewing this case may just suggest to their client to fabricate and draft an un-enforceable settlement agreement, thus reducing their exposure to a valid claim pending against them. The simple solution here? Re-visit ***Brulotte*** and allow <u>any agreed upon</u> ongoing royalties to exist. It hurts and effects no one in the outer domain whatsoever.

CONCLUSION

Petitioner would be honored to assist in reviewing this case further at an oral argument before this Court, thus giving him an opportunity to speak for the average inventor that has no way of defending himself from the tactics that are used repeatedly by the likes of litigants such as Wilmar.

The findings in ***Brulotte*** have done little to avoid causing confusion, as this current case has exposed. It should be re-visited.

Petitioner respectfully requests this writ be granted

Submitted this 18th day of October 2022.

David L. Hildebrand

Petitioner *Pro-Se*

9402 Pierce Street

Westminster Colorado 80021