No.

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

APPENDICES IN SUPPORT OF WRIT

David L. Hildebrand

Petitioner *Pro-Se*

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INDEX TO APPENDICES

FILED
United States Court of Appeal
Tenth Circuit

July 20, 2022

Christopher M. Wolpert
Clerk of Court

UNITED STATES COURT OF APPEALS

FOR THE TENTH CIRCUIT

DAVID L. HILDEBRAND,

Plaintiff - Appellant,

v.

WILMAR CORPORATION, a Washington corporation,

Defendant - Appellee.

No. 21-1345
(D.C. No. 1:19-CV-00067-RM-NRN)
(D. Colo.)

ORDER AND JUDGMENT*

Before **TYMKOVICH**, Chief Judge, **MATHESON**, and **EID**, Circuit Judges.

David L. Hildebrand, proceeding pro se,[1] appeals the district court's entry of judgment in favor of Wilmar Corporation. Exercising jurisdiction under 28 U.S.C. § 1291, we affirm.

* After examining the briefs and appellate record, this panel has determined unanimously that oral argument would not materially assist in the determination of this appeal. *See* Fed. R. App. P. 34(a)(2); 10th Cir. R. 34.1(G). The case is therefore ordered submitted without oral argument. This order and judgment is not binding precedent, except under the doctrines of law of the case, res judicata, and collateral estoppel. It may be cited, however, for its persuasive value consistent with Fed. R. App. P. 32.1 and 10th Cir. R. 32.1.

[1] Because Hildebrand proceeds pro se, we construe his filings liberally but do not serve as his advocate. *See Garrett v. Selby Connor Maddux & Janer*, 425 F.3d 836, 840 (10th Cir. 2005).

APPENDIX-A

I. Background

Hildebrand patented a device for removing damaged threaded fasteners, such as lug nuts, in 1998.

In 2009, Hildebrand sued Wilmar for patent infringement. The parties settled the matter via a written agreement. "Wilmar agree[d] to compensate Hildebrand with $25,000.00 for past and current infringing acts." Supp. R., vol. II at 112. Wilmar also agreed to "pay Hildebrand an ongoing royalty in the amount of 15% of the Gross Selling Price of Products sold and covered by" Hildebrand's patent. *Id.* at 113. This "15% royalty" was to "continue until the expiration date of the" patent in 2015. *Id.* at 114. And "Wilmar agree[d] to continue to pay Hildebrand an ongoing reduced royalty/fee of 5% following the expiration of the" patent. *Id.* The agreement also required Wilmar to pay these royalties quarterly, with each payment "accompanied by a report of gross sales of Products sold during the quarter being reported." *Id.*

Hildebrand brought this action in 2018, alleging that Wilmar breached the contract in several ways, including by its failure to pay royalties for sales occurring after the patent expired in 2015, and seeking an accounting.

The magistrate judge recommended that Hildebrand "be barred from seeking damages for unpaid royalties after . . . the date the [patent] expired." R., vol. I at 73. The magistrate judge reasoned that the settlement agreement's provision requiring these payments was unenforceable under *Brulotte v. Thys Co.*, 379 U.S. 29 (1964) and *Kimble v. Marvel Entertainment, LLC*, 576 U.S. 446 (2015), which bar royalty payments on expired patents. R., vol. I at 68–69.

The district court accepted this recommendation. It found Hildebrand waived an argument the parties had intended the 5% post-expiration payments to compensate Hildebrand for past infringements by failing to raise that argument with the magistrate judge. *See id.* at 110. And it found in the alternative that even if Hildebrand had not waived his argument, it lacked merit because the parties' "'intent must be determined from [the] contract language itself,'" and the plain language of the agreement undermined this argument. *Id.* at 111 (quoting *Denver Found. v. Wells Fargo Bank, N.A.*, 163 P.3d 1116, 1126 (Colo. 2007)).

The district court then held a bench trial on Hildebrand's remaining claims and found Hildebrand did not meet his burden of proof. It found that Wilmar fully paid the 15% royalties due to Hildebrand during the relevant period before the patent expired. It further found that Wilmar had substantially complied with its reporting obligations under the agreement and that even if Wilmar had not, Hildebrand failed to prove damages resulting from any reporting breach. And it found Hildebrand's claim for an accounting failed because he failed to establish his claim for breach of contract.

II. Discussion

"In an appeal from a bench trial, we review the district court's factual findings for clear error and its legal conclusions de novo." *Sw. Stainless, LP v. Sappington*, 582 F.3d 1176, 1183 (10th Cir. 2009) (internal quotation marks omitted).

A. Enforceability of Section 2.8 of the Settlement Agreement

The district court concluded Hildebrand could not enforce section 2.8 of the settlement agreement because it required Wilmar to make royalty payments for selling products covered by an expired patent.[2] We agree with the district court.

"In *Brulotte* . . ., [the Supreme] Court held that a patent holder cannot charge royalties for the use of his invention after its patent term has expired." *Kimble*, 576 U.S. at 449. *Kimble* observed that "[a] court need only ask whether a licensing agreement provides royalties for post-expiration use of a patent. If not, no problem; if so, no dice." *Id.* at 459. But *Kimble* also clarified *Brulotte*'s rule does not bar parties from charging fees 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.

Hildebrand argues *Brulotte* and *Kimble* do not apply because the 5% payments contemplated by the agreement were not royalties on the expired patent but were instead deferred compensation for Wilmar's prior infringement. He surmises that because the agreement denominated the 15% pre-expiration payments as a "royalty" and the 5% post-expiration payments as a "reduced royalty/fee," Supp. R., vol. II at

[2] The district court also found in the alternative that Hildebrand waived any argument the parties had intended the 5% post-expiration payments to compensate Hildebrand for past infringements by failing to raise it with the magistrate judge. We need not address this alternative finding given our disposition. *See Griffin v. Davies*, 929 F.2d 550, 554 (10th Cir. 1991) ("We will not undertake to decide issues that do not affect the outcome of a dispute.").

114, the 5% payments must have been "part of a deferred compensation," Aplt. Opening Br. at 10. We are not persuaded.

The agreement expressly states that the compensation being paid "for past and current infringing acts" was a $25,000 lump sum payment. Supp. R., vol. II at 112. Nothing in the agreement suggests the 5% post-expiration payments were for anything other than the ongoing license to sell products covered by the expired patent. And Hildebrand does not challenge the district court's conclusion that it could not consult extrinsic evidence to reach a different result.

Hildebrand also asserts that Wilmar wrote the settlement agreement. To the extent Hildebrand intends to make an argument based on this alleged fact, his record citation does not show he made any argument based on this alleged fact in the district court and he does not argue for plain-error review. *See United States v. Leffler*, 942 F.3d 1192, 1196 (10th Cir. 2019) ("[T]he failure to argue for plain error and its application on appeal surely marks the end of the road for an argument not first presented to the district court." (ellipses and internal quotation marks omitted)). And in any event, he does not sufficiently develop an argument based on this alleged fact in his opening brief to invoke appellate review. *See Femedeer v. Haun*, 227 F.3d 1244, 1255 (10th Cir. 2000) ("Perfunctory complaints that fail to frame and develop an issue are not sufficient to invoke appellate review." (brackets and internal quotation marks omitted)).

B. Alleged Breach of the Reporting Obligation

Hildebrand argues the district court erred by finding Wilmar did not breach the settlement agreement by failing to provide adequate quarterly reports. But the district court found that even if Wilmar breached its reporting duty, Hildebrand's breach-of-contract claim nonetheless failed because "Hildebrand fail[ed] to establish any damages." R., vol. I at 390.

Hildebrand responds to this point by arguing, without citation, that the district court's legal conclusion that he had to show damages "is without merit." Aplt. Reply Br. at 12. We disagree. *See, e.g., W. Distrib. Co. v. Diodosio*, 841 P.2d 1053, 1058 (Colo. 1992) ("It has long been the law in Colorado that a party attempting to recover on a claim for breach of contract must prove . . . resulting damages to the plaintiff.").[3]

Hildebrand also asserts that he suffered damages from Wilmar's alleged reporting failures because he "had to pay for the filing of two additional lawsuits to get any compliance." Aplt. Reply Br. at 12. Yet he fails to support this assertion with a citation showing he made this damages argument to the district court or introduced any evidence supporting it. *See Birch v. Polaris Indus., Inc.*, 812 F.3d 1238, 1249 (10th Cir. 2015) ("It is obligatory that an appellant, claiming error by the district court as to factual determinations, provide this court with the essential

[3] The agreement states that it is "governed by the laws of the State of Colorado," Supp. R., vol. II at 116, and neither party challenges the district court's finding Colorado law in fact governs the agreement.

references to the record to carry his burden of proving error." (internal quotation marks omitted)). He also fails to provide a citation or argument showing that his costs incurred in an unsuccessful prior suit or this suit could count as damages under Colorado law. *Cf., e.g., Allstate Ins. v. Huizar*, 52 P.3d 816, 818 (Colo. 2002) ("In the absence of an express statute, court rule, or private contract to the contrary, attorney fees generally are not recoverable by the prevailing party in a contract or tort action."). We therefore affirm the district court's finding that Hildebrand's breach-of-contract claim fails because he did not establish damages.[4]

III. Conclusion

We affirm the district court's entry of final judgment.

Entered for the Court

Allison H. Eid
Circuit Judge

[4] Given our disposition, we need not address whether the district court erred by finding Hildebrand failed to establish that Wilmar had breached its reporting obligation. *See Griffin*, 929 F.2d at 554.

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO
Judge Raymond P. Moore

Civil Action No. 19-cv-00067-RM-NRN

DAVID L. HILDEBRAND, an individual,

Plaintiff,

v.

WILMAR CORPORATION, a Washington corporation,

Defendant.

FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER OF JUDGMENT

Plaintiff David L. Hildebrand and Defendant Wilmar Corporation have a rather contentious history. Mr. Hildebrand is the holder of a patent, now expired. After Mr. Hildebrand filed a patent infringement action against Wilmar, the parties entered into a Settlement Agreement. Claiming Wilmar violated the Settlement Agreement, Mr. Hildebrand brought this action, through counsel, alleging breach of contract and requesting an accounting. The Court issued orders narrowing the issues and setting the relevant time period for consideration in this case.[1]

A bench trial was held on June 30 and July 1, 2021. Mr. Hildebrand appeared pro se because his counsel had withdrawn. Wilmar was represented by counsel. The Court heard testimony, received written evidence, and considered the parties' arguments. After closing arguments, the Court took the matter under advisement.

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[1] ECF Nos. 46, 112.

The Court has examined the evidence, considered the parties' stipulations[2] and other filings, evaluated the credibility of the witnesses, and analyzed the law, and is otherwise fully advised. In accordance with Fed. R. Civ. P. 52(a), the Court's findings of fact, conclusions of law, and order of judgment are as follows.

I. FINDINGS OF FACT

To the extent that any conclusions of law are deemed to be findings of fact, they are incorporated herein by reference as findings of fact.

The parties.

1. Plaintiff David L. Hildebrand ("Mr. Hildebrand) is an individual and a citizen of the State of Colorado.

2. Defendant Wilmar Corporation ("Wilmar") is a corporation incorporated and has its principal place of business in the State of Washington.

The First Patent Infringement Action, Resulting Settlement, and Subsequent Confidentiality Agreement.

3. Mr. Hildebrand is the holder of Patent Number 5,737,981, issued April 14, 1998, titled "Removal Device for Threaded Connecting Devices" (hereafter, the "'981 Patent").

4. In 2009, Mr. Hildebrand filed an action against Wilmar alleging it infringed on the '981 Patent.

5. The parties settled that action and entered into a Settlement Agreement (the "Agreement") dated March 2, 2009.

[2] ECF No. 76, p. 10.

6. On February 22, 2011, the parties entered into a Confidentiality and Non-Disclosure Agreement (the "Confidentiality Agreement").[3]

7. The '981 Patent expired on September 20, 2015.

The Second Patent Infringement Action.

8. In 2017, Mr. Hildebrand filed another patent infringement action (the "Second Patent Action"), alleging Wilmar infringed the '981 Patent.

9. The Second Patent Action was dismissed, without prejudice, based on improper venue.

This Breach of Contract Action.

10. On December 10, 2018, Mr. Hildebrand filed this action for breach of contract and an accounting, alleging Wilmar violated the Agreement.

11. This action was filed in state court and removed by Wilmar to this Court based on diversity jurisdiction.

12. Wilmar filed a Motion to Dismiss. The Court accepted the Recommendation of the Magistrate Judge and granted in part Wilmar's Motion to Dismiss. The Court found that Section 2.08 of the Agreement is unenforceable and Mr. Hildebrand is barred from seeking damages for unpaid royalties after September 20, 2015, the '981 Patent's expiration date.

13. The parties filed cross motions for summary judgment. The Court denied both motions but held the relevant time period for consideration of royalty payments under the Agreement is limited to December 10, 2012 until September 20, 2015 based on the six-year statute of limitations and the '981 Patent expiration date.

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[3] Trial Ex. 3.

14. The Court held a bench trial on June 30 and July 1, 2021 on Mr. Hildebrand's claim for breach of contract and related request for an accounting.

15. Post-trial, Mr. Hildebrand filed motions to amend his complaint to add a claim for patent infringement. By Order Denying Motions to Amend, issued concurrently with this Findings of Fact, Conclusions of Law, and Order of Judgment ("FOF"), the Court denied Mr. Hildebrand leave to amend.

The Terms of the Agreement.[4]

16. The Agreement grants Wilmar a non-exclusive license to products (socket sets) covered under the '981 Patent.[5]

17. Section 2.3 of the Agreement states that "Wilmar agrees that it is currently only selling product private labeled under the following names; PERFORMANCE TOOLS, SUMMIT, and/or JEGS, and that any further private labeling must be disclosed to Hildebrand 30-days prior to said labeling."

18. Section 4.1 of the Agreement states that "Wilmar agrees that the only product currently being sold is a two (2) socket set, a/k/a part #M980, a/k/a "Emergency Lug Nut Remover Socket Set."

19. Mr. Hildebrand claims that Sections 2.1, 2.4, 2.8, 2.9, and 2.10 of the Agreement were breached by Wilmar.

20. Sections 2.1 and 2.7 of the Agreement provide that Wilmar will pay Mr. Hildebrand "an ongoing royalty in the amount of 15% of the Gross Selling Price of Products sold and covered" by the '981 Patent until the expiration of the patent on "April 14, 2015."

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[4] Trial Exhibit A-7.

[5] Trial Ex. A-7 at Section 1.2.

21. The expiration date stated in the Agreement is incorrect; the '981 Patent expired on September 20, 2015.

22. Section 2.9 of the Agreement provides that the royalties "shall be paid quarterly, within thirty (30) days of the end of each quarter of a fiscal year, and shall be accompanied by a report of gross sales of Products sold during the quarter being reported."

23. Section 2.10 of the Agreement provides that "Wilmar shall keep accurate records of its activities with respect to the sale of products under this agreement for the duration of said agreement, and Hildebrand or a hired third party agent/accountant shall be permitted to inspect and or verify said records at any reasonable time during normal business hours. Said records are to include invoicing from third party manufacturers as indicated in section 2.4."

24. Section 2.4 of the Agreement provides that "Wilmar will disclose the source of any outside manufacturing of product covered by the Hildebrand Patent, and to provide upon request copies of invoicing from any said third party, to verify the amount of product manufactured and/or sold, if Hildebrand so requests."

25. The relevant period for Mr. Hildebrand's breach of contract claim is from December 10, 2012 until September 20, 2015.

Sales of Covered Product and Payment to Mr. Hildebrand.

26. During the relevant period, the only products, including private label products, Wilmar sold which were covered under the Agreement were labeled or sold under SKU[6] number "M980."

[6] "SKU" is short of "stock keeping number." *See Merriam-Webster.com* at https://www.merriam-webster.com/dictionary/SKU. It is a unique number or code assigned to a particular product.

27. Since at least October 2012, Wilmar has kept its business records electronically. The Court finds the testimony of Wilmar's representatives to be credible and that Wilmar kept accurate business records for its sales of M980.

28. During the relevant period, Wilmar sold approximately 81,000[7] of the M980 product. Wilmar's gross revenue for its sale of the M980 product is $435,589.00. The calculation of any royalty due under the Agreement is to be based on Wilmar's gross sales of the M980 product, and not on Wilmar's importation of that product.

29. Wilmar sent Mr. Hildebrand a check every quarter during the relevant time period. The sum of the combined checks is $65,339.25[8] which is about 15% of $435,589.00.[9]

30. With three exceptions, every quarterly check was accompanied by an email from Stephen Wimbush, Wilmar's then Chief Financial Officer, which calculated how the amount of the royalty was determined. This included the part number, sales, and the royalty calculation; Wilmar considered this email to be a quarterly report of the gross sales of M980 as required under the Agreement.[10] The three exceptions in which quarterly email reports were not sent with the quarterly payments were for the second, third, and fourth quarter of 2014.[11]

31. Mr. Hildebrand received each of these checks and, apart from the three exceptions, with Wilmar's calculations.

32. Mr. Hildebrand cashed each of the checks without objections.

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[7] In light of the Court's determination of no liability and damages, the exact number of sales on which royalty was paid by Wilmar is irrelevant.
[8] Trial Ex. A-4, A-9, A-15.
[9] $435,589.00 x .15 = $65,338.35. The difference arises because payments were calculated quarterly, based on the gross sales for that period. (*See* Trial Ex. A-15.)
[10] Trial Ex. A-9.
[11] Second, third, and fourth quarter of 2014 (Trial Ex. A-9).

Request for Records and Information.

33. Aside from the 2011 Confidentiality Agreement, Mr. Hildebrand's written communications with Wilmar are from 2009.[12] Although Mr. Hildebrand testified that he contacted Wilmar during the relevant time period, by telephone and emails, concerning quarterly reports, sales records, and the like relating to the Agreement, he produced no emails. In addition, the Court finds Mr. Hildebrand's testimony concerning these alleged communications unsupported and not credible. Therefore, the Court finds that, during the relevant time period, Mr. Hildebrand did not contact Wilmar to contest the amount paid, the calculations made, the lack of any quarterly report; to inspect or to verify Wilmar's records concerning the sale of products covered under the Agreement; or to provide copies of invoicing from any third party.

II. CONCLUSIONS OF LAW

To the extent that any findings of fact are deemed to be conclusions of law, they are incorporated herein by reference as conclusions of law.

A. Subject Matter Jurisdiction

This Court has subject matter jurisdiction based on diversity of citizenship pursuant to 28 U.S.C. § 1332. Mr. Hildebrand is an individual and a citizen of the State of Colorado. Wilmar is a Washington corporation with its principal place of business in the State of Washington. In addition, Mr. Hildebrand's filings showed the amount in controversy exceeded the value of $75,000.00.

[12] ECF No. 132, 102:15-25.

B. Breach of Contract

Mr. Hildebrand claims Wilmar breached the Agreement. Wilmar defends by arguing that it substantially performed and that Mr. Hildebrand waived any alleged breach.

In order for Mr. Hildebrand to prevail on his claim for breach of contract, he must establish, by a preponderance of the evidence: (1) the existence of a contract; (2) performance by him or some justification for nonperformance; (3) failure to perform the contract by Wilmar; and (4) resulting damages. *W. Distrib. Co. v. Diodosio*, 841 P.2d 1053, 1058 (Colo. 1992). The "performance" required is "substantial performance." *Id.* A defendant substantially performs when "the conditions of the contract have been deviated from in trifling particulars not materially detracting from the benefit the other party would derive from a literal performance, [and the plaintiff] has received substantially the benefit he expected." *Id.* (quotation marks and citation omitted). *See also Monus v. Colo. Baseball 1993, Inc.*, 103 F.3d 145 (10th Cir. 1996) (same) (applying Colorado law); *McDonald v. Zions First Nat'l Bank, N.A.*, 348 P.3d 957, 965 (Colo. App. 2015) ("A party has substantially performed when the other party has substantially received the expected benefit of the contract." (quotation marks and citation omitted)).

"Waiver is the intentional relinquishment of a known right or privilege....A waiver may be explicit, as when a party orally or in writing abandons an existing right or privilege; or it may be implied, as, for example, when a party engages in conduct which manifests an intent to relinquish the right or privilege, or acts inconsistently with its assertion....Although an intent to waive a benefit may be implied by conduct, the conduct itself should be free from ambiguity and clearly manifest the intention not to assert the benefit." *Dep't of Health v. Donahue*, 690 P.2d

243, 247 (Colo. 1984). The burden is on Wilmar to prove this affirmative defense to Mr. Hildebrand's claim for breach of contract. Colo. Jury Instr., Civil 30:25 (2021).

The Court finds that while Mr. Hildebrand has established there is a contact (the Agreement), he has failed to establish one or more of the other requirements as to the claimed breaches. In addition, the Court also finds that Wilmar has shown that Mr. Hildebrand has waived any breach of the Agreement.

1. Performance by Wilmar and Waiver by Mr. Hildebrand

Section 2.4. Mr. Hildebrand testified that Section 2.4 was never complied with until after this lawsuit was filed. But Section 2.4 required Wilmar to perform upon Mr. Hildebrand's "request [for] copies" of invoicing from third-parties and he did not do so during the relevant time period. Thus, Mr. Hildebrand fails to establish Wilmar did not perform in violation of the Agreement.

Section 2.8. The Court has already ruled that this section is unenforceable and, in an order issued concurrently with this FOF, that it would not reconsider this ruling. Accordingly, Mr. Hildebrand cannot establish any breach by Wilmar as to this section.

Section 2.10. Section 2.10 required Wilmar to keep accurate records for the duration of the Agreement and to allow Mr. Hildebrand, or a third-party agent/accountant, to inspect and/or verify these records. Although Mr. Hildebrand testified that he verbally requested this of Mr. Wimbush several times, the Court finds Mr. Wimbush's testimony that Mr. Hildebrand made no such requests to be credible. Therefore, the Court finds Mr. Hildebrand fails to establish Wilmar breached this section.

To the extent Mr. Hildebrand relies on the Confidentiality Agreement to support that he did make requests for information, the Court is not persuaded. That agreement was entered into in February 2011. At most, it shows that Mr. Hildebrand made requests for information *prior* to February 2011. The reach of any breach here starts in December 2012; therefore, the question is whether Mr. Hildebrand make requests to inspect or verify Wilmar's accounting records on or after December 10, 2012. The Court finds Mr. Hildebrand fails to meet his burden of showing he did so.

Section 2.9. Section 2.9 required quarterly payments to be accompanied with a report of gross sales of the covered product, i.e., the M980. There is no dispute that Wilmar paid Mr. Hildebrand quarterly. The dispute is whether such payments were accompanied by a report of gross sales of the socket sets for the quarter. Mr. Hildebrand testified that he never received any quarterly reports, including the emails which Wilmar considered to be quarterly reports.[13] On this issue, the Court credits Mr. Wimbush's testimony that he prepared the calculations for the royalty due in an email and that, except for three instances, those calculations were sent to Mr. Hildebrand. As Mr. Hildebrand did not challenge that the emails, if sent, were insufficient to constitute quarterly reports, the Court finds Wilmar performed as required under Section 2.9 in each instance where the emails were sent.

As to the three exceptions where email reports were not sent, Wilmar contends that it nonetheless substantially performed because the benefit Mr. Hildebrand bargained for was the receipt of the 15% quarterly royalty check. In addition, Wilmar argues that if there was any

[13] ECF No. 132, 34:1-8, 72:2-3.

breach of the Agreement, Mr. Hildebrand's failure to file suit until December 10, 2018 constitutes a waiver of any breach. The Court agrees.

First, Wilmar substantially performed. Wilmar's failure to provide three quarterly reports did not deprive Mr. Hildebrand the benefit of what was bargained for. As set forth below, Wilmar paid what was owed under the Agreement. Thus, Wilmar's failure to provide these three reports did not detract from the benefit Mr. Hildebrand would derive from a literal performance. Moreover, Mr. Hildebrand waived any right to relief on Wilmar's failure in 2014 to provide three email reports. Despite not receiving these email reports, Mr. Hildebrand continued to thereafter accept and cash the subsequent quarterly checks without complaining or taking any action to enforce his rights to quarterly reports until this action was filed in December 2018.

Sections 2.1 and 2.7. Wilmar paid Mr. Hildebrand an ongoing royalty of 15% of the "Gross Selling Price" of the covered product (M980) sold until September 20, 2015, the expiration date of the '981 Patent. Mr. Hildebrand essentially raises three arguments as to why the evidence shows Wilmar shortchanged Mr. Hildebrand, none of which the Court finds persuasive.

First, Mr. Hildebrand argues that Wilmar's documents[14] show that it *purchased* about 94,000 socket sets during the relevant time period but only paid him for approximately 81,000 socket sets. Even if that is true, Wilmar's obligation to pay was based on the *sales* of the socket sets.

Next, Mr. Hildebrand contends that Wilmar's documents contain no invoices showing purchases from September 2014 until March of 2015, leading to the inference that Wilmar's

[14] These documents are the "Chinese invoices" which show Wilmar's purchases of socket sets from companies in Taiwan and Hong Kong. (Trial Ex. 1.)

documents are incorrect and incomplete. Wilmar offered scant evidence in response, such as that there may have been a lag between orders because it had enough product on hand or that Chinese New Year occurred during this period where many Asian companies were closed. Nonetheless, the Court finds the fact that no *purchase* invoices were provided for several months is insufficient to infer that Wilmar's purchase records are incomplete. And, further, even if it did support such an inference, it is insufficient to then infer that Wilmar's *sales* records were also incomplete. On the contrary, Wilmar's sales records show no months where there were no sales recorded.[15] To go where Mr. Hildebrand wishes to lead would require the Court to infer that because the purchase invoices Wilmar provided were allegedly incomplete, the sales information provided by Wilmar must also be incomplete. The Court finds that the evidence provided, as a whole, fails to support such an inference and that it would require speculation to reach such a conclusion.

Finally, Mr. Hildebrand asserts that Wilmar paid royalties for sockets numbered M980 but not for sockets which were privately labeled under different part numbers, i.e., same product with a different part number. While Mr. Hildebrand presented no competent evidence that privately labeled sockets contained a different SKU number, Wilmar presented testimony, which the Court credits, that all covered sockets were labeled with the M980 SKU number. Thus, Mr. Hildebrand's unsupported assertion fails to show a breach of these Sections.

2. Damages

As stated, Mr. Hildebrand fails to show that Wilmar did not substantially perform in accordance with the Agreement. In addition, Mr. Hildebrand fails to establish any damages.

[15] Trial Ex. A-9.

Specifically, Mr. Hildebrand fails to establish that Wilmar did not pay him his 15% quarterly royalty on gross sales of the covered socket sets. And, even assuming that Wilmar's failure to provide three email reports for three quarters of 2014 constitutes a breach of Section 2.9, Mr. Hildebrand fails to show any resulting damages due to such breach. Accordingly, Mr. Hildebrand has not established his claim for breach of contract.

C. Accounting

"The function of an accounting is to determine whether the custodian has properly maintained the account and, if not, to adjust the current account to reflect what is proper." *Buder v. Sartore*, 774 P.2d 1383, 1390 (Colo. 1989). An accounting claim is generally equitable in nature; however, it may be "a means by which to arrive at an accurate calculation of compensatory damages" owed by a defendant to a plaintiff. *Virdanco, Inc. v. MTS Int'l*, 820 P.2d 352, 354 (Colo. App. 1991). *See Andrikopoulos v. Broadmoor Mgmt. Co.*, 670 P.2d 435, 440 (Colo. App. 1983) ("Although an accounting is an extraordinary remedy, it may be ordered if the plaintiff is unable to determine how much, if any, money is due him from another." (quotation marks, brackets, and citation omitted)). Because Mr. Hildebrand fails to establish his claim for breach of contract, his claim for an accounting also fails.

D. Other Matters

Mr. Hildebrand raised other issues and arguments during trial. The Court finds none of them supports granting Mr. Hildebrand relief on the claims made. For example, Mr. Hildebrand discussed discovery difficulties he had with Wilmar – but Mr. Hildebrand had ample opportunity to resolve any discovery disputes during the pendency of this case and fails to show any disputes would establish his claims. Mr. Hildebrand also made a number of arguments concerning

dismissal of and the denial of leave to amend in the Second Patent Action. Whether leave to amend should or should not have been granted in the Second Patent Action, however, is not at issue before this Court. Moreover, to the extent that Mr. Hildebrand argues that patent infringement is at issue in this case because it was tried by express or implied consent, as set forth in the Order Denying Motions to Amend issued concurrently with this FOF, the Court finds otherwise. As Wilmar argued during trial, the only claim to be heard was for breach of contract (and, relatedly, an accounting) and no other. And the Court made clear there was no patent claim before it.[16] Accordingly, whether there was any alleged patent infringement was not at issue at trial.

III. ORDER

Mr. Hildebrand voiced concerns and beliefs about Wilmar's alleged failure to perform under the Agreement but the evidence before the Court does not support such concerns and beliefs. Accordingly, based on the foregoing, the Court **FINDS** and **ORDERS** as follows:

(1) That on Plaintiff David L. Hildebrand's Claim for Breach of Contract – the Court finds in favor of Defendant and against Plaintiff;

(2) That on Plaintiff David L. Hildebrand's Claim for An Accounting – the Court finds in favor of Defendant and against Plaintiff;

(3) That Defendant is awarded costs and shall within 14 days of the date of this Order file a bill of costs, in accordance with the procedures under Fed. R. Civ. P. 54(d)(1) and D.C.COLO.LCivR 54.1, which shall be taxed by the Clerk of the Court;

(4) That the Clerk of the Court shall enter JUDGMENT in favor of Defendant and

[16] ECF No. 132, 118:6-11.

against Plaintiff; and

(5) That the Clerk of the Court shall close this case.

DATED this 10th day of September, 2021.

BY THE COURT:

RAYMOND P. MOORE
United States District Judge

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil Action No. 19-cv-00067-RM-NRN

DAVID L. HILDEBRAND,

Plaintiff,

v.

WILMAR CORPORATION, a Washington corporation,

Defendant.

FINAL JUDGMENT

In accordance with the orders filed during the pendency of this case, and pursuant to Fed. R. Civ. P. 58(a), the following Final Judgment is hereby entered.

This matter was tried before the Court on June 30, 2021 through July 1, 2021, Judge Raymond P. Moore presiding. The Court heard testimony, received written evidence, and considered the parties' arguments. On September 10, 2021, the Court entered its Findings of Fact, Conclusions of Law, and Order of Judgment.

It is ORDERED that on Plaintiff David L. Hildebrand's Claim for Breach of Contract – the Court finds in favor of Defendant and against Plaintiff. It is

FURTHER ORDERED that on Plaintiff David L. Hildebrand's Claim for An Accounting – the Court finds in favor of Defendant and against Plaintiff. It is

FURTHER ORDERED that Defendant is awarded costs and shall within 14 days of the date of the Order file a bill of costs, in accordance with the procedures under Fed. R. Civ. P. 54(d)(1) and D.C.COLO.LCivR 54.1, which shall be taxed by the Clerk of the Court. It is

FURTHER ORDERED that final judgment is hereby entered in favor of Defendant Wilmar Corporation and against Plaintiff David L. Hildebrand.

DATED at Denver, Colorado this 10th day of September, 2021.

FOR THE COURT:

JEFFREY P. COLWELL, CLERK

By: s/E. Buchanan
E. Buchanan, Deputy Clerk

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO
Judge Raymond P. Moore

Civil Action No. 19-cv-00067-RM-NRN

DAVID L. HILDEBRAND, an individual,

Plaintiff,

v.

WILMAR CORPORATION, a Washington corporation,

Defendant.

ORDER

This matter is before the Court on the "Report and Recommendation on Defendant's Motion to Dismiss (DKT. #20)" (the "Recommendation") (ECF No. 33) issued by Magistrate Judge N. Reid Neureiter. Judge Neureiter recommended denying Defendant's Motion to Dismiss (the "Motion") filed pursuant to Fed. R. Civ. P. 12(b)(6) but barring Plaintiff from seeking damages for unpaid royalties after September 20, 2015, the date U.S. Patent No. 5,737,981 (the "'981 Patent") expired. Plaintiff's Objection (ECF No. 37) followed, to which Defendant did not file a response. Upon consideration of the Recommendation, Objection, the court record, and the applicable rules and case law, and being otherwise fully advised, the Court accepts the Recommendation, as modified.

I. LEGAL STANDARD

A. Review of the Magistrate Judge's Recommendation

When a magistrate judge issues a recommendation on a dispositive matter, Fed. R. Civ.

P. 72(b)(3) requires that the district court judge "determine de novo any part of the magistrate judge's [recommendation] that has been properly objected to." "The district court judge may accept, reject, or modify the recommendation; receive further evidence; or return the matter to the magistrate judge with instructions." *Id.*

An objection is proper if it is filed timely in accordance with the Federal Rules of Civil Procedure and specific enough to enable the "district judge to focus attention on those issues – factual and legal – that are at the heart of the parties' dispute." *United States v. One Parcel of Real Property*, 73 F.3d 1057, 1059 (10th Cir. 1996) (quoting *Thomas v. Arn*, 474 U.S. 140, 147 (1985)). In the absence of a timely and specific objection, "the district court may review a magistrate's report under any standard it deems appropriate." *Summers v. Utah*, 927 F.2d 1165, 1167 (10th Cir. 1991) (citations omitted); *see also* Fed. R. Civ. P. 72 Advisory Committee's Note ("When no timely objection is filed, the court need only satisfy itself that there is no clear error on the face of the record in order to accept the recommendation.").

B. Plaintiff's pro se status

Plaintiff was represented by counsel until after the Recommendation was issued. Plaintiff now proceeds pro se; thus, the Court liberally construes his Objection. *Haines v. Kerner*, 404 U.S. 519, 520-21 (1972). The Court, however, cannot act as an advocate for Plaintiff, who must still comply with the fundamental requirements of the Federal Rules of Civil Procedure. *See Hall v. Bellmon*, 935 F.2d 1106, 1110 (10th Cir. 1991).

II. ANALYSIS

A. Background

As no party objects to the Recommendation's recitation of the factual background, and

the Court finds no clear error, it is accepted and incorporated herein by reference. Nonetheless, the Court provides a brief recitation to provide clarity to this Order addressing Plaintiff's Objection.

Plaintiff is the owner of the '981 Patent which expired on September 20, 2015.[1] In 2009, Plaintiff filed a patent infringement action against Defendant. The parties settled that lawsuit as set forth in their Settlement Agreement (the "Agreement") dated March 2, 2009. As relevant to the Objection, the Agreement provides that:

- Plaintiff would grant Defendant "a non-exclusive license for any future and-or continued sales of Products covered" under the '981 Patent (Section 1.2);
- Defendant would pay Plaintiff "an ongoing royalty in the amount of 15% of the Gross Selling Price of Products sold and covered" by the '981 Patent until the patent expired (Sections 2.1 & 2.7); and
- Defendant would continue to pay Plaintiff "an ongoing reduced royalty/fee of 5% following the expiration of the ['981] Patent, under the terms of" the Agreement. (Section 2.8).

(ECF No. 2, pp. 3-4.)

Plaintiff's current action was filed in state court on December 10, 2018 and removed by Defendant to this court based on diversity jurisdiction. In his complaint, Plaintiff alleges, among other things, Defendant breached the Agreement by failing to pay all the required royalty fees under the Agreement. As relevant here, Defendant's Motion argued that it is unlawful to enforce a patent royalty agreement that calls for continuing royalty payments after the patent has expired. Judge Neureiter agreed, finding Plaintiff may not pursue any post-expiration royalties via this breach of contract action. Hence, the recommendation to preclude Plaintiff from recovering

[1] The Agreement states the '981 Patent expired on April 14, 2015, but no party objected to the Recommendation's finding that it expired September 20, 2015. Therefore, the Court assumes the correct expiration date is September 20, 2105.

damages for unpaid royalties after September 20, 2015.

B. The Objection

Plaintiff makes several arguments under the "objections" part of his Objection, many of which are irrelevant to the recommendation. Thus, for example, Plaintiff's assertions that he did not receive reports or records, that Defendant submitted a "known fabrication," or that there should be a tolling of the statute of limitations will not be considered. Instead, the Court will consider only those arguments as to whether Plaintiff is barred from seeking damages for unpaid royalties after September 20, 2015. The Court examines – and rejects – these arguments in turn.

First, Plaintiff argues he also seeks lost profits for alleged violations of the Agreement as a measure of damages. But the Recommendation does not address lost profits. Thus, that is not at issue and any objection here is overruled on that basis.

Second, Plaintiff asserts a Rule 12(b)(6) dismissal is premature and any dismissal should be examined under a motion for summary judgment after discovery. But, dismissal under Rule 12(b)(6) is appropriate where the complaint fails to allege a "plausible" right to relief under the law. *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 569 n.14 (2007). The court need not wait for a summary judgment motion. Thus, this objection is also overruled.

Third, Plaintiff contends Judge Neureiter overlooked differences between Plaintiff's case and the Supreme Court cases of *Brulotte v. Thys Co.*, 379 U.S. 29 (1964) and *Kimble v. Marvel Entertainment, LLC*, 135 S. Ct. 2401, 192 L. Ed. 2d 463 (2015), and that the parties' intent at the time of negotiations is important. Starting with intent, the Court's review of the record shows the issue of intent was not raised before the Magistrate Judge; therefore, it is waived. *U.S. v. Garfinkle*, 261 F.3d 1030, 1031 (10th Cir. 2001). Moreover, even if not waived, under Colorado

law,[2] "intent must be determined from contract language itself, and an unambiguous document cannot be explained by extrinsic evidence so as to dispute its plain meaning." *Denver Found. v. Wells Fargo Bank, N.A.*, 163 P.3d 1116, 1126 (Colo. 2007). Thus, this argument is rejected.

As for Plaintiff's contention that *Brulotte* and *Kimble* are distinguishable, and therefore no bar to the post-expiration royalties, the Court finds otherwise. For example, Plaintiff relies on the fact that the agreement to pay a 15% royalty has an end date. That provision (Section 2.7) is irrelevant as it covers pre-expiration royalties. At issue is Section 2.8 and whether it is unenforceable because "a patent holder cannot charge royalties for the use of his invention after its patent term has expired." *Kimble*, 135 S. Ct. at 2405. And, as the recommendation correctly found, Section 2.8 is unenforceable.

Plaintiff's argument that Section 2.8 has nothing to do with patent law royalty as it was compensation for Defendant's prior infringing acts appears to contend this renders Section 2.8 outside of – or an exception to – *Brulotte*. But this argument concerning Section 2.8 is refuted by Section 1.1 of the Agreement. Section 1.1 provides "Wilmar agrees to compensate Hildebrand with $25,000 for *past* and current *infringing acts*." (ECF No. 2, p. 2 (italics added).) Thus, this final argument is also unavailing.

C. Matters to Which There are No Objections

No other objections were filed to the Recommendation. The Court's review finds no clear error with the remainder of the Recommendation; therefore, it is accepted.

[2] The Agreement provides that Colorado law controls. (ECF No. 2, p. 6.) Moreover, as a federal court sitting in diversity, this Court applies Colorado contract law to the issue. *Bill Barret Corp. v. YMC Royalty Co., LP*, 918 F.3d 760, 765 (10th Cir. 2019).

III. CONCLUSION

Although Defendant's request to dismiss this entire case was denied, the recommendation, in effect, granted Defendant's motion based on the argument that post-expiration royalty agreements are unenforceable. Thus, Judge Neureiter recommended that Plaintiff be barred from seeking damages for unpaid royalties after September 20, 2015. In other words, that Section 2.8 of the Agreement is unenforceable. For the reasons stated herein, the Court overrules Plaintiff's objections and accepts the Recommendation but modifies it to reflect that Defendant's Motion is granted in part. Accordingly, it is **ORDERED**

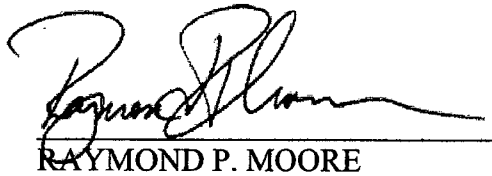
(1) That the "Report and Recommendation on Defendant's Motion to Dismiss (DKT. #20)" (ECF No. 33), as modified herein, is ACCEPTED and ADOPTED as an order of this Court;

(2) That Plaintiff's "FRCP 72 Objections to Magistrate Judge N. Reid Neureiter's Recommendation in Part" (ECF No. 37) is OVERRULED; and

(3) That Defendant's Motion to Dismiss (ECF No. 20) is GRANTED as to its request that Plaintiff be barred from seeking damages for unpaid royalties after September 20, 2015 and is DENIED in all other respects.

DATED this 26th day of August, 2019.

BY THE COURT:



RAYMOND P. MOORE
United States District Judge

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil Action No. 19-cv-00067-RM-NRN

DAVID L. HILDEBRAND, an individual,

Plaintiff,

v.

WILMAR CORPORATION, a Washington corporation,

Defendant.

REPORT AND RECOMMENDATION ON DEFENDANT'S MOTION TO DISMISS (DKT. #20)

N. Reid Neureiter
United States Magistrate Judge

This matter comes before the Court on Defendant's Motion to Dismiss. (Dkt. #20.) Plaintiff filed a response. (Dkt. #22). Defendant filed a reply. (Dkt. #24). Judge Moore referred the Motion to me on March 18, 2019. (Dkt. #29). I heard argument from the Parties on April 12, 2019. Having reviewed the briefs, relevant caselaw, and considered the arguments of the Parties, I recommend that the Motion to Dismiss be **DENIED.**

I. FACTUAL BACKGROUND

This is a lawsuit brought by a patent holder, David L. Hildebrand, against an alleged patent infringer/licensee, Wilmar Corporation ("Wilmar"), for unpaid royalties and for an accounting.

In 2009, Mr. Hildebrand filed suit in this District against this same defendant, Wilmar, for infringement of U.S. Patent No. 5,737,981 (the "'981 Patent"). *See Hildebrand v. BJ's Tools, et al.,* No. 09-cv-00349-REB-MEH (D. Colo. Feb. 19, 2009).

APPENDIX-D

The '981 Patent covers special reverse-threaded sockets intended to assist in extracting hard to remove (think "stripped") nuts. Wilmar allegedly sold the products using the patented technology as an "Emergency Lug Nut Remover Socket Set."

Mr. Hildebrand's 2009 lawsuit was settled via a Settlement Agreement dated March 2, 2009 (the "Settlement Agreement"), signed by Mr. Hildebrand, as Patent Owner, and Nevil Hermer, as President of Wilmar Corporation. (Dkt. #2.) The Settlement Agreement was attached, under restriction, to the Complaint in this case. (*Id.*)

Material terms of the Settlement Agreement included the following:

(1) Wilmar agreed to pay Hildebrand a lump sum of $25,000 "for past and current infringing acts."

(2) Hildebrand agreed to grant Wilmar a non-exclusive license "to any future and-or continued sale of Products covered" under the '981 Patent.

(3) In consideration for the license, Wilmar agreed to pay an "ongoing royalty in the amount of 15% of the Gross Selling Price of Products sold and covered" by the '981 Patent. (*Id.* at 2.) Importantly, Wilmar also agreed to continue to pay Hildebrand "**an ongoing reduced royalty/fee of 5% following the expiration of the ['981] Patent**, under the terms of" the Agreement. (*Id.* at 4) (emphasis added).

(4) The royalties were to be paid quarterly, and "be accompanied by a report of the gross sales of Products sold during the quarter being reported." (*Id.*)

(5) The Agreement was to terminate thirty days after Wilmar's certification that it had decided to stop selling products embodying the '981 Patent. (*Id.* at 5.)

Mr. Hildebrand alleges that the post-expiration payments were intentional, and designed to make up for taking a lower royalty during the patent's pendency. As alleged in the Complaint, Mr. Hildebrand "accepted significantly less for lost profits during the term of the patent in exchange for payments to be paid after the expiration of the patent." (Dkt. #3 at ¶ 7.)

In 2017, Mr. Hildebrand, pro se, filed a second suit against Wilmar, *Hildebrand v. Wilmar Corporation*, No. 17-cv-02821-PAB-SKC (D. Colo. Nov. 22, 2017), purportedly seeking damages for patent infringement. In truth, the claims in that case were very similar to the claims being asserted in *this* case with the Settlement Agreement being mentioned, and Mr. Hildebrand asserting that he had "not received proper compensation" or "accounting reports as agreed upon." *See* Compl., No. 17-cv-02821-PAB-SKC (Dkt. #1 at 3). But that case was treated by this Court as a patent infringement case, rather than a breach of contract case, and was eventually dismissed without prejudice for improper venue when Judge Brimmer accepted Judge Hegarty's dismissal recommendation. *See* Order of September 13, 2018, Case No. 17-cv-02821-PAB-SKC (Dkt. #35).

So, this is the third suit by Mr. Hildebrand against Wilmar—this time pitched as a breach of contract claim, with the contract at issue being the Settlement Agreement.

Mr. Hildebrand claims that Wilmar breached the Settlement Agreement by failing to pay all the required royalties or fees under the Agreement. (Dkt. #3 at ¶ 8.) In his first claim for relief, Mr. Hildebrand seeks damages for breach of contract. (*Id.* at ¶¶ 10-15.) In his second claim, Mr. Hildebrand seeks an accounting, claiming that under the Agreement, Mr. Hildebrand has a right to inspect Wilmar's sales records, and also was

entitled to receive quarterly reports of sales of the Product, which Wilmar never provided. (*Id.* at ¶¶ 16-21.)

It appears undisputed that the '981 Patent expired on September 20, 2015. Patents expire 20 years after the earliest priority date. *See* 35 U.S.C. § 154 (a)(2). The '981 Patent has a priority date of September 20, 1995. Thus, it expired on September 20, 2015.

II. WILMAR'S MOTION TO DISMISS

Wilmar has moved to dismiss this third lawsuit brought by Mr. Hildebrand for failure to state a claim under Rule 12(b)(6). (Dkt. #20.) Attached to Wilmar's Motion as an exhibit is the declaration of Wilmar's Chief Financial Officer ("CFO"), Mark Steffen, which includes the sworn statement that "Wilmar paid Mr. Hildebrand all royalties owed pursuant to the Settlement Agreement until the expiration of U.S. Patent No. 5,737,981." (Dkt. #20-1 at ¶ 3.) Of course, on a motion to dismiss for failure to state a claim, I am not permitted to consider such affidavits. The Court must limit its consideration to the four corners of the Complaint, any documents attached thereto, and any external documents that are referenced in the Complaint and whose accuracy is not in dispute. *Oxendine v. Kaplan*, 241 F.3d 1272, 1275 (10th Cir. 2001); *Jacobsen v. Deseret Book Co.*, 287 F.3d 936, 941 (10th Cir. 2002); *Dean Witter Reynolds, Inc. v. Howsam*, 261 F.3d 956, 961 (10th Cir. 2001).

Beyond the affidavit, Wilmar makes three arguments. First, Wilmar asserts that under the *Twombly* and *Iqbal* line of cases, Mr. Hildebrand has failed to include factual allegations in the Complaint that raise a right to relief above the speculative level. *See Bell Atlantic corp. v. Twombly*, 550 U.S. 544, 555 (2007) (explaining that "[f]actual

allegations must be enough to raise a right to relief above the speculative level" on the assumption that all the allegations of the complaint are true); *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (noting that to survive motion to dismiss, "a complaint must contain sufficient factual matter, accepted as true, to 'state a claim to relief that is plausible on its face'") (quoting *Twombly*, 550 U.S. at 570). In other words, Wilmar argues that Mr. Hildebrand has failed to allege a plausible claim to relief because the pled facts do not allow the "court to draw the reasonable inference that the defendant is liable for the misconduct alleged." (Dkt. #20 at 3 (quoting *Iqbal*, 556 U.S. at 633).) Wilmar argues that "a claim must include facts sufficient to identify how defendant breached the contract to create a plausible claim as to why the defendant owes the plaintiff money," and that is lacking here. (*Id.* at 4.)

Second, Wilmar presumes that Hildebrand must be seeking payments for royalties after the expiration of the '981 Patent because, Wilmar insists (citing the Steffen affidavit), it paid royalties pursuant to the Settlement Agreement up until the Patent's expiration in 2015. Moreover, if Mr. Hildebrand is seeking money for unpaid royalties after the expiration of the '981 Patent, then such a claim must fail because, per Supreme Court precedent, it is against public policy to enforce a patent royalty agreement that calls for continuing royalty payments after the patent has expired. *See Brulotte v. Thys Co.*, 379 U.S. 29, 32 (1964) ("We conclude that a patentee's use of a royalty agreement that projects beyond the expiration date of the patent is unlawful *per se.*"). *See also Kimble v. Marvel Entm't, LLC*, 135 S. Ct. 2401, 2407 (2015) (declining to overrule *Brulotte*).

Finally, Wilmar argues that Mr. Hildebrand's accounting claim should be dismissed because of the inadequacy of the breach of contract claim, and the fact that a claim for accounting is not a separate cause of action but is an equitable remedy tied to a breach of contract claim.

III. ANALYSIS

I will address each of Wilmar's arguments in turn. First, I disagree that Mr. Hildebrand has failed to plead a plausible claim for relief under *Iqbal* and *Twombly*. Mr. Hildebrand's Complaint identifies the contract at issue, identifies what he is allegedly entitled to under the contract, and alleges that he did not receive what he was promised under the contract. As he asserts in the Complaint, "Defendant breached the contract by failing to pay Plaintiff all the fees owed to Plaintiff under the contract." (Dkt. #3 at ¶ 8.) Mr. Hildebrand also alleges that under the Settlement Agreement, he was entitled to inspect Wilmar's records of product sales and receive quarterly reports, and that Wilmar violated these terms by not allowing him to inspect the records and "fail[ing] to produce the quarterly reports." (*Id.* at ¶¶ 17-20.) These allegations are plain, simple, and entirely plausible.

By providing a copy of the Settlement Agreement at issue, and identifying the provisions of the Agreement allegedly breached, Mr. Hildebrand has met the requirement of providing a "short and plan statement of the grounds showing the pleader is entitled to relief." Fed. R. Civ. Pro. 8(a)(2). His complaint also meets the "factual plausibility" requirement laid out in *Iqbal*: "A claim has factual plausibility when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged." 556 U.S. at 678. With Wilmar

not having provided reports of sales (which Wilmar does not dispute), it is entirely plausible that Wilmar has not paid Mr. Hildebrand money that he is entitled to under the terms of the Settlement Agreement. As the Court reminded us in *Twombly*, the pleading standard Rule 8 announces does not require "detailed factual allegations." 550 U.S. at 555.

Defendant cites an unpublished decision, *Coonce v. CSAA Fire & Cas. Ins. Co.*, No. 18-7000, 2018 WL 4203386 (10th Cir. Sept. 4, 2018), to suggest that Mr. Hildebrand has not plausibly pled a breach of contract claim. In addition to being unpublished, *Coonce* was an insurance coverage case, very dissimilar to the facts presented here. In *Coonce*, the plaintiff had failed to allege that the circumstances of her loss (a collapsed roof) came within the insurance policy's terms of coverage. The *Coonce* decision has little, if any, relevance to Mr. Hildebrand's simple breach of contract case.

Further, that Mr. Hildebrand sufficiently pled a breach of contract claim is established, in part, by the fact that Wilmar submitted an affidavit by its CFO contradicting the factual allegations contained in the Complaint. (Dkt. #20-1.) This shows that Wilmar has sufficient notice of Mr. Hildebrandt's claims to formulate a response. Rule 8 requires enough factual detail to "give the defendant fair notice of what the . . . claim is and the grounds upon which it rests." *Twombly*, 550 U.S. at 545 (quoting *Conley v. Gibson*, 355 U.S. 41, 47 (1957)). Mr. Hildebrand claims he was not paid what he was owed under the Settlement Agreement. CFO Steffen swears that Wilmar paid everything that was owed. Fair enough. But this factual dispute is not a basis for dismissal under Rule 12(b)(6).

Second, on the issue of Mr. Hildebrandt unlawfully seeking royalties for sales of products embodying the patented technology, Wilmar's point is well-taken. Under the precedents of *Brulotte* and *Kimble*, any contractual provision that seeks patent royalties after the expiration of the patent is *per se* unlawful. Mr. Hildebrand's counsel at oral argument tried to differentiate this case from those Supreme Court cases, but there is no distinction to be made. *Kimble*, in particular, is on all fours with the present circumstances. In *Kimble*, the Marvel Entertainment company ("Marvel"), owners of the Spiderman franchise, infringed on a patent owned by Mr. Kimble which involved a web-slinging toy, allowing children to simulate the web-shooting technique of the superhero Spiderman. After being sued for infringement, Marvel settled with the patent holder and included a provision in the settlement agreement for the purchase of the patent for a lump sum and a 3% royalty on future sales of the web-blaster toy. But the royalty provision had no end date. Following the rule articulated in *Brulotte*, the Court found the provision illegal because it imposed a patent royalty obligation after the expiration of the patent, when patented technology by statute becomes public property. As Justice Kagan explained in *Kimble*, the *Brulotte* decision is "simplicity itself to apply. A court need only ask whether a licensing agreement provides royalties for post-expiration use of a patent. If not, no problem; if so, no dice." 135 S. Ct. at 2411.

Here, at oral argument, Mr. Hildebrand's counsel acknowledged that he was likely seeking some payments for royalties on post-expiration sales. He made arguments about how these "royalty" payments were really deferred payments in exchange for accepting lower payments during the term of the patent. But the Settlement Agreement does not provide a termination date for the post-expiration

payments. And this is exactly the kind of post-expiration royalty agreement that the Supreme Court found unlawful in *Kimble*. There are good arguments, both economic and legal, against the rule laid out in *Brulotte* and reaffirmed in *Kimble*, many of which are articulated in Justice Alito's *Kimble* dissent. *See, e.g.*, *Kimble*, 135 S. Ct. at 2416 (Alito, dissenting) (explaining that there are "good reasons why parties sometimes prefer post-expiration royalties over upfront fees, and why such arrangements have pro-competitive effects"). But Justice Alito's dissenting opinion only got two additional votes beyond his. The law is what the *Kimble* majority says it is, and I am bound to follow that law. "All other American courts, state and federal, owe obedience to the decisions of the Supreme Court of the United States on questions of federal law, and a judgment of the Supreme Court provides the rule to be followed in all such courts until the Supreme Court sees fit to reexamine it." 1B James Wm. Moore, et al., *Moore's Federal Practice* ¶ 0.402[1], at I–10 (footnote omitted) (2d ed. 1996). It is the Supreme Court's prerogative, not mine, to overrule *Brulotte* and *Kimble*. *See United States v. Hatter*, 532 U.S. 557, 567 (2001) (noting it is the Supreme Court's prerogative "alone" to overrule one of its precedents). Mr. Hildebrand therefore may not pursue any post-expiration royalties via this breach of contract action.

It does not follow from this conclusion, however, that this case must be dismissed. Mr. Hildebrand has alleged that he was not paid appropriately. He does suggest in his Opposition to the Motion to Dismiss that he is interested in post-expiration royalties. (Dkt. #22 at 5 ("[T]here is no dispute that Defendant has failed to pay any fees for selling Plaintiff's product after the term of the patent expired.").) But he also alleges that he never received any of the sales reports he had been promised,

whether pre-expiration or post. And at oral argument, Mr. Hildebrand's counsel confirmed that he was seeking pre-expiration payments as well. Thus, based on his Complaint, Mr. Hildebrand may be entitled to additional royalty payments for the period leading up to the expiration of the patent on September 20, 2015.

At oral argument, Wilmar's counsel insisted that the statute of limitations had run on any pre-expiration royalties to which Mr. Hildebrand may have been entitled, citing Colorado's three-year statute of limitations for breach of contract actions. However, Colorado has two different statutes of limitations for contract cases: six years where the amount of damage may be easily determinable (*see* Colo. Rev. Stat. § 13-80-103.5(1)(a)), and three years for other contract breach claims (*see* Colo. Rev. Stat. § 13-80-101(1)(a)).

Courts apply the six-year statute of limitations in § 13-80-103.5(1)(a) to breach of contract claims where the parties' agreement or other extrinsic evidence in existence at the time of the loss provides a clear method for calculating the amount owed. *See, e.g., Torres-Vallejo v. Creativexteriors, Inc.*, 220 F. Supp. 3d 1074, 1086 (D. Colo. 2016) (finding that the plaintiff's "FLSA, Colorado Minimum Wage, and breach of contract claims [were] based on entitlement to an hourly wage and [were] therefore claims for amounts that [were] 'easily calculable,'" but that the plaintiff's quantum meruit claim was subject to a three-year statute of limitations); *Wornicki v. Brokerpriceopinon.com, Inc.*, No. 13-cv-03258-PAB-KMT, 2015 WL 1403814, at *3 (D. Colo. Mar. 23, 2015) (finding the six-year statute of limitations applicable to a breach of contract claim where "the work orders at issue . . . state[d] a precise amount that real estate professionals would be paid for performing the work requested"); *Robert W. Thomas & Anne McDonald*

Thomas Revocable Trust v. Inland Pac. Colo., LLC, No. 11-cv-03333-WYD-KLM, 2012 WL 2190852, at *4 (D. Colo. June 14, 2012) (finding that the six-year statute of limitations applied to unjust enrichment claim where "the promissory note set forth a method for determining the amount due to the trust"); *BMGI Corp. v. Kirzhner*, No. 11-cv-00599-LTB-MEH, 2011 WL 6258481, at *6 (D. Colo. Dec. 15, 2011) (applying the six-year limitations period to unjust enrichment claim where the claim was based on assertion that defendant had failed to repay a loan having a "specified sum and due date"); *compare with Farley v. Family Dollar Stores, Inc.*, No. 12-cv-000325-RBJ-MJW, 2013 WL 500446, at *3 (D. Colo. Feb. 11, 2013) (finding that damages were not liquidated or easily ascertainable where "there [was] a dispute as to the mutual understanding of the parties and thus what overtime compensation, if any, the plaintiff [was] owed"); *Rotenberg v. Richards*, 899 P.2d 365, 368 (Colo. App. 1995) (finding that a quantum meruit claim seeking "reasonable compensation for the services rendered in an amount to be determined by the fact finder" was not "determinable" for purposes of § 13-80-103.5).

Here, because the issue has not been briefed, I am not prepared to say, one way or another, whether the six-year or three-year statute of limitations applies. But I will note that the Settlement Agreement does appear to provide an easy formula for calculating the amount owed to Mr. Hildebrand: "15% of the Gross Selling Price of Products sold and covered by said Hildebrand Patent." (Dkt. #2, Section 2.1.) And, "an amount is either liquidated or determinable for purposes of § 13–80–103.5(1)(a) if an agreement sets forth a method for determining the amount due, regardless of the need to refer to facts external to the agreement." *Interbank Inv., L.L.C. v. Vail Valley Consol.*

Water Dist., 12 P.3d 1224, 1230 (Colo. App. 2000) (citing *Rotenberg v. Richards*, 899 P.2d 365 (Colo. App. 1995)). An agreement that "clearly sets forth a method for determining the amount due, [. . .] is sufficient to invoke the six-year statute of limitations." *Stillwater Mining Co. v. Power Mount, Inc.*, No. 14-cv-2475-WYD-CBS, 2016 WL 9735770, at *4 (D. Colo. Aug. 16, 2016). I will also note the Colorado state court principle that where there is a substantial question as to which of two or more statutes of limitations should apply, that doubt should be resolved in favor of the statute containing the longer limitations period. *Reg'l Transp. Dist. v. Voss*, 890 P.2d 663 (Colo.1995) (citing *Thiel v. Taurus Drilling Ltd.*, 710 P.2d 33, 40 (Mont. 1985)).

If Colorado's six-year statute of limitations applies to Mr. Hildebrand's breach of contract claims, then his claims for unpaid or inadequate royalties extend back before the September 20, 2015 expiration of the '981 Patent. This lawsuit was filed in Colorado state court on December 10, 2018, which means that Mr. Hildebrand may have viable claims for unpaid or underpaid royalties from December 10, 2012 through September 20, 2015. Therefore, I am not prepared to recommend dismissal of Mr. Hildebrand's breach of contract claim.

Finally, because Mr. Hildebrand's claim for an accounting is derivative of his breach of contract claim (which survives), I will not recommend dismissal of the accounting claim either. *See Patterson v. BP Am. Prod. Co.*, 159 P.3d 634, 642 (Colo. App. 2006) (explaining that where an accounting claim is ancillary to a breach of contract claim because its main purpose is to facilitate an accurate calculation of damages once a breach of contract is found, it would be unreasonable to preclude the accounting claim simply because the plaintiff did not request one from the breaching

party before the underlying breach of contract claim was adjudicated), *rev'd on other grounds*, 185 P.3d 811 (Colo. 2008).

IV. CONCLUSION

Therefore, and for the reasons stated above, I **RECOMMEND** that Defendant's Motion to Dismiss (Dkt. #20) be **DENIED**. However, and as explained above, I also **RECOMMEND** that Plaintiff be barred from seeking damages for unpaid royalties after September 20, 2015, the date the '981 Patent expired.

IT IS ORDERED that pursuant to Fed. R. Civ. P. 72, the parties shall have fourteen (14) days after service of this Recommendation to serve and file any written objections in order to obtain reconsideration by the District Judge to whom this case is assigned. A party's failure to serve and file specific, written objections waives de novo review of the Recommendation by the District Judge, Fed. R. Civ. P. 72(b); *Thomas v. Arn*, 474 U.S. 140, 147-48 (1985), and also waives appellate review of both factual and legal questions. *Makin v. Colo. Dep't of Corr.*, 183 F.3d 1205, 1210 (10th Cir. 1999); *Talley v. Hesse*, 91 F.3d 1411, 1412-13 (10th Cir. 1996). A party's objections to this Recommendation must be both timely and specific to preserve an issue for de novo review by the District Court or for appellate review. *United States v. One Parcel of Real Prop.*, 73 F.3d 1057, 1060 (10th Cir. 1996).

Date: April 24, 2019

N. Reid Neureiter
United State Magistrate Judge

SETTLEMENT AGREEMENT

THIS AGREEMENT is made and entered into this 2nd day of MARCH, 2009 ("Effective Date"), by and between David L. Hildebrand, an individual, having an address 9402 Pierce Street, Westminster Colorado 80021 (hereinafter "Hildebrand") and Wilmar Corporation, a Washington Corporation having a place of business at 801 SW 16th St., Suite 115, Renton, Washington 98057 (hereinafter "Wilmar").

WHEREAS Hildebrand represents that he is the sole owner of all rights, title, and interest in and to U.S. Patent No. 5,737,981, issued April 14, 1998, titled "Removal Device for Threaded Connecting Devices", (hereafter "The Patent"). That said Patent is the subject of a complaint for Patent infringement filed in The United States District Court for the District of Colorado (case no. 09-CV-00349-LTB-MEH by Hildebrand, filed the _____ day of February, 2009, against Wilmar Corporation.

WHEREAS Hildebrand and Wilmar agree to the following terms in exchange for Hildebrand's dismissal of said Patent infringement claims against Wilmar & Customers.

Section-1: Terms of Settlement

1.1 Wilmar agrees to compensate Hildebrand with $25,000.00 for past and current infringing acts.

1.2 Hildebrand agrees to grant Wilmar a non-exclusive license for any future and-or continued sales of Products covered under said Hildebrand Patent, subject to the terms set forth within.

Hildebrand

H

Section-2: Terms of Future Sales

2.1 Wilmar will pay Hildebrand an ongoing royalty in the amount of 15% of the Gross Selling Price of Products sold and covered by said Hildebrand Patent. As used in this Agreement, Gross Selling Price shall mean the gross amount received by Wilmar. Any additional allowance or trade discounts given by Wilmar are not to be deducted from said gross amount of sales covered by the Hildebrand Patent. **EXAMPLE**; if Wilmar sells a third party $10,000.00 worth of product covered by the Hildebrand Patent, Hildebrand is to receive a royalty amount of 15% of said sale ($1500.00).

2.2 Wilmar agrees it is not allowed to sub-license the product to any third party.

2.3 Wilmar agrees that it is currently only selling product private labeled under the following names; PERFORMANCE TOOLS, SUMMIT, and/or JEGS, and that any further private labeling must be disclosed to Hildebrand 30-days prior to said labeling

2.4 Wilmar agrees to disclose the source of any outside manufacturing of product covered by the Hildebrand Patent, and to provide upon request copies of invoicing from any said third party, to verify the amount of product manufactured and/or sold, if Hildebrand so requests.

2.5 Wilmar agrees that any further sales covered by the Hildebrand Patent will state "Sold under license of U. S. Patent No. 5,737,981".

Hildebrand

Hermer

2.6 Wilmar agrees to affix, or cause to be affixed, proper notice under U.S. Patent Law to each product sold subsequent to the Effective Date of this Agreement as indicated within section 2.5.

2.7 The 15% royalty recited in section 2.1 will continue until the expiration date of the Hildebrand Patent, April 14, 2015, for any products sold as described in the Hildebrand Patent.

2.8 Wilmar agrees to continue to pay Hildebrand an ongoing reduced royalty/fee of 5% following the expiration of the Hildebrand Patent, under the terms of this agreement.

2.9 The running royalty/fees indicated in sections 2.1 and 2.8 shall be paid quarterly, within thirty (30) days of the end of each quarter of a fiscal year, and shall be accompanied by a report of gross sales of Products sold during the quarter being reported.

2.10 Wilmar shall keep accurate records of its activities with respect to the sale of products under this agreement for the duration of said agreement, and Hildebrand or a hired third party agent/accountant shall be permitted to inspect and or verify said records at any reasonable time during normal business hours. Said records are to include invoicing from third party manufacturers as indicated in section 2.4.

2.11 Hildebrand agrees to give Wilmar a 14-day notice prior to inspection indicated in section 2.10.

Hildebrand

Hermer

Section-3: Termination of Agreement

3.1 If Wilmar decides to stop selling Products as described and indicated within the Hildebrand Patent, this Agreement shall automatically terminate thirty (30) days after Wilmar certifies to Hildebrand in writing that Wilmar has stopped selling Products described in the Hildebrand Patent.

3.2 The Termination indicated in section 3.1 is subject to Hildebrand being paid in full for any and all product sold by Wilmar, as described in the Hildebrand Patent, at the rate indicated in sections 2.1 and 2.8.

Section-4: Description and Limitation of Sales

4.1 Wilmar agrees that the only product currently being sold is a two (2) socket set, a/k/a part #M980, a/k/a "Emergency Lug Nut Remover Socket Set".

4.2 Wilmar agrees that the internal bore size of the sockets indicated in section 4.1 is as follows; Socket #1 "stamped" 13/16 measures aprox. .820" (inch); and Socket #2 stamped 1" measures aprox. .920" (inch); +/-.030 (inch) for each.

4.3 Wilmar agrees it will not sell any other sockets or sizes, other than the sockets and sizes indicated in sections 4.1 and 4.2 (as described by the Hildebrand Patent), without attaining a separate agreement from Hildebrand to do so.

4.4 Both Wilmar and Hildebrand agree to notify each other of any known 3rd party infringement within 30-days of knowledge.

Hildebrand

Wilmar

Section-5: Enforcement

Hildebrand has the option of enforcement of the 981 Patent, at his leisure.

Section-6: General Provisions

8.0 This Agreement shall be governed by the laws of the State of Colorado, and the parties hereby agree that any dispute related to the subject matter are to be adjudicated in the Federal or State Court of Colorado, proper jurisdiction and venue hereby being stipulated.

8.1 This agreement shall be binding on the heirs, successors, and assigns of the parties hereto.

8.2 The original and all properly signed copies of this agreement shall be considered as originals of it.

8.3 Wilmar agrees that it will not be selling the patented product to any "sister" companies, or any other divisions or company's separately owned by Wilmar or its agents or owners, for resale.

8.4 Wilmar agrees that the terms of this agreement are to remain confidential, unless a court of law orders otherwise.

3-2-09

David L. Hildebrand — Date
Patent Owner
9402 Pierce Street
Westminster, Colorado 80021

3/2/09

Nevil Hermer — Date
President/Wilmar Corp.
801 SW 16th St. Suite 115
Renton, Washington 98057

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil Action No. 1:19-cv-00067-NRN

DAVID L. HILDEBRAND, an individual,

Plaintiff,

v.

WILMAR CORPORATION, a Washington corporation,

Defendant.

PLAINTIFF'S RESPONSE TO DEFENDANT WILMAR CORPORATION'S MOTION TO DISMISS

COMES NOW, Plaintiff, David Hildebrand, by and through his attorneys, Bradley Devitt Haas & Watkins, P.C. and moves this Court to deny Defendant Wilmar Corporation's Motion to Dismiss pursuant to Fed. R. Civ. P. 12(b)(6) (the "Motion") and as grounds therefore states as follows:

Statement of Facts

1. Plaintiff filed suit against Defendant for infringement of U.S. Patent No. 5,737, 981 (hereinafter "the 981 Patent") – Case No. 1:09-CV-00349-REB-MEH (D. Colo. Feb. 19, 2009). Plaintiff was representing himself *pro se* in said case.

2. Plaintiff and Defendant entered into the Settlement Agreement at issue in the pending case in exchange for Plaintiff's dismissal of the patent infringement claims against Defendant.

3. The Settlement Agreement was signed by David Hildebrand as Patent Owner and Nevil Hermer, the President of Wilmar Corporation.

4. As part of the Settlement Agreement, Defendant agreed to pay a "royalty" of 15% "until the expiration date of the Hildebrand Patent, April 15, 2015." (Dkt. No. 2 at §§ 2.1, 2.7). Upon the expiration of the patent, Defendant was no longer obligated to pay the 15% royalty, but would instead be required to pay a 5% royalty/fee for the use of the Hildebrand product. (*Id.* at § 2.8). Furthermore, any payments of royalties under Section 2.1 and any royalty/fees under Section 2.8 would be accompanied by a report of gross sales of Hildebrand products sold in each quarter of sales. (*Id.* at § 2.9).

5. By entering into the Settlement Agreement, Plaintiff accepted significantly less for the lost profits during the term of the patent in exchange for payments to be paid after the expiration of the patent. (Dkt. No. 3 at ¶ 7).

6. Defendant stopped making payment to Plaintiff after the expiration of Patent 981 and has failed to provide Plaintiff with Defendant's records for quarterly sales of Patent 981 pursuant to the Settlement Agreement.

7. Plaintiff previously filed a lawsuit entitled *Hildrebrand v. Wilmar Corporation,* No. 1:17-CV-02821-PAB-SKC (D. Colo. Nov. 11, 2017). That lawsuit was dismissed under patent law arguments. The previous case, unlike the case before this Court, did not include a claim for breach of contract.

Standard of Review [1]

A motion to dismiss pursuant to Fed. R. Civ. P. 12(b)(6), "tests the formal sufficiency of the complaint and is limited to the four corners of the pleading." *Am. Cas. Co. v. Glaskin*, 805 F.

[1] Defendant has attached Declaration of Mark Steffen to the Motion which appears to suggest Defendant is making a Rule 56 Motion. The title, standard of review, and argument only reference of the Motion refer only to Fed. R. Civ. P. 12(b)(6). As such, Plaintiff will address it as a motion to dismiss pursuant to Fed. R. Civ. P. 12(b)(6).

Supp. 866, 869 (D. Colo. Oct. 20, 1992). Courts must consider the complaint in its entirety as well as documents incorporated into the complaint by reference. *Tellabs, Inc. v. Makor Issues & Rights, Ltd.*, 127 S.Ct. 2499, 2509, 551 U.S. 308, 322 (2007).

To survive a motion to dismiss, plaintiff must allege sufficient factual matter which states a claim for relief that is "plausible on its face." *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009). This plausibility standard "is not akin to a 'probability standard' but asks for more than a sheer possibility that a defendant has acted unlawfully." *Id.* (citing to *Bell Atlantic Corp. v. Twombly*, 127 S.Ct. 1955, 1965, 550 U.S. 544, 556 (2007)).

Under *Twombly*, courts take a two-pronged approach. *Id.* at 679. First, the court reviews the complaint to identify which statements are not entitled to assumption of the truth. *Id.* at 680. Thereafter, the court must consider whether the factual allegations of the complaint "plausibility suggest an entitlement to relief." *Id.* at 681.

A complaint should not be dismissed under Fed. R. Civ. P. 12(b)(6) unless "it appears beyond a doubt that a plaintiff can prove no set of facts that would entitle him to relief." *American Cas. Co.* 805 F. Supp. at 869. All well-pleaded factual allegations must be taken as true, and "all reasonable inferences must be liberally construed in the claimant's favor." *Id.*

Argument

1. Plaintiff's Complaint Alleges Facts That Are Plausible on Their Face and Meet the Requirements Set Out in *Iqbal.*

Defendant alleges the Complaint offers nothing more than a recitation of the legal elements for a breach-of-contract claim and should, therefore, fail under *Iqbal* and *Coonce.* (Motion at pp. 4-5). Defendant is incorrect.

To start, *Coonce* does not apply. In *Coonce*, a homeowner brought claims for breach of contract and bad-faith denial of coverage claim against their insurance company. *Coonce v.*

CSAA Fire & Cas. Co., No. 18-70000, 2018 WL 4203386 at *1(10th Cir. Sept. 4, 2018). Plaintiff in *Coonce* filed a Second Amended Complaint invoking Paragraph E.8 of the homeowner's policy. *Id.* at *1-2. Paragraph E.8 of the policy only provided coverage if one of six "certain specified circumstances" applied. *Id.* at *2. The problem with the complaint in *Coonce* was plaintiff's failure to "include well-pleaded facts showing one or more of the paragraph 8.E. circumstances would apply and the other unambiguous exclusions would not apply." *Id.* The facts in this case are distinguishable.

In this case, Plaintiff incorporated the terms of the Settlement Agreement into the Complaint by attaching it as an exhibit. (Dkt. No. 3 at ¶¶ 7, 11). The Settlement Agreement states, "Wilmar agrees to continue to pay Hildebrand an ongoing reduced royalty/fee of 5% following the expiration of the Hildebrand Patent, under the terms of this agreement." (Dkt. No. 2 at § 2.8). The Settlement Agreement further requires Defendant provide reports of gross sales of products sold during reported quarters. (Dkt. No. 2 at § 2.9). In addition to the incorporation of these facts, Plaintiff plead:

> 7. On or about March 2, 2009, Plaintiff and Defendant entered into a contract, more specifically a Settlement Agreement (attached hereto as Exhibit 1) whereby Defendant agreed to pay Plaintiff certain royalty fees related to a patent that Plaintiff had developed and owned. At the time of entering into the settlement agreement, the Plaintiff accepted significantly less for the lost profits during the term of the patent in exchange for payments to be paid after the expiration of the patent.

(Dkt. No. 3).

Thereafter, Plaintiff alleged in the Complaint that the parties entered into a contract, Plaintiff fulfilled his obligations under the contract, Defendant failed to perform its obligations by failing to pay Plaintiff fees under the contract, Defendant breached the terms of the contract, and, therefore, Plaintiff was damaged. (Dkt. No. 3 at ¶ 8-15). Unlike in *Coonce*, there are no

conditions in the contract on which state when terms of the contract do or do not apply. Moreover, while in *Coonce*, the plaintiff did not establish how the insurance company breached the contract, here, Plaintiff appropriately plead that he was entitled to payments associated with his patent and invention and that Defendant failed to make said payments. Plaintiff provided sufficient factual allegations to support a claim that Defendant breached the Settlement Agreement by failing to pay pursuant to its terms. *Coonce* does not apply.

Along those same lines, Plaintiff has alleged sufficient factual matter to survive a motion to dismiss under the *Twombly* standard. Under the first prong of *Twombly*, there are no allegations in the Complaint or terms in the incorporated Settlement Agreement that are not entitled to the assumption of the truth. There is no dispute that the parties entered into a contract that is the Settlement Agreement or that the parties are bound by its terms. Moreover, there is no dispute that Defendant has failed to pay any fees for selling Plaintiff's product after the term of the patent expired. These are the facts of the case that are entitled to the presumption of truth. As the first prong of *Twombly* has been satisfied, the Court must then look to the second prong. As already discussed in this section of Defendant's Response, Plaintiff incorporated the terms of the Settlement Agreement and provided the necessary factual allegations which underlie a claim for breach of contract. It follows, Plaintiff has alleged sufficient factual matter to state a claim for relief for breach of contract. Because Plaintiff has provided well-pleaded factual allegations and has stated a claim for relief that is plausible on its face, this Court should deny Defendant's Motion to Dismiss under Fed. R. Civ. P. 12(b)(6).

2. Plaintiff's Complaint is Not Based on an Unlawful Premise.

Defendant contends the relief sought in the Complaint is barred by law. (Motion at pp. 4, 6). More specifically, Defendant believes the general rule regarding agreements projecting

royalties beyond the expiration of the patent applies and this case does not fall within one of the exemplar exceptions. (Motion at pp. 6, 8). The facts, as alleged in the Complaint, do not suggest *Brulotte* applies to this case. Rather, the facts in the Complaint indicate that this case is an example of an exception to the general rule in *Brulotte*.

A. *Because the facts and policy reasons underlying* Brulotte *do not apply in the present case,* Brulotte *does not apply.*

Defendant believes the Complaint should be dismissed on the assumption that the general rule articulated in *Brulotte* applies to this case. (Motion at pp. 6-7). It does not.

In *Brulotte*, Respondent sold hop-machines and issued licenses for their use. *Brulotte v. Thys Co.*, 379 US 29, 29 (1964). The machines could not be assigned and could not be removed from the county either before or after the patents incorporated into the machines expired. *Id.* at 29, 32. Additionally, the licenses associated with machines continued beyond the terms of the patent. *Id.* at 30. Moreover, the royalties, due post-expiration of the patent were the same as those exacted during the patent period. *Id.* at 31. The license drew no line between the term of the patent and the post-expiration period. *Id.* 31-32. Based on the all the specific facts of this case, the court found, "*[i]n light of those considerations*, we conclude that the patentee's use of royalty agreement that projects beyond the expiration date of the patent is unlawful per se." *Id.* at 32. (Emphasis added.)

None of the facts which led to the Court's ruling in *Brulotte* are present in this case. In this case, Plaintiff previously sued Defendant for a patent infringement and the parties entered into the Settlement Agreement to resolve the matter. By entering into the Settlement Agreement, "Plaintiff accepted significantly less for the lost profits during the term of the patent in exchange for payments to be paid after the expiration of the patent." (Dkt. No. 3 at ¶7). Unlike the license agreement in *Brulotte*, nothing in the parties' Settlement Agreement required Defendant to

continue using the product once the patent term expired. Importantly, the payments associated with pre-expiration sales of Plaintiff's product differed from the post-expiration terms. During the monopoly period of the patent, Plaintiff was to receive a royalty in the amount of 15%. Post-expiration, the parties agreed to a "royalty/fee" of a lesser amount – 5%. Unlike in *Brulotte*, we can delineate between use of the product by Defendant during the monopoly period and use of the product during the post-expiration period. Also unlike *Brulotte*, there is no requirement in this case that the Defendant continue to use the patented product post-expiration.

As the facts of this case are different from those which established the general rule in *Brulotte,* the general rule in *Brulotte* cannot and does not apply here. Moreover, underlying public policy reasons discussed in *Brulotte* do not apply to this case. *Brulotte* does not apply.

B. *This case is one of the many ways in which parties to an agreement can get around the harsh rule in* Brulotte.

Defendant also believes the Complaint should be dismissed as none of the specific exceptions in *Kimble* apply to this case. (Motion at pp. 8-9). Defendant is wrong for two reasons. First, the Complaint clearly indicated and properly alleged that the exception that allows for a licensee to defer payments for pre-expiration of the patent into the post-expiration period applies to this case. Second, there is nothing in *Kimble* which states that the exceptions to *Brulotte* are limited to those discussed in *Kimble*. Even if this case does not fall squarely into one of the exceptions delineated in *Kimble*, this case is another example of how parties can reach agreements that do not run contrary to the rule and policies in *Brulotte*.

The Court in *Kimble* recognized that "parties can often find ways around *Brulottte*." *Kimble v. Marvel Entm't, LLC*, 135 S.Ct. 2401, 2408 (2015). To get around *Brulotte*, the parties may enter into an agreement to defer payments for pre-expiration use of a patent into the post patent period. *Id.* By way of example, the licensee could agree to pay the licensor "a sum equal

to 10% of sales during the 20 year patent term, but to amortize that amount of 40 years." *Id.* This is merely one example of how a licensor can agree to defer payments for the pre-expiration use of a patent into the post patent period.

As already stated, in this case, Plaintiff alleged that "Plaintiff accepted significantly less for the lost profits during the term of the patent in exchange for payments to be paid after the expiration of the patent." (Dkt. No. 3 at ¶7). This is not a legal conclusion nor is it an allegation that should not be assumed true for purposes of a Fed. R. Civ. P. 12(b)(6) motion. Moreover, this allegation suggests that a delineated exception in *Kimble* may apply, or, alternatively, an exception to *Brulotte* that is not specifically addressed in *Kimble* may apply in this case.

Plaintiff notes for the Court that nowhere in the Settlement Agreement or in the Complaint does Plaintiff state or allude to the post expiration payments to continue "in perpetuity" as Defendant suggests. (Motion at p. 8). Rather, Defendant agreed to pay a lesser "royalty/fee"[2] after the expiration of the patent *if* Defendant chose to continue selling Plaintiff's product. In other words, Plaintiff has alleged that this case is likely to be an exception to *Brulotte*.[3]

Furthermore, it is irrelevant that the Settlement Agreement required Defendant to affix all products sold with a patent number as Defendant suggest. (Motion at p. 8). As accurately stated by the Defendant, 35 U.S.C. § 292 was updated in September 16, 2011 – six months after the

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[2] "Fees" are paid throughout the United States daily for non-patented product ideas submitted to companies. Any individual or company can agree to do this outside any patents laws by way of a fee agreement.

[3] Plaintiff's Complaint alleges that the first exception in *Kimble* applies to this case. However, Plaintiff wants to be clear that he is not claiming the post-expiration terms in the Settlement Agreement are a royalty. Rather, he qualifies them as a fee which was contemplated in exchange for receiving less profits during the pre-expiration use of the patent in exchange for fees during the post-expiration use of the patent.

decision cited by Defendant was determined. The current statute provides, "[t]he marking of a product, in a manner described in subsection (a), with matter relating to a patent that covered that product but has expired is not a violation of this section." 35 U.S.C. § 292(c). A review of the Revision Notes and Legislative Reports clarifies, "EFFECTIVE DATE.--The amendments made by this subsection shall apply to all cases, without exception, that are pending on, or commenced on or after, the date of the enactment of this Act." Leahy-Smith America Invests Act, Pub. L. No. 112-29, § 16(b), 125 Stat. 284 (2011). The term of Plaintiff's patent expired on September 20, 2015, after the rule was amended. No action for violation of 35 U.S.C. § 292(a)-(b) could have arisen until after the term of the patent had expired *and* the product was printed with the patent information. Such conditions did not occur and the statute changed before it could occur.

Plaintiff has provided factual allegations in the Complaint which are entitled to the assumption of the truth. These allegations indicate that *Brulotte* does not apply and this case is not based on an unlawful premise. All reasonable inferences in this regard must be liberally construed in Plaintiff's favor and Plaintiff should be allowed to proceed with showing this Court how this case falls outside the realm of *Brulotte*. Defendant's Motion to Dismiss under Fed. R. Civ. P. 12(b)(6) should be denied.

3. Plaintiff's Claim for Accounting should not be dismissed.

Defendant alleges Plaintiff's Request for Accounting claim must be dismissed because the breach of contract claim should be dismissed. (Motion at p. 9). For the reasons set forth above, Plaintiff's breach of contract claim should not be dismissed. It follows that Plaintiff's Request for Accounting cannot be dismissed on this basis.

Defendant further alleges Plaintiff's Request for Accounting claim should be dismissed for failing to plead he made a demand for an accounting and Defendant refused to comply.

(Motion at p. 9). This argument does not hold weight.[4] Plaintiff recognizes that a moving party is not entitled to an accounting as a matter of course. "*Usually*, a demand for an accounting and a refusal to comply with the demand are necessary prerequisites to be pleaded and proved" before proceeding with an accounting claim. *Am. Woodmen's Life Ins. Co. v. Supreme Camp of Am. Woodmen*, 37 Colo. App. 311,316, 549 P.2d 423, 427 (1976) (emphasis added) (relied upon by *Postal Instant Press v. Jackson*, 658 F. Supp. 739 (D. Colo. 1987). However, these "pre-requisites" are not always required. See, *Patterson v. BP Am. Production Co.*, 159 P.3d 634,642 (Colo. App. 2006) (finding it would be unreasonable to preclude a claim for accounting simply because a request for an accounting was not made before the underlying breach of contract claim was adjudicated) (reversed on other grounds).

It is Plaintiff's position that the findings in *Patterson* apply to this case and the pre-requisites are not required. Alternatively, Plaintiff believes he has met the requirements for a Request for Accounting claim. Plaintiff alleged in his Complaint his right to receive reports from Defendant's sales of the Patent 981 and to inspect Defendant's records. (Dkt. No. 3 at ¶¶18-19). Defendant further alleged Defendant failed to allow Plaintiff to inspect the records and failed to produce quarterly reports pursuant to the terms of the Settlement Agreement (Dkt. No. 3 at ¶¶20-21). The demand in this case is the ongoing obligation for Defendant to provide an accounting to Plaintiff for the sale of Patent 981. Defendant has failed to meet this obligation by not providing Plaintiff with sales reports and access to business records. The Complaint reflects Defendant's

[4] Defendant has attached Declaration of Mark Steffen in support of this claim. Plaintiff believes this to be an attempt to inappropriately disguise their Rule 12 motion as a Rule 59 motion. Plaintiff further notes that Mr. Steffen was not part of the Settlement Agreement and did not begin his employment with Defendant until several years after the Settlement Agreement was entered into. Mr. Steffen cannot have "personal knowledge" of any requests made by Plaintiff prior to his employment date.

obligation to provide an accounting and Defendant's failure to comply with that obligation. As such, Plaintiff has met any pre-requisites the Court may require and Plaintiff's claim for Request for Accounting should not be dismissed.

Conclusion

Plaintiff's Complaint alleges facts that are plausible on their face and meet the requirements necessary to overcome a Fed. R. Civ. P. 12(b)(6) motion to dismiss. These facts adequately support Plaintiff's claims for Breach of Contract and Request for Accounting. For the reasons provided in this Response, Defendant's Motion should be denied.

WHEREFORE, Plaintiff respectfully requests this Court deny Defendant's Motion to Dismiss pursuant to Fed. R. Civ. P. 12(b)(6) or, alternatively, grant Plaintiff leave to amend his Complaint.

Respectfully submitted this 27th day of February, 2019.

BRADLEY DEVITT HAAS & WATKINS, P.C.

/s/ Jon T. Bradley

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Attorneys for Plaintiff

CERTIFICATE OF SERVICE

I hereby certify that on this 27th day of February, 2019, a true and correct copy of the foregoing was served via ECF and/or was placed in the U.S. Mail, postage prepaid, addressed to the following:

Ryan J. Fletcher, Ph.D.
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1801 California St., Suite 3300
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Attorneys for Defendant

David L. Hildebrand
9402 Pierce Street
Westminster, CO 80021

/s/ Sheryl Golos
Sheryl Golos, Paralegal

US005737981A

United States Patent [19]

Hildebrand

[11] Patent Number: 5,737,981

[45] Date of Patent: Apr. 14, 1998

[54] **REMOVAL DEVICE FOR THREADED CONNECTING DEVICES**

[76] Inventor: David Lewis Hildebrand, 135 Gay St., Longmont, Colo. 80501

[21] Appl. No.: 825,885

[22] Filed: Apr. 2, 1997

Related U.S. Application Data

[63] Continuation of Ser. No. 531,336, Sep. 20, 1995, abandoned.

[51] Int. Cl.[6] B25B 13/50

[52] U.S. Cl. 81/53.2; 81/120

[58] Field of Search 81/53.2, 120, 121.1, 81/124.6, 186

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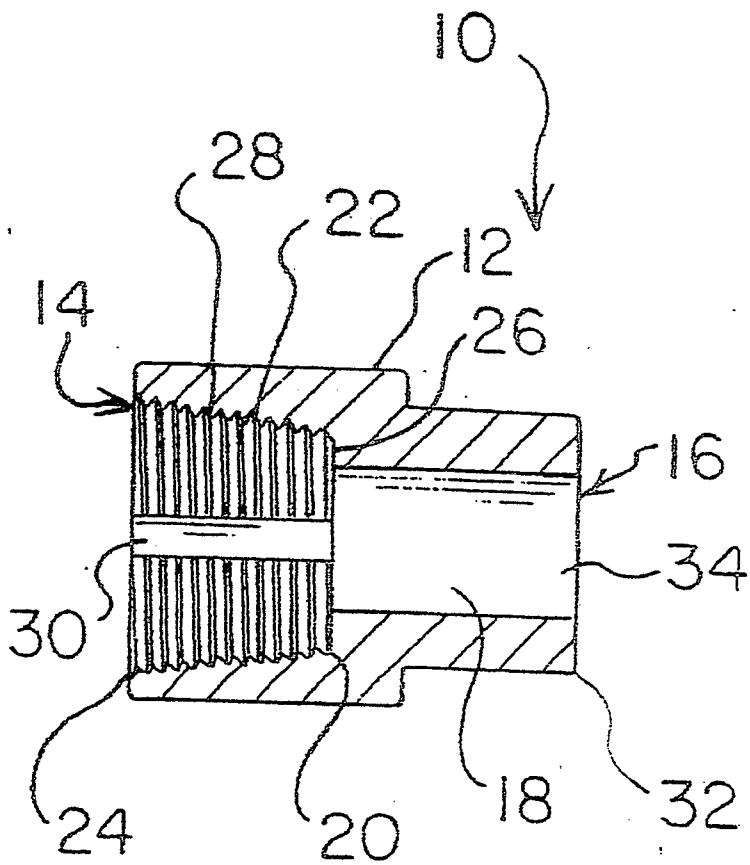
4,671,141	6/1987	Hanson	81/53.2
5,551,320	9/1996	Horobec et al.	81/53.2

Primary Examiner—James G. Smith
Attorney, Agent, or Firm—Rick Martin

[57] **ABSTRACT**

A removal device adapted for the removal of difficult to remove threaded connecting devices threaded in a first direction. The device includes a body having a first end and a second end, wherein the first end includes an opening which extends toward the second end of the body. The opening is sized to receive a threaded connecting device threaded in a first direction and continuously tapers from a first diameter at the first end to a second diameter as it extends toward the second end, wherein the first diameter is larger than the second diameter. The opening further includes an internal surface threaded in direction opposite the threading of the threaded connecting device which must be removed. The device further includes structure for rotating the body when it is positioned over the threaded connecting device, wherein rotation of the body causes the internal threading of the removal device to engage the threaded connecting device causing the threaded connecting device to rotate in a direction appropriate for the removal of the threaded connecting device threaded in the first direction.

14 Claims, 1 Drawing Sheet



APPENDIX-G

REMOVAL DEVICE FOR THREADED CONNECTING DEVICES

CROSS-REFERENCED PATENTS

This is a Continuing application from U.S. patent application Ser. No. 08/531,336, filed Sep. 20, 1995, now abandoned.

BACKGROUND OF THE INVENTION

1. Field of the Invention

The invention relates to a device for the removal of threaded connecting devices. More particularly, the invention relates to an internally threaded removal device for the removal of threaded connecting devices, wherein the removal device is threaded in a direction opposite to the threading direction of the threaded connecting device.

2. Background of the Invention

Everyone is confronted at sometime with a nut that for some reason cannot be removed from the object to which it is secured, although the nut must be removed before the individual can continue with the project he or she is undertaking.

In most instances the individual must use tools not designed for the purpose of removing the nut. This often results in further damage to the object to which the nut is secured. For example, when the nut includes a hexagonal or square shaped head designed for a specific size socket which has been worn over time by use or abuse, the socket no longer properly fits over the head. As a result, the nut is not able to be removed in the appropriate manner. The individual must then somehow rotate the nut. This is often attempted with a wrench vice grips, or other tool, not designed for the job.

Attempts have been made to overcome this problem by providing tools which will engage and rotate the nut. However, these attempt have met with only limited success. For example, U.S. Pat. No. 3,161,090 to McLellan discloses a stud engaging wrench having a fluted gripping surface. The wrench is provide with a plurality of flutes designed to engage the threads of a stud. The helix of the flutes is designed to cooperate with the direction of the threads of the stud so as to be opposite thereto. The flutes directly engage the threads permitting removal of the stud when the wrench is rotated. The use of flutes as disclosed by McLellan is, however, limited in effectiveness due to the nature of the flutes themselves. Specifically, the flutes disclosed by McLellan are very much like the grooves in a drill bit. As such, the flutes are designed to engage textured surfaces, for example, the threaded outer surface of a stud, in much the same way a drill bit is most effective in boring through textured materials. Similarly, U.S. Pat. No. 3,996,819 to King discloses a socket wrench attachment for the removal of a screw or nut. The attachment includes a conical opening with a plurality of teeth positioned therein. As stated previously, the prior art devices for the removal of threaded connecting devices are limited in their effectiveness. Consequently, a need continues to exist for a device permitting the simple and effective removal of threaded connecting devices. The present invention provides such a device.

SUMMARY OF THE INVENTION

It is, therefore, an object of the present invention to provide a removal device adapted for the removal of threaded connecting devices that are threaded in a first direction. The removal device includes a body having a first end and a second end, wherein the first end includes an opening extending toward the second end of the body. The opening is sized to receive a threaded connecting device threaded in a first direction, and the opening continuously tapers from a first diameter at the first end to a second diameter as the opening extends toward the second end, wherein the first diameter is larger than the second diameter. The opening is defined by an internal surface threaded in a direction opposite the threading of the threaded connecting device. The removal device further includes structure for rotating the body when it is positioned over the threaded connecting device, wherein rotation of the body causes the internal threading of the removal device to engage the threaded connecting device to cause the threaded connecting device to rotate in a direction appropriate for the removal of the threaded connecting device.

It is another object of the present invention to provide a removal device including at least one cutting notch on the internal surface, wherein the at least one cutting notch is substantially perpendicular to the threading on the internal surface defining the opening.

It is also an object of the present invention to provide a removal device wherein the structure for rotating includes a projection on the second end, the projection being sized and shaped for use with a socket.

It is also another object of the present invention to provide a removal device wherein the body is hollow as it extends from the first end to the second end.

It is another object of the present invention to provide a removal device wherein the opening is frustoconically shape.

Other objects, advantages and salient features of the invention will become apparent from the following detailed description, which taken in conjunction with the annexed drawings, discloses a preferred, but non-limiting, embodiment of the subject invention.

BRIEF DESCRIPTION OF THE DRAWINGS

FIG. 1 is a cross-sectional view of the removal device.

FIG. 2 is a top view of the removal device.

FIG. 3 is a bottom view of the removal device.

FIG. 4 is an alternate embodiment of the removal device with a handle secured thereto.

FIG. 5 is an isometric view of the removal device.

DESCRIPTION OF THE PREFERRED EMBODIMENTS

The detailed embodiments of the present invention are disclosed herein. It should be understood, however, that the disclosed embodiments are merely exemplary of the invention, which may be embodied in various forms. Therefore, the details disclosed herein are not to be interpreted as limited, but merely as the basis for the claims and as a basis for teaching one skilled in the art how to make and/or use the invention.

With reference to FIGS. 1–3, a removal device 10 adapted for the removal of threaded connecting devices is disclosed. For the purposes of the present application, use of the term "threaded connecting device(s)" should be understood to refer to devices having a portion which must be rotated to facilitate attachment of the connecting device to an object. For example, the present removal device may be used with convention bolt and nut arrangements where internal thread-

ing on the nut engages external threading on the bolt. Alternately, the present removal device may be used with a threaded bolt having a head intended to be engaged by a socket, wrench, or other tool, to place the bolt within an internally threaded hole. Similarly, the present removal device could be used with a simple externally threaded stud positioned within an internally threaded hole. These examples should not be considered as limiting applications for the present removal device, but merely as exemplary of the many uses of the present device.

The removal device **10** includes a cylindrical body **12** having a first end **14** and a second end **16**. The body **12** is hollow as it extends from the first end **14** to the second end **16** to permit studs and bolts to pass through the body **12** as the removal device **10** is used. The hollow center **18** also provides room for boring and threading tools used during the manufacture of the removal device **10**.

The first end **14** includes a frustoconical opening **20** which extends toward the second end **16** of the body **12**. The frustoconical opening **20** is defined by an internal surface **22** of the body **12** adjacent the first end **14** of the body **12**. In the preferred embodiment, the opening **20** extends only a portion of the distance between the first end **14** and the second end **16** of the body **12**. In fact, the opening **20** in the preferred embodiment extends only about one third of the distance between the first end **14** and the second end **16** of the body **12**.

The opening **20** is sized to receive a threaded connecting device threaded in a first direction. The opening **20** continuously tapers from a first diameter **24** at the first end **14** to a second diameter **26** as it extends toward the second end **16**, wherein the first diameter **24** is larger than the second diameter **26**. The internal surface **22** of the body **12** defining the opening **20** has threads **28** formed in a second direction opposite to the first direction in which the threaded connecting device is threaded. That is, if the threaded connecting device has a right hand thread (regular thread), then the internal surface **22** of the body **12** will be threaded with a left hand thread (reverse thread). Similarly, if the threaded connecting device has a left hand thread (reverse thread), then the internal surface **22** of the body **12** will be threaded with a right hand thread (regular thread). It should be understood that while the threading **28** on the internal surface **22** must be in a direction opposite the threading direction of the threaded connecting device, the threading and taper may vary in accordance with the application of the removal device without departing from the spirit of the present invention.

The internal surface **22** defining the opening **20** may also be provided with cutting notches **30** extending along the internal surface **22** in a direction approximately perpendicular to the threading **28**. While three cutting notches **30** are shown in FIG. **3**, the removal device **10** may include as many cutting notches as desired depending upon the application of the removal device, without departing from the spirit of the present invention. Additional cutting notches may be possible where the application of the removal device permits. The cutting notches **30** help the threads to cut into the threaded connecting device to permit removal of the threaded connecting device in a manner that will be discussed below.

A projection **32** is secured to the second end **16** of the body **12**. The projection **32** is sized and shaped for use with a socket permitting the removal device **10** to be rotated when it is placed over the threaded connecting device. As shown in FIG. **2**, the projection **32** may be hexagonal shaped for use with hexagonal shaped sockets. Additionally, the second end **16** includes a square opening **34** designed for engagement with conventional square connecting elements used in socket wrenches, and other tools, where different attachments may be releasably secured to the wrench. While, the preferred embodiment is disclosed with a hexagonal shaped projection **32**, a variety of projection shapes and sizes could be used without departing from the spirit of the present invention. Similarly, the second end **16** of the body **12** could be provided with a handle **36** facilitating rotation, without departing from the spirit of the present invention (See FIG. **4** removal device **100**).

In use, the removal tool is place over a threaded connecting device with the frustoconical opening over the threaded connecting device. For example, the removal tool could be place over a worn nut secured to a bolt. The removal tool is then rotated in a direction causing the threading on the internal surface to engage the threaded connecting device by cutting into the outer surface thereof. Once the threaded connecting device is properly engaged, continued rotation of the removal device causes rotation of the threaded connecting device and ultimately removal of the threaded connecting device from the object to which it was attached. Removal of the threaded connecting device in this manner is achieved as a result of the fact that the internal surface of the body is threaded in a direction opposite to that of the threaded connecting device.

It should be understood that the body of the present removal device can be manufacture from a variety of metals depending upon the application for which the device is intended. The body could also be manufactured from plastic, or other materials, where the application of the removal device permits. In addition, the removal device can be made in a variety of shapes and sizes depending upon the use of the device.

While various preferred embodiments have been shown and described, it will be understood that there is no intent to limit the invention by such disclosure, but rather, is intended to cover all modifications and alternate constructions falling within the spirit and scope of the invention as defined in the appended claims.

I claim:

1. A removal device adapted for the removal of difficult to remove threaded connecting devices, comprising:

a body having a first end and a second end, the first end including an opening which extends toward the second end of the body;

the opening is defined by an internal surface of the body and is sized to receive a threaded connecting device threaded in a first direction, wherein the internal surface is threaded in a second direction opposite the first direction in which the threaded connecting device is threaded; the opening continuously tapers from a first diameter at the first end to a second diameter as the opening extends toward the second end, where, in the first diameter is larger than the second diameter;

said opening extends only a portion of a distance between the first end and the second end of the body;

said second end includes an opening designed for engagement with conventional connecting elements used in a removal tool where different connecting elements may be secured to the removal tool; and

wherein rotation of the body causes said threading on the internal surface of the removal device to engage the threaded connecting device causing the threaded connecting device to rotate in a direction appropriate for the removal of the threaded connecting device.

2. The device according to claim 1. wherein the internal surface includes at least one cutting notch.

3. The device according to claim 2. wherein said at least one cutting notch is substantially perpendicular to the threading on the internal surface defining the opening.

4. The device according to claim 2. wherein one to five cutting notches are provided on the internal surface defining the opening.

5. The device according to claim 3. wherein the cutting notches are substantially perpendicular to threading on the internal surface defining the opening.

6. The device according to claim 1. wherein said second end further comprises a projection. the projection sized and shaped for use with the connecting element.

7. the device according to claim 6. wherein the projection is hexagonal shaped.

8. The device according to claim 1. wherein the opening is a square opening in the second end of the body.

9. The device according to claim 1. wherein the body is hollow as it extends from the first end to the second end.

10. The device according to claim 1. wherein the opening has a circular cross-sectional shape.

11. The device according to claim 1. wherein a handle is secured to the second end of the body.

12. A removal device adapted for the removal of difficult to remove threaded connecting devices. comprising:

a cylindrical body having a first end and a second end. the body being hollow as it extends from the first end to the second end;

the first end including a frustoconically shaped opening which extends toward the second end of the body and is defined by an internal surface of the body;

the opening is sized to receive a threaded connecting device threaded in a first direction. and the opening continuously tapers from a first diameter at the first end to a second diameter as the opening extends toward the second end. wherein the first diameter is larger than the second diameter;

the internal surface of the body is threaded in a second direction opposite the first direction in which the threaded connecting device is threaded; and

a projection secured to the second end of the body. the projection sized and shaped for use with a socket permitting the removal device to be rotated when it is placed over the threaded connecting device to be removed. wherein rotation of the body causes the threading on the internal surface of the removal device to engage the threaded connecting device causing the threaded connecting device to rotate in a direction appropriate for the removal of the threaded connecting device.

13. A removal device adapted for the removal of difficult to remove threaded connecting devices. comprising:

a body having a first end and a second end. the first end including an opening which extends toward the second end of the body;

the opening is defined by an internal surface of the body and is sized to receive a threaded connecting device threaded in a first direction. wherein the internal surface is threaded in a second direction opposite the first direction in which the threaded connecting device is threaded; the opening continuously tapers from a first diameter at the first end to a second diameter as the opening extends toward the second end. wherein the first diameter is larger than the second diameter; and

said second end of the body having a handle affixed thereto so that when the body is positioned over the threaded connecting device. rotation of the body causes said threading on the internal surface of the removal device to engage the threaded connecting device causing the threaded connecting device to rotate in a direction appropriate for the removal of the threaded connecting device.

14. The device according to claim 1. wherein the removal tool is a wrench.

* * * * *

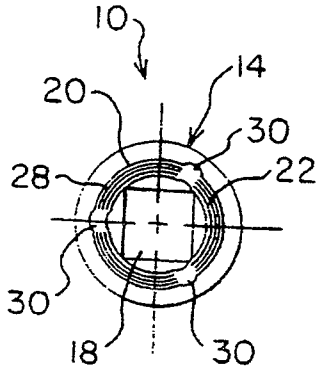


FIG. 3

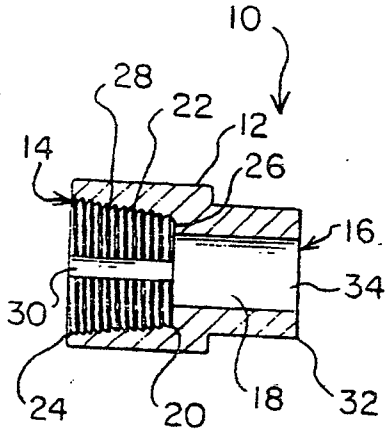


FIG. 1

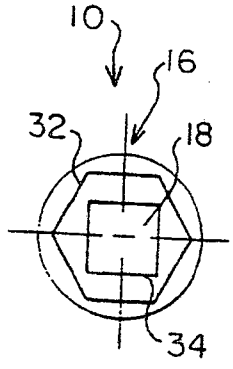


FIG. 2

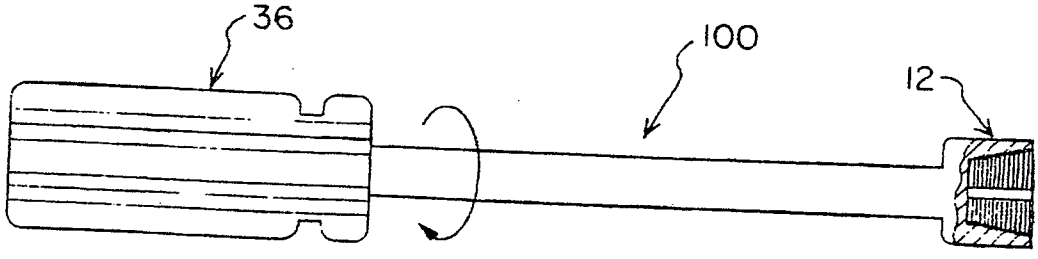


FIG. 4

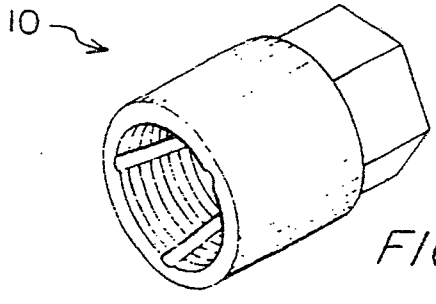


FIG. 5

United States Court of Appeals for the Federal Circuit

01-1087,-1195

DAVID L. HILDEBRAND,

Plaintiff-Appellant,

v.

STECK MANUFACTURING COMPANY, INC., ATC PRODUCTS, INC., CORNWELL QUALITY TOOLS COMPANY, MAC TOOLS, MATCO TOOLS, SNAP-ON TOOLS COMPANY, and TOOLS USA AND EQUIPMENT COMPANY,

Defendants-Appellees,

and

LOCK TECHNOLOGY, INC.
(also known as Archer Tools, Casey Tools, and K-C Tools),

Defendant-Appellee.

STECK MANUFACTURING COMPANY, INC.,

Plaintiff-Appellee,

v.

DAVID L. HILDEBRAND and H.A. SPECIALITIES, INC.,

Defendants-Appellants.

Michael R. Henson, Timothy J. Martin, P.C., of Lakewood, Colorado, argued for plaintiff-appellant. With him on the brief was Timothy J. Martin.

Charles F. Shane, Bieser, Greer & Landis, LLP, of Dayton, Ohio, argued for defendants-appellees. With him on the brief for Steck Manufacturing Company, Inc., et al., was David C. Greer.

David R. Metzger, Sonnenschein Nath & Rosenthal, of Chicago, Illinois, for defendant-appellee Lock Technology, Inc. With him on the brief were Shashank S. Upadhye and Edward H. Rice.

Appealed from: U.S. District Court for the Southern District of Ohio

Judge Algenon L. Marbley

APPENDIX-H

United States Court of Appeals for the Federal Circuit

01-1087, -1195

DAVID L. HILDEBRAND,

Plaintiff-Appellant,

v.

STECK MANUFACTURING COMPANY, INC., ATC PRODUCTS, INC., CORNWELL QUALITY TOOLS COMPANY, MAC TOOLS, MATCO TOOLS, SNAP-ON TOOLS COMPANY, and TOOLS USA AND EQUIPMENT COMPANY,

Defendants-Appellees,

and

LOCK TECHNOLOGY, INC.
(also known as Archer Tools, Casey Tools, and K-C Tools),

Defendant-Appellee.

STECK MANUFACTURING COMPANY, INC.,

Plantiff-Appellee,

v.

DAVID L. HILDEBRAND and H.A. SPECIALTIES, INC.,

Defendants-Appellants.

DECIDED: February 7, 2002

Before MAYER, Chief Judge, LOURIE and DYK, Circuit Judges.

MAYER, Chief Judge.

David L. Hildebrand appeals the judgments of the United States District Court for the Southern District of Ohio dismissing his case for want of prosecution, Hildebrand v. Steck Mfg. Co., No. C3-99-512 (S.D. Ohio Sept. 18, 2000) (order dismissing for want of prosecution), and granting default judgment to Steck Manufacturing Company, entering declaratory judgments of noninfringement, invalidity, and tortious interference with contract, Steck Mfg. Co. v Hildebrand, No. C3-98-196 (S.D. Ohio Jan. 4, 2001) (order granting default judgment). Because the trial court erred in concluding that it had personal jurisdiction over Hildebrand, we reverse the judgments and remand the case.

Background

Hildebrand, a Colorado resident, invented socket wrenches, "Screw Offs," for removing damaged car tire lug-nuts. In the fall of 1995, he filed for a United States patent and confidentially contacted two Ohio manufacturers, Mac Tools ("MAC") and Matco Tools ("MATCO"), to explore possible licensing agreements. None resulted. In late 1995, he discovered that MAC, MATCO, and two other Ohio corporations, Cornwell Quality Tools Company and Steck Manufacturing Company ("Steck"), were selling devices he claims were identical to his invention. The record shows that he mailed two cease and desist letters to MATCO and Steck, dated February 11, 1996, and February 15, 1996, respectively, and an alleged third to MAC. A sample set of tools, not for sale, accompanied the February 11 letter. The letters warned the recipients against potential infringement of his pending patent, warned of litigation, and suggested possible licensing

agreements. He followed up his letters with isolated phone calls to MAC, MATCO, and Steck between February and April of 1996, and an additional letter to Steck dated December 9, 1997.

Hildebrand's patent issued on April 14, 1998, and he promptly notified the other parties. Consequently, MAC cancelled a $25,000 order for Steck's product until such time as the viability of Hildebrand's patent could be determined. In May of 1998, Steck filed an action in the Southern District of Ohio seeking a declaration of noninfringement, invalidity, and tortious interference with contract. Nine days later, Hildebrand filed a patent infringement suit against Steck in the District of Colorado. The Colorado court granted Steck's motion to dismiss and transfer the case to Ohio. Hildebrand ceased participating in both actions. Determining that personal jurisdiction over Hildebrand was proper, the Ohio district court dismissed the original Colorado action for want of prosecution and granted default judgment to Steck. This appeal followed.

Discussion

We apply Federal Circuit law to determine whether the district court properly exercised personal jurisdiction over out-of-state defendants in patent infringement cases. Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc., 148 F.3d 1355, 1358, 47 USPQ2d 1192, 1194 (Fed. Cir. 1998) (citing Beverly Hills Fan Co. v. Royal Sovereign Corp., 21 F.3d 1558, 1564-65, 30 USPQ2d 1001, 1006 (Fed. Cir. 1994)). Similarly, we apply Federal Circuit law to personal jurisdiction inquiries over out-of-state patentees as declaratory judgment defendants. Id. (citing Akro Corp. v. Luker, 45 F.3d 1541, 1543, 33 USPQ2d 1505, 1506-07 (Fed. Cir. 1995)). When the facts upon which the district court based its finding of personal jurisdiction are undisputed, as they are here, our review is de novo. Id.

A district court may properly exercise personal jurisdiction over a non-consenting party outside the forum state if a two-step inquiry is satisfied. First, the party must be amenable to service of process under the appropriate state long-arm statute. Fed. R. Civ. Pro. 4(e), 4(k)(1)(A); Int'l Shoe Co. v. Washington, 326 U.S. 310, 316 (1945). Second, the culmination of the party's activities within the forum state must satisfy the minimum contacts requirement of the due process clause. International Shoe, 326 U.S. at 316.

1. The Ohio long-arm statute does not grant Ohio courts jurisdiction to the limits of the due process clause of the fourteenth amendment. Goldstein v. Christiansen, 638 N.E.2d 541, 545 n.1 (Ohio 1994).[1] We must interpret the Ohio long-arm statute in accordance with Ohio precedent. See Graphic Controls Corp. v. Utah Med. Prods., Inc., 149 F.3d 1382, 1385, 47 USPQ2d 1622, 1624-25 (Fed. Cir. 1998). The district court held that Hildebrand's contacts with Ohio satisfied three sections of the Ohio long-arm statute. We do not agree.

The statute provides, in relevant part:

> (A) A court may exercise personal jurisdiction over a person who acts directly or by an agent, as to a cause of action arising from the person's: (1) Transacting any business in this state; . . . (3) Causing tortious injury by an act or omission in this state; (4) Causing tortious injury in this state by an act or omission outside this state if he regularly does or solicits business, or engages in any other persistent course of conduct, or derives substantial revenue from goods used or consumed or services rendered in this state.

Ohio Rev. Code Ann. § 2307.382 (West 2001). Hildebrand was not transacting any business in the forum per section (A)(1). The mere solicitation of business by a foreign person does not constitute transacting business in the state. U.S. Sprint Communications Co. v. Mr. K's Foods, Inc., 624 N.E.2d 1048, 1052 (Ohio 1994). To be doing business,

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[1] Akro Corp. v. Luker stated that the "'transacting any business' portion of the Ohio long-arm statute extends to the greatest reach of due process." 45 F.3d 1541,1544, 33 USPQ2d 1505, 1507. (Fed. Cir. 1995). Goldstein clarified that the General Assembly of

negotiations must ultimately lead to a "substantial connection" with the forum, creating an affirmative obligation there. Id. (citing Burger King Corp. v. Rudzewicz, 471 U.S. 462, 475 (1985)). Here, Hildebrand's offers to do business with MAC and MATCO, and warning letters coupled with offers to negotiate, rise only to the level of soliciting business. His proffers and negotiations with Ohio entities did not result in one binding licensing agreement or any other obligation.

Hildebrand did not cause tortious injury by an act in the state per section (A)(3). To satisfy (A)(3), both the tortious act and the injury must occur in Ohio. See Weller v. Cromwell Oil Co., 504 F.2d 927, 930 (6th Cir. 1974); Gor-Vue Corp. v. Hornell Elecktrooptik AB, 634 F. Supp. 535, 537 (N.D. Ohio 1986); Busch v. Serv. Plastics, Inc., 261 F. Supp. 136, 140 (N.D. Ohio 1966). The presence of the alleged tortfeasor is required. See Busch, 261 F. Supp. at 140. Under the reasoning of Weller, 504 F.2d at 931, with which we agree, phone calls and letters sent into the forum do not constitute Hildebrand's presence in Ohio. By never being present in Ohio, therefore, Hildebrand could not have committed an act within Ohio.

Nor did Hildebrand cause tortious injury in the state by an act outside the state per section (A)(4). Ohio requires that business actually be transacted in-state for the exercise of long-arm jurisdiction under section (A)(4). Hoover Co. v. Robeson Indus., 904 F. Supp. 671, 673 (N.D. Ohio 1995). Hildebrand did not transact business in Ohio because no binding obligations within the forum were created. He did not regularly solicit business in the forum; he merely made isolated attempts to negotiate license agreements. And it is undisputed that he did not derive any revenue from entities in the state.

Ohio did not intend the long-arm statute to extend to the limits of the due process clause. See also Cole v. Mileti, 133 F.3d 433, 436 (6th Cir. 1998).

Moreover, the causal link between Hildebrand's warning letters and MAC's cancellation of its contract with Steck for the purposes of (A)(3) and (A)(4) is tenuous at best. Hildebrand's contact was neither tortious, nor caused the cancelled contract. He properly notified MAC that he held a patent, and that MAC's purchase of Steck's products would likely infringe his patent. MAC then fulfilled its legal duty to avoid infringement and cancelled its order with Steck until such time as the status of Hildebrand's patent could be determined. See Underwater Devices Inc. v. Morrison-Knudsen Co., 717 F.2d 1380, 1389, 219 USPQ 569, 576 (Fed. Cir. 1983) ("Where . . . a potential infringer has actual notice of another's patent rights, he has an affirmative duty to exercise due care to determine whether or not he is infringing. Such an affirmative duty includes, inter alia, the duty to seek and obtain competent legal advice from counsel before the initiation of any possible infringing activity." (citations omitted)). Thus, the cancellation followed from MAC's effort to comply with the law, and was not a result of tortious contact with the forum by Hildebrand.

2. Federal Circuit law applies to our federal due process inquiry. Beverly Hills Fan Co., 21 F.3d at 1564-65, 30 USPQ2d at 1006. We apply the "minimum contacts" standard developed in International Shoe and its progeny for fourteenth amendment due process inquiries to our fifth amendment due process cases arising under the federal patent laws. Akro, 45 F.3d at 1545, 33 USPQ2d at 1508. We examine the number and nature of the defendants' contacts with the forum state to determine if haling them into court there comports with "fair play and substantial justice." Red Wing, 148 F.3d at 1359, 47 USPQ2d at 1195 (citing Burger King Corp., 471 U.S. at 478).

In Akro, we found that jurisdiction over the out-of-state defendant patentee, Luker, satisfied due process. 45 F.3d at 1541, 33 USPQ2d at 1505. Luker's contacts with the forum state consisted of six letters warning of possible infringement sent by his attorney

into the forum, unsuccessful settlement negotiations with Akro which lasted three years, and most importantly an exclusive licensing agreement with Akro's competitor in the forum state. We found first that Luker's contacts were purposefully directed into the forum primarily because he had created continuing obligations in the forum with the exclusive license. Id. at 1546, 33 USPQ2d at 1509. Second, the action arose out of the contact with the forum because the licensed patent was the basis for allegations that Akro's goods infringed. Id. at 1548-49, 33 USPQ2d at 1511. Third, jurisdiction was fair and reasonable because Lukor presented no evidence that the state's interest in deterring infringement was marginalized by the burden of subjecting Lukor to jurisdiction in the forum. Id. at 1549, 33 USPQ2d at 1512.

Red Wing held that exercising jurisdiction over a declaratory judgment defendant patentee based on three warning letters mailed into the forum state, even if coupled with licensing offers, was not constitutionally sound. 148 F.3d at 1355, 47 USPQ2d at 1192. Fairness and reasonableness demand that a patentee be free to inform a party who happens to be located in a particular forum of suspected infringement without the risk of being subjected to a law suit in that forum. Id. at 1361, 47 USPQ2d at 1197. And an offer to license is so closely akin to an offer to settle that it may not be a separate contact upon which to base jurisdiction. Id. In stark contrast, jurisdiction was appropriate in Akro "because the patentee had substantial contacts with an exclusive licensee who was incorporated and had its principal place of business there." Red Wing, 148 F.3d at 1361, 47 USPQ2d at 1197-98 (emphasis added).

In the present case, Hildebrand's contacts with the forum do not amount to significantly more than those present in Red Wing. All of his documented contacts were for the purpose of warning against infringement or negotiating license agreements, and he

lacked a binding obligation in the forum. See also Inamed Corp. v. Kuzamak, 249 F.3d 1356, 1362, 58 USPQ2d 1774, 1778 (Fed. Cir. 2001).

The Ohio district court thought that this case is more like Akro than Red Wing. The court recognized that Hildebrand's cease and desist letters coupled with offers to negotiate licensing agreements were insufficient under Akro to create jurisdiction. But it relied on the additional facts that he mailed a sample set of tools to MATCO in 1996 as part of an offer to do business, and that his cease and desist letter to MAC precipitated a cancelled order, to assert jurisdiction. We do not agree that these were significant additional contacts.

The inclusion of the sample with the February 11 letter to MATCO was part of the offer to negotiate a licensing agreement. The set of tools was a prototype, not for sale, intended only to generate MATCO's interest in purchasing the design. The device was not injected into the forum for any purpose other than to negotiate a license. It does not constitute a separate contact, and therefore falls squarely within the boundary of Red Wing. Likewise, the cancellation of MAC's order may not be attributed to Hildebrand as a separate contact with the forum. The alleged warning letter to MAC was the contact with the forum. The information contained in the letter, that Hildebrand held a valid patent, invoked MAC's affirmative duty to avoid infringement. Prudence precipitated the cancellation. The accumulation of Hildebrand's contacts with Ohio do not create a constitutionally adequate basis for personal jurisdiction.

Conclusion

Accordingly, the judgments of the United States District Court for the Southern District of Ohio are reversed and the case is remanded for further proceedings consistent with this opinion.

REVERSED AND REMANDED

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Case No. 19-cv-00067-RM-NRN

DAVID HILDEBRAND, an individual,

Plaintiff,

vs.

WILMAR CORPORATION, a Washington corporation,

Defendant.

Proceedings before N. REID NEUREITER, United States Magistrate Judge, United States District Court for the District of Colorado, commencing at 1:30 p.m., April 12, 2019, in the United States Courthouse, Denver, Colorado.

WHEREUPON, THE ELECTRONICALLY RECORDED PROCEEDINGS ARE HEREIN TYPOGRAPHICALLY TRANSCRIBED. . .

APPEARANCES

JON BRADLEY and KELCI SUNDAHL, Attorneys at Law, appearing for the Plaintiff.

RYAN FLETCHER and CHRISTOPHER STANTON, attorneys at Law, appearing for the Defendant.

MOTION HEARING

APPENDIX-J

P R O C E E D I N G S

(Whereupon, the within electronically recorded proceedings are herein transcribed, pursuant to order of counsel.)

THE COURT: Good afternoon. You may be seated. We're on the record in Hildebrand vs. Wilmar Corporation, 19-cv-00067. Could I have appearances, please?

MR. BRADLEY: Good afternoon, Your Honor. Jon Bradley on behalf of the plaintiff, Mr. Hildebrand, who is also present, as is Kelci Sundahl from my office.

THE COURT: Okay. Thank you.

MR. BRADLEY: Thank you, Your Honor.

MR. FLETCHER: Good afternoon, Your Honor. Ryan Fletcher from Merchant & Gould on behalf of the defendant, Wilmar Corporation, and with me today is my colleague, Chris Stanton.

THE COURT: Thank you.

So we're here on two matters: One is the proposed scheduling order; and two is the motion to dismiss, which I have read. I didn't get a chance to read all the cases cited, but I saw that two important ones appear to be Brulotte and Kimble.

Why don't I hear from the defendant first, because it's their motion. And I would like you to address -- so I'll just tell you: Number one, I don't think your whole

Iqbal/Twombly argument is very persuasive, because they may be incorrect in their assertions, but I think we all know what their assertions are, which is, there's a contract, they attached it to the complaint, they're not paying us anymore. That's a breach.

Even under Iqbal and Twombly, that's enough; you know what you need to shoot at. And you've shot at it, because you say this alleged agreement that provides for 15 percent royalty during the term of the patent, and then 5 percent after is illegal under Supreme Court precedent, because once a patent goes into the public domain and everybody's got it, you can't force somebody to pay you.

And their argument appears to be, Yeah, but it would have been much higher than 15 percent during the term of the patent. This is like, you know, a quarterback taking deferred compensation over the course of their contract.

And so that, it seems to me, is where the rubber's going to meet the road, and so you're going to have to convince me that, at least for motion to dismiss purposes, there isn't enough there.

And what I'm thinking is, well, maybe it's ambiguous. Maybe the -- there's a possibility that what they anticipated, that there really were discussions of, like, you know, this should be 25; but I'm willing to put it off until after the patent's expired, as long as I get 5

percent while you continue to sell the product.

And if that's the case, then your motion to dismiss will be denied, and maybe we have discovery and testimony about what the intent of the parties was.

So that's kind of my initial reaction. Both sides have heard it, and that's what -- where I'd like you to focus your argument.

MR. FLETCHER: Would you like me to present from the --

THE COURT: Yeah. From the podium, please --

MR. FLETCHER: -- and --

THE COURT: -- and you need to speak into the mic so that we can --

MR. FLETCHER: Sure. We did prepare some slides. Can I approach the Bench, or --

THE COURT: Yeah. Why don't you give them to my deputy -- courtroom deputy here -- clerk, and as -- have they seen them yet?

MR. FLETCHER: And they have not seen them --

THE COURT: All right. Well --

MR. FLETCHER: -- (indiscernible) --

THE COURT: Okay.

MR. FLETCHER: And then we have a copy for the Court as well.

THE COURT: Thank you. And I've got a -- I think

a 2:45 today, so think about limiting your argument to about 20 minutes --

MR. FLETCHER: Oh --

THE COURT: -- if we're going to do the scheduling order, too.

MR. FLETCHER: -- I'll be 10 minutes or less --

THE COURT: Okay.

MR. FLETCHER: -- unless you have specific questions.

I just want to start by saying thank you and addressing your first point on Iqbal/Twombly.

I think our point with Iqbal/Twombly argument was when they filed their original complaints, it said, You haven't paid us.

They didn't identify exactly what we hadn't paid. So the issue, as you've already noticed, to that would be the pre-expiration or post-expiration royalty rates, but they didn't notify that in -- or they didn't identify that in our complaint. And for us that's an issue, because we did pay pre-expiration royalty rates, and we have paid them completely. So it wasn't clear to us whether they thought there was a deficiency there, or they thought there was a deficiency post-expiration.

It turns out, in their response to our motion, they identified the fact that they had been paid through

expiration of patent, which, for all intents and purposes, corrects that issue for us.

THE COURT: Okay. And I remember one other question I want to ask is: Does res judicata, or issue, or claim preclusion play any role here, in light of the prior lawsuit that was filed and dismissed by Judge Hegarty?

That was another question that sort of jumped up at me. Nobody raised it, but it did seem like it's potentially relevant if they arise -- if that lawsuit arises out of the same transaction or occurrence, but --

MR. FLETCHER: Great question. I'll be honest with you: I didn't consider it either. The lawsuit you're referring to would be the one that was filed, I think, two years ago. That was filed here in the Federal District Court as a patent infringement lawsuit.

Presumably -- that was the only claim. So, presumably, they were seeking past damages, which you can be entitled to for up to six years.

How the arguments ended up folding in that case was that the case got dismissed for lack of jurisdiction under T.C. Harlan, which is a Federal Circuit decision. And so I guess I'm frankly not prepared to answer whether I think they --

THE COURT: Okay.

MR. FLETCHER: -- whether it was res judicata or

not.

THE COURT: Well, you didn't raise it, so --

MR. FLETCHER: Yeah. Fair.

THE COURT: -- it's not an issue, at least at this point. So --

MR. FLETCHER: So I just want to start by addressing your first question.

And so you mentioned in your opening remarks, Your Honor, that maybe the intent of the parties was to have some sort of deferred payment. And I would tell you, or invite you to consider the Brulotte case. And it's not the intent of the parties that mattered.

Let's just assume that our parties intended for the provision -- 2 -- Section 2.8 of the settlement agreement to address royalties post-expiration date, because there was some deferment, okay? If we just make that assumption -- I'm not saying that's true, I actually disagree with it.

But if we make that assumption --

THE COURT: Yeah. So let's say, you know, Hey, we're gearing up, we've got a lot of debt here. I can't afford to pay you 25 percent royalty. I'll pay you 15 percent for the next X years until the patent expires. And then after that, I'll make it up to you by continuing to pay 5 percent later.

So let's assume that that's what they intended, even though it may not actually be reflected in the settlement.

MR. FLETCHER: Right. Still unlawful, per se. And Brulotte addressed that exact issue, because in that exact case, plaintiff -- or I shouldn't say plaintiff, but plaintiff/patent holder made the argument: Listen, the parties intended it for there to be deferment and Brulotte took one look at the underlying language. And the settlement agreement said, on it's terms, this is not a deferred payment. It -- the -- it ties post-expiration royalties directly to the sale of product that was covered by the patent pre-expiration, and that's unlawful. Whether you intended it to be something else or not is irrelevant.

As a public policy decision, as a longstanding history of patent law, when the patent expires, it's dedicated to the public domain, and any attempt to circumnavigate that by tying royalties directly to a product that was covered by the patent post-expiration is unlawful.

Now Kimble, the second Supreme Court decision, comes along and says, Oh, there's obviously ways you can contract around that, but the underlying agreement has to address that. It has to say, Oh, this is a deferred payment, or you're continuing to make payments not for the use of the product that was covered by the patent, but

you're continuing to make payments, because we gave you trade secrets, or you continued to make payments for X, Y, or Z, any number of potential issues, or potential scenarios.

But here -- and we'll get to an applied presentation -- the language in the settlement agreement is unambiguous.

I mean, it ties --

THE COURT: Well, is --

MR. FLETCHER: -- the payment directly to --

THE COURT: -- is it true that plaintiff was unrepresented when that agreement was entered into?

MR. FLETCHER: I can't answer one way or the other.

THE COURT: I think I saw that representation in --

MR. BRADLEY: Yes, Your Honor. That is correct.

THE COURT: Okay. So here's a question --

MR. FLETCHER: Yeah.

THE COURT: -- let's assume what you say is true, that it included a provision that is unlawful, but, you know, the gentleman on the other side was unrepresented, and probably not familiar with the two cases on which you rely. If somebody embodies in their settlement agreement, an unlawful provision without the knowledge of the other side,

but presumably they knew, because they had, you know, transactional lawyers who were drafting these things, is there a claim there for fraudulent inducement?

MR. FLETCHER: Well, let me start by saying --

THE COURT: And I know it hasn't been pled --

MR. FLETCHER: I was going to say --

THE COURT: -- but if what you're saying is really true: On its face, this is -- you know, you just can't get it. We don't have to pay anything after the expiration of the patent; but they got the gentleman over there to sign up for it, thinking that he's getting less upfront, because he'd get more over the long term, and he wasn't represented, it seems like an amendment might be in order.

MR. FLETCHER: Well, I would say two things. One is, I'm not even sure Wilmar Corporation was represented in those proceedings either. I can't say one way or the other. But to my knowledge, I don't think they were represented, but maybe they were.

But either way, it's irrelevant. I understand the concern from the pro se -- I mean, from the pro se plaintiff's perspective if they were unrepresented at the time, but I think that's addressed specifically by Brulotte, and then actually Justice Kagan's decision in Kimble actually addresses it again.

In that instance, you actually had Marvel, a very

them from amending a complaint to make it more clear that that's what they want. Whether they're entitled to it or not is a different question, but okay -- but you were going to make some rebuttal points.

MR. FLETCHER: Just a couple of points in rebuttal: With all due respect, plaintiff's counsel is making arguments about the interpretation of this agreement outside of the context of the actual language in the agreement. There was no reference in his argument to any language in the agreement, and so he uses the term like, "This is a lease term," but there's no termination clause in the agreement. A lease for life? I don't think so.

He uses the argument -- 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 patent cases. I know from past 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. Okay? So we'd be talking about reasonably royalties, to begin with.

Third, the terms of the settlement agreement, going back to what's important -- and this is what I did in my presentation -- say Section 1.1: Wilmar agrees to

compensate Hildebrand for $25,000 for past and current infringing acts. Period. It doesn't say, Oh, and we're going to give some money in deferment. It says right there that he's being compensated for the past infringing acts that they complained of. And then moving forward from the time the settlement agreement was entered into until the expiration date, plaintiff was compensated for his invention.

He was paid a royalty that he negotiated, based on the sale of a very specific product. And he doesn't claim that he wasn't paid. He was. So I think we got a little lost in that section of it.

The only other point is the declaration submitted by us in our motion to dismiss has no bearing about what happened at settlement agreement negotiations. It was just a declaration to confirm that they had paid plaintiff all the money he was entitled up until the expiration date of the patent, and --

THE COURT: But on a motion to dismiss, am I --

MR. FLETCHER: Yeah?

THE COURT: -- am I supposed to consider that even?

MR. FLETCHER: It's irrelevant, because plaintiff admitted in the response brief that they had been paid to the expiration of the patent. And that was really the only

TRANSCRIBER'S CERTIFICATION

I certify that the foregoing is a correct transcript to the best of my ability to hear and understand the audio recording and based on the quality of the audio recording from the above-entitled matter.

/s/ Dyann Labo — November 3, 2021

Signature of Transcriber — Date