

1979

Time Commercial Financing Corp. v. Carol Brimhall et al : Reply Brief of Defendants- Appellants

Utah Supreme Court

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IN THE SUPREME COURT
OF THE STATE OF UTAH

TIME COMMERCIAL FINANCING CORP.,
a Utah corporation,

Plaintiff-Respondent,

vs.

CAROL BRIMHALL, WILLIAM HESTERMAN,
STEPHEN D. SCHULTZ and BRIMHALL
PRODUCTS, INC., a corporation, and
4-SPECTRA, INC.,

Defendants-Appellants,

and

WALKER BANK & TRUST COMPANY,
Administrator with the Will annexed
of the Estate of Ray S. Brimhall,
deceased,

Defendant-Appellant
and Third-Party
Plaintiff,

vs.

BRIMCO HYDRAULICS & ENGINEERING,
INC., a corporation, JOHN B.
FAIRBANKS, JR., and WESTERN RESEARCH
AND MANUFACTURING COMPANY,

Third Party
Defendants.

Case No. 16167

REPLY BRIEF OF DEFENDANTS-APPELLANTS
CAROL BRIMHALL DAVIS AND WALKER BANK

APPEAL FROM THE ORDER OF THE THIRD
DISTRICT COURT IN AND FOR SALT LAKE
COUNTY, STATE OF UTAH, DATED OCTOBER 24, 1978
BY THE HONORABLE JAMES S. SAWAYA, DISTRICT JUDGE

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COME NOW the Estate of Ray S. Brimhall, deceased, and his widow, Carol Brimhall Davis, by and through their attorneys Trask & Britt, as represented by Marcus G. Theodore, and submit the following points and authorities in response to the Brief filed by Time Commercial Financing Corporation, hereinafter referred to as "TIMECO".

SUMMARY OF FACTS

Ray S. Brimhall was an independent inventor who, in 1965, invented a hand pumped hydraulic piston system to enable a mechanic, without assistance, to tilt open the cabs of large semi-truck tractors for servicing the engines. In 1967, he also invented a combined cab latch with spring to hold the cab closed when the truck tractor is in operation, and to act at the same time as a shock absorber to cushion the ride for the driver [R-601]. To produce his inventions, Ray Brimhall formed his own company, Brimco Hydraulics and Engineering, Inc. (Brimco).

In 1975, the lower court interpreted Ray Brimhall's employment, consulting and management relationship with Brimco as a contract whereby he owned the patents, inventions and improvements thereto (which subsequently passed into his estate upon his death), and granted an exclusive contract license to Brimco to manufacture, develop and sell his inventions in exchange for a royalty of 2% [R-599-626]. When TIMECO foreclosed upon a loan made with Ray Brimhall's company after his death, it succeeded to the terms of this judicially imposed contract

license [R-602-619], TIMECO has exploited this judicially imposed contract license to manufacture, sell and adapt Ray Brimhall's inventions to customers' needs through widespread marketing. It is the royalties on the sales of one of the adaptations (the "Black Latch") of Ray Brimhall's cab latch which is the subject of this appeal.

Ray Brimhall's estate and his widow claim that TIMECO's "Black Latch" is within the scope of the judicially imposed contract license and 2% royalties are due and owing on these sales. They thus brought an Order To Show Cause which the lower court granted requiring TIMECO to pay royalties on the "Black Latch" [R-868]. This order was reversed and remanded on appeal to give TIMECO the opportunity to present evidence at the hearing. Time Commercial Financing Corp. v. Carol Brimhall et al, 575 P.2d 701 (1978).

Upon remand, after enjoying the benefits of a state imposed judicial contract license to manufacture, sell and market the cab latch for eight years, TIMECO moved for summary judgment to dismiss the Order To Show Cause upon the grounds that the collection of contract royalties on "Black Latches" is a federal question involving patent infringement. From the lower court's dismissal, this appeal was taken.

ARGUMENT I

THE LOWER COURT ERRED IN DISMISSING,
AS A FEDERAL QUESTION, APPELLANT'S ORDER
TO SHOW CAUSE TO INTERPRET AND ENFORCE THE
TERMS OF ITS OWN JUDICIALLY IMPOSED CONTRACT LICENSE

TIMECO was granted the right to manufacture and sell

cab latches pursuant to a judicially imposed contract license. This contract license was imposed upon the parties after the lower court construed Ray Brimhall's employment and consulting relationship with his own controlled company, Brimco. Because the lower court imposed this contract license as a matter of law, of necessity the contract terms must be interpreted by the court imposing the contract license.

Still at issue in this case is whether or not the "Black Latch" falls within the scope of the lower court's judicially imposed contract license. This Court previously directed the lower court to take evidence to resolve this question of fact in Commercial Financing Corporation v. Carol Brimhall et al, supra. The lower court has misconstrued the thrust of this court's previous ruling mandating it to hold an evidentiary hearing concerning whether these "Black Latch" sales are subject to the judicial contract license, and this time the opportunity to present evidence was denied the Estate of Ray S. Brimhall and his wife.

"THE COURT: I ruled at one time that they were because I felt they were so similar that there couldn't be any question in the minds of reasonable men so I granted an order and required the payment of royalties on the manufacture and sale of that particular patent and the Supreme Court said, 'No Soap'." [R-1865].

Appellants were and are prepared to present evidence that the "Black Latch" is within the scope of the terms of the judicially imposed contract license held by TIMECO under paragraph 3 of the Amended Decree, dated July 30, 1975, which states:

"3. That the plaintiff Time Commercial Financing Corporation is the owner of an implied exclusive license under said United States Letters Patent No. 3,430,653 (the "Valve System" invention) and under United States Patent Application No. 732,484 (the "Cab Latch" invention) and any letters patent granted thereon...". (Emphasis added).

For the lower court now to refuse to interpret the terms of its own contract license works a grave hardship on the Estate of Ray Brimhall and his family, and violates the court's duty to hold an evidentiary hearing in conformance with the directives of this Court, See Street v. Fourth Judicial District Court, 113 Utah 60, 191 P.2d 153 (1948); and Utah Copper Company v. District Court of the Third Judicial District, 91 Utah 377, 64 P.2d 241 (1937), previously discussed in appellant's Appeal Brief. Already four and one-half (4-1/2) years have lapsed wherein TIMECO has received the benefits of Ray Brimhall's cab latch, inventions and trade secrets, but has refused to pay royalties on cab latch sales to its major customer under the guise that its "Black Latch" is not part of the judicially imposed contract license. This question of fact regarding the scope of the judicially imposed contract license has nothing to do with the patentability of the "Black Latch".

Appellant's contend that TIMECO's interests in all cab latches stem from the lower court's construction of Ray Brimhall's relationship with his company, Brimco. Patents were only one facet of this relationship. Ray Brimhall also acted as technical consultant, manager, inventor and general

supervisor adapting his inventions to the needs of Brimco customers in exchange for royalties from the sales of cab latches, valve stems, parts, etc. TIMECO received, under the judicially imposed contract license, all of Ray Brimhall's inventions, trade secrets and know-how to make, develop and modify cab latches for customers needs. It is no mere coincidence of fact that just at the time sales of cab latches to TIMECO's major customer, General Motors Corporation, were imminent, TIMECO's chief stockholder and financial advisor, Hap Kimball, suddenly becomes "an inventor" of a "Black Latch" to avoid the payment of royalties to the Estate of Ray S. Brimhall and his family.

Where the lower court has a duty to hold an evidentiary hearing regarding the "Black Latch" previously mandated by this Court, and where it has primary jurisdiction to construe the scope of contract licenses for payment of royalties:

Lockett v. Delpont, Inc., et al., 270 U.S. 495 (1926); Kyser Industrial Corporation v. Pet, Inc., 459 F.2d 1010, 173 USPQ 642 (CCA, 6th Cir., 1972); Lear Siegler, Inc. v. Adkins, 330 F.2d 595, 141 USPQ 327 (CCA, 9th Cir., 1964); Milprint Inc. v. Curwood, 562 F.2d 418, 196 USPQ 147 (CCA, 7th Cir., 1977); a hearing should be held.

Nor has TIMECO taken a consistent position with respect to the jurisdiction of the lower court. TIMECO first maintains that the lower court has jurisdiction to litigate its claims against the Estate of Ray S. Brimhall and his widow

for violation of the terms of the judicially imposed contract license (pp. 16 & 17 of Respondent's Brief). It then maintains that any claims against it for royalties due under the same judicially imposed contract license are federal questions which must be removed (pp. 6 through 8 of Respondent's Brief). In electing to maintain its action in and to receive the benefits from the state courts, TIMECO cannot now whipsaw appellants by claiming, after eight years in state courts, that any post-judgment proceedings against it under the judicially imposed contract license are questions of federal law, particularly where the federal courts have long held that contract license royalties are issues of state law, Oscar Barnett Foundry v. Crowe, 219 Fed. Rptr. 450, 455 (CCA, 3rd Cir., 1915).

For the foregoing reasons, appellants respectfully move the Court to reverse and remand this matter to the lower court to hold an evidentiary hearing as to the issue of whether or not royalties are due on the "Black Latch" sales. At the hearing, the lower court would be free to entertain any relevant evidence with respect to patents and patent law.

CONCLUSION

The lower court erred in dismissing, as a federal question, appellant's Order To Show Cause to interpret and enforce the terms of its own judicially imposed contract license with respect to "Black Latch" sales. The lower court had a duty to comply with the previous directives of this Court outlined in Commercial Financing Corporation v. Carol

Brimhall, et al., 575 P.2d 701 (1978) to take evidence regarding the "Black Latch" and resolve this question of fact. The state courts have primary jurisdiction to interpret contract royalty licenses, and should retain jurisdiction where one party has elected to take advantage of the state forum and has received the benefits of that forum's judicial order imposing a contract on the parties for over eight years.

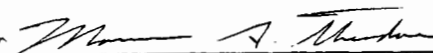
In order to avoid placing an unfair burden on the Estate of Ray S. Brimhall and his family to relitigate in federal court the factual issues regarding "Black Latch" sales, appellants respectfully petition this Court to reverse the lower court's granting of TIMECO's Motion For Summary Judgment to dismiss the question of "Black Latch" royalties as a federal question.

Appellants further petition this Court to remand this matter to the lower court with instructions to hold an evidentiary hearing regarding whether royalties are due on the "Black Latch" sales, and to settle all accounts due under the judicially imposed state contract license.

DATED this 11th day of December, 1979.

Respectfully submitted,

TRASK & BRITT

By 
Marcus G. Theodore

CERTIFICATE OF SERVICE

This is to certify that ~~a true~~^{two} and correct copy_s of the foregoing REPLY BRIEF OF DEFENDANTS-APPELLANTS CAROL BRIMHALL DAVIS AND WALKER BANK was mailed, first class, postage prepaid, to each of the following:

Robert R. Mallinckrodt, Mallinckrodt & Mallinckrodt, Attorneys for Plaintiff-Respondent, 10 Exchange Place, Salt Lake City, Utah, 84111; and

A. Wally Sandack, Sandack & Sandack, Attorneys for Plaintiff-Respondent, 370 East Fifth South, Salt Lake City, Utah, 84111.

DATED this 19th day of December, 1979.

