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**STATE OF MINNESOTA
IN COURT OF APPEALS
A13-1284**

Ian Lebauer, et al.,
Appellants,

vs.

Bracketron, Inc.,
Respondent.

**Filed March 31, 2014
Affirmed
Connolly, Judge**

Hennepin County District Court
File No. 27-CV-12-23333

Steven E. Ness, Business Law Center, Bloomington, Minnesota (for appellants)

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respondent)

Considered and decided by Chutich, Presiding Judge; Connolly, Judge; and Smith,
Judge.

UNPUBLISHED OPINION

CONNOLLY, Judge

Appellants appeal from a district court order denying their motion to find
respondent in contempt of court, arguing that the district court erred (1) by denying their
motion to find respondent in civil contempt of court for allegedly selling appellants'

products in violation of the district court's order and (2) by ruling that respondent satisfied the district court's order and judgment in full. We affirm.

FACTS

The parties entered into six separate license agreements in 2009. Each contract contains identical language with the exception of the identification of the licensed product. In each contract, appellants, Light Bulb City and Goodkind Corporation, and its owner, Ian Lebauer, granted respondent, Bracketron Inc., an exclusive license to manufacture, market, sell, and commercially exploit certain products. Respondent agreed to pay appellants royalties in exchange for the exclusive licenses. Each agreement contains an arbitration clause, requiring the parties to resolve any disputes through arbitration.

In 2012, appellants terminated the license agreement, citing respondent's failure to pay them royalties. Thereafter, the parties submitted several disputes to an arbitrator. On August 23, 2012, the arbitrator ruled in appellants' favor and determined that respondent breached the license agreements prior to termination. The arbitration award states, "[respondent's] exclusive rights under the parties' License Agreements Nos. 1 through 6 are forfeit, and all rights granted by [appellants] under these agreements revert back to [appellants]." The arbitrator also awarded appellants monetary damages.

On December 20, the district court confirmed the arbitrator's award and stated, "All rights granted to [respondent] under those License Agreements are forfeit, and revert back to [appellants]." On December 31, the district court entered its judgment, confirming the arbitrator's monetary award to appellants. The December 31 order does

not contain any other form of relief. On January 8, 2013, respondent tendered full payment of the judgment amount plus interest but continued to sell appellants' products.

On January 15, appellants sought an order to show cause, directing respondent to appear and explain why it was not in civil contempt of the district court's December 20 and December 31 orders. After hearing arguments from both parties, the district court issued an order on May 6 and determined that (1) respondent was not in civil contempt of the district court's December 20 order or December 31 judgment and (2) the December 31 judgment was satisfied in full when respondent tendered full payment plus interest.

D E C I S I O N

Appellants argue that the district court abused its discretion by denying their motion to find respondent in contempt of court and by concluding that respondent satisfied the December 20 order and December 30 judgment in full. This court accords the district court discretion in its ultimate conclusions, and we review those conclusions for an abuse of discretion. *Langford Tool & Drill Co. v. Phenix Biocomposites, LLC*, 668 N.W.2d 438, 442 (Minn. App. 2003).

I.

Appellants first argue that the district court erred by concluding that respondent is not in civil contempt of its December 20 order for continuing to exercise the rights that it allegedly forfeited. We disagree.

Civil contempt is the failure to obey a court order in favor of an opposing party in a civil proceeding. *Minnesota State Bar Ass'n v. Divorce Assistance Ass'n, Inc.*, 311

Minn. 276, 285, 248 N.W.2d 733, 741 (1976). “The court has greater discretion in civil contempt cases than in criminal contempt cases.” *Tatro v. Tatro*, 390 N.W.2d 461, 464 (Minn. App. 1986). We will not disturb the district court’s ruling on a contempt motion absent an abuse of discretion. *Erickson v. Erickson*, 385 N.W.2d 301, 304 (Minn. 1986).

The license agreements all state, “In accordance with this Agreement and the Contract for Services Agreement, [appellants] grant[] an exclusive license to [respondent] for the Product or Products under this Agreement.” In the case of default, “all [respondent’s] exclusive licensing rights are forfeit on all Products.” The agreements do not contain any language requiring respondent to stop selling appellants’ products after termination. But the district court’s December 20 order states, “[a]ll rights granted to [respondent] under those Licensing Agreements are forfeit, and revert back to [appellants].”

The district court determined that the license agreements granted respondent an “exclusive license” for appellants’ products, meaning that when the agreements were in effect, appellants could not license their products to third parties or sell the products themselves. It also determined that when appellants terminated the license agreements, the right of exclusivity reverted back to appellants and appellants could now grant licenses to others or sell their products themselves. Because the license agreements do not contain language requiring respondent to stop selling appellants’ products after the contracts terminate, the district court concluded that respondent was not in contempt of the December 20 order.

A. Exclusive license

It is undisputed that respondent forfeited its rights to the exclusive licenses when appellants terminated the license agreements. But appellants argue that the district court erred because the exclusive licenses gave respondent the right to exclude others from engaging in any commercial exploitation of the products. We disagree.

An exclusive license is “[a] license that gives the licensee the sole right to perform the licensed act, often in a defined territory, and that prohibits the licensor from performing the licensed act and from granting the right to anyone else.” *Black’s Law Dictionary* 938 (8th ed. 2004). Thus, respondent’s rights under the agreements enabled it to prohibit appellants from selling their own products or from granting licenses to third parties. It did not enable respondent to exclude others, including third parties, from selling the products.

Moreover, only one of the products at issue is subject to a valid patent.¹ The United States Supreme Court has consistently held that states cannot interfere with unpatented ideas that have been disclosed by the author to the public. *See, e.g., Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 156, 109 S. Ct. 971, 980-01 (1989) (“States may not offer patent-like protection to intellectual creations which would otherwise remain unprotected as a matter of federal law.”); *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 232-33, 84 S. Ct. 784, 789 (1964) (“[B]ecause of the federal

¹ The “Nav-Pack” product is subject to a patent but it is jointly owned by appellants and respondent.

patent laws a [s]tate may not, when the article is unpatented and uncopyrighted, prohibit the copying of the article itself or award damages for such copying.”).

When the license agreements were in place, appellants agreed that they would not license the products to other individuals or compete with respondent themselves. But without patent protection, appellants could not prevent third parties from selling their products because the products had been disclosed to the public. *See Bonito Boats*, 489 U.S. at 152, 109 S. Ct. at 978 (explaining that states cannot prohibit parties from copying unpatented articles that are available to the public). We conclude that the district court did not err by determining that the exclusive licenses did not grant respondent the right to exclude others from selling appellants’ products.

B. Rights that revert

Even though the exclusive license agreements did not give respondent complete marketplace dominion over the covered products, appellants argue that this right reverted to them after they terminated the license agreements. We disagree. No language in any of the license agreements requires respondent to stop selling appellants’ products once the agreements terminate. Appellants could have included such a term in the contracts but did not.²

² In fact, several treatises recommend including such a term. *See, e.g.*, Michael A. Epstein, *Epstein on Intellectual Property* § 18.02 (5th ed. 2005) (“Upon an early termination by a licensor, the license agreement should provide that the licensee’s rights cease immediately and that the licensee shall discontinue all use of the licensed property at once.”); *see also* Gregory J. Battersby & Charles W. Grimes, *License Agreements; Forms and Checklists* § 2.07 (same).

Respondent relies on *Hollomon v. O. Mustad & Sons (USA), Inc.*, 196 F. Supp. 2d 450 (E.D. Tex. 2002), to demonstrate that it is not in contempt because appellants do not have the right to stop it from selling their products. In *Hollomon*, the parties entered into agreements where Mustad would pay Hollomon a royalty for the exclusive right to produce and market Hollomon's products. *Id.* at 452. Hollomon subsequently terminated the agreements. *Id.* at 453. After termination, Mustad kept selling Hollomon's products but did not pay Hollomon any royalties. *Id.*

Hollomon argued on appeal that Mustad breached the agreements by continuing to manufacture and sell the products after the contract terminated and by failing to pay a royalty for the products. *Id.* The court determined that Hollomon agreed to grant Mustad an exclusive license to make and sell its products. *Id.* at 455. After Hollomon terminated the contract, Mustad forfeited the exclusive license, which the court interpreted to mean that Hollomon was no longer obligated to refrain from granting a license to other parties.

Id. The court reasoned,

The contracts say nothing about Mustad promising to forgo manufacturing or selling [the products] after the termination or completion of the agreements. As a result of this loss, at the termination or completion of the agreements, Mustad became like every other company in the world with respect to [the products] Because Hollomon never received patent protection for [his products] and because the contracts do not explicitly state that upon their terminations or completions Mustad must refrain from manufacturing and selling [the products], nothing prevents Mustad from producing and marketing [the products] after the completion of the agreements.

Id.

In this case, the parties entered into agreements similar to those in *Hollomon* that gave respondent an exclusive license to sell appellants' products. After appellants terminated the contract, respondent kept selling appellants' products. We conclude that when appellants terminated the exclusive license agreements, appellants could grant licensing rights to other parties and could compete with respondent directly, but they could not enjoin others from marketing their unpatented products. The right to exclude respondent from the marketplace did not revert to appellants. Consequently, the district court did not abuse its discretion by concluding that respondent is not in civil contempt of the orders for continuing to sell appellants' products.

II.

Appellants next argue that the district court abused its discretion by finding that respondent satisfied the December 31 judgment by tendering the full award plus interest. They argue that respondent has not satisfied the judgment because it is still selling appellants' products, and therefore, appellants have not received their alleged right to exclusivity. We disagree.

The district court's December 31 judgment awarded \$8,847 to appellants. Respondent paid this amount in full. There is nothing in the arbitrator's initial award, the district court's December 20 order, or the district court's December 30 judgment that awards injunctive relief. The December 30 judgment does not require respondent to stop selling appellants' products. We conclude that the district court did not abuse its discretion by determining that respondent satisfied the judgment in full.

III.

Respondent also argues that its patent rights for the “Nav-Pack” product are not covered by the license agreements. This argument was not argued to or considered by the district court. Thus, it is not properly before this court, and we decline to address it. *Thiele v. Stich*, 425 N.W.2d 580, 582 (Minn. 1988).

Affirmed.