

**COURT OF APPEALS  
DECISION  
DATED AND RELEASED**

April 15, 1997

A party may file with the Supreme Court a petition to review an adverse decision by the Court of Appeals. See § 808.10 and RULE 809.62(1), STATS.

**NOTICE**

This opinion is subject to further editing. If published, the official version will appear in the bound volume of the Official Reports.

No. 96-2312

**STATE OF WISCONSIN**

**IN COURT OF APPEALS  
DISTRICT III**

**JEANNETTE L. BRANDNER, d/b/a  
LASER SKATE COMPANY,**

**Plaintiff-Respondent,**

v.

**RICHARD STELNICK, HOWARD FRITZ,  
DOMINIC F. SANTILLO, V-FORMATION, INC.,  
V-FORMATION, A GENERAL PARTNERSHIP,  
ELLIOT SUTTON, d/b/a THE BRANDNER  
CORPORATION,**

**Defendants-Third Party Plaintiffs,**

**THE BRANDNER CORPORATION,**

**Defendant-Third Party Plaintiff-Appellant,**

v.

**BRUCE H. KAUFMAN, SAM COHEN,  
JOSEPH SHABOT, MICHAEL JONES,  
ELLIOT SUTTON, SAM SUTTON,  
ELI HADDAD, and STEVEN KRIEGER,**

**Third Party Defendants.**

APPEAL from an order of the circuit court for Eau Claire County:  
ERIC J. WAHL, Judge. *Reversed and cause remanded.*

Before Cane, P.J., LaRocque and Myse, JJ.

MYSE, J. The Brandner Corporation (TBC) appeals an order of summary judgment in favor of Jeannette Brandner that cancelled the contracts between the parties. TBC contends the trial court erred by finding the contracts to be so vague and ambiguous as to be unenforceable and that TBC's failure to pay monthly royalties was a breach of the contracts. Because we conclude that the contracts are not so vague or indefinite as to be unenforceable, that the trial court erred in concluding TBC breached a duty to exploit the patent and that there are disputed issues of material fact which preclude summary judgment based on breach of contract, we reverse and remand for further proceedings.

Ernest Brandner, Jeanette's late husband, created and patented a design for in-line skates. After this patent was obtained, Michael Stelnick and his company, Stelnick & Fritz, became the exclusive agents for the licensing of the patent. Stelnick met some investors who eventually formed TBC to manufacture and sell these skates. Several contracts were entered into between the Brandners, Stelnick, and TBC and its promoters allowing TBC to manufacture and sell the patented skates. Under the contracts, TBC paid the Brandners \$750,000 for a license to manufacture and sell the skates and promised to pay royalties based upon the number of skates manufactured and sold by TBC.

Jeanette Brandner filed suit against TBC alleging breach of contract because no royalties had ever been paid and the patent has not been exploited. She also sought a declaration that the contracts were unenforceable because of vagueness. TBC argued no royalties were due because royalties were based on the number of skates sold or manufactured and no skates had been manufactured or sold. TBC also cross-claimed for breach. Both parties moved for summary judgment and the trial court, finding the contracts to be unenforceably vague, granted Brandner's motion for summary judgment. TBC now appeals. We note that the contracts specify for New York law to govern any disputes.

Although we apply New York substantive law, we apply Wisconsin law to procedural matters. *Jaeger v. Jaeger*, 262 Wis. 14, 18, 53 N.W.2d 740, 742 (1952). We review the grant of summary judgment de novo. *Ford Farms, Ltd. v. Wisconsin Elec. Power Co.*, 145 Wis.2d 650, 654, 430 N.W.2d 94, 95 (Ct. App. 1988). The standards to review a summary judgment have been described numerous times, *Grams v. Boss*, 97 Wis.2d 332, 338, 294 N.W.2d 473, 476-77 (1980), and need not be repeated here. The threshold question is whether the contracts are so vague, ambiguous and indefinite that they cannot be enforced. TBC argues the court erred in concluding the contracts were too indefinite to enforce. We agree.

The party seeking to enforce a contract bears the burden of establishing that a binding agreement was made and proving the terms of the contract. *Allied Sheet Metal Works v. Kerby Saunders, Inc.*, 619 N.Y.S.2d 260, 263 (1994). Whether a contract is unenforceably indefinite may be decided by a jury as a matter of fact or by the court as a matter of law. *Management Computer Servs. v. Hawkins*, 206 Wis.2d 157, 176, 557 N.W.2d 67, 75 (1996).

The definiteness question is relevant to contract formation, not interpretation. *Id.* at 177, 557 N.W.2d at 75. If a contract has been formed, ambiguities in the contract are explained through principles of contract interpretation and do not effect contract formation. *Ruttenberg v. Davidge Data Sys. Corp.*, 626 N.Y.S.2d 174, 178 (1995). "[D]efiniteness as to material matters is of the very essence in contract law." *Joseph Martin, Jr., Delicatessen, Inc. v. Schumacher*, 417 N.E.2d 541, 543 (N.Y. App. Div. 1981). "While there must be a manifestation of mutual assent to essential terms, parties also should be held to their promises and courts should not be 'pedantic or meticulous' in interpreting contract expressions." *Cobble Hill Nursing Home, Inc. v. Henry & Warren Corp.*, 548 N.E.2d 203, 206 (N.Y. App. Div. 1989) (citation omitted).

The test is whether the intention of the parties may be ascertained to "a reasonable degree of certainty." *Young v. Zwack, Inc.*, 471 N.Y.S.2d 175, 177 (1983). Where the parties clearly intended to enter a contract and "there exists an objective method for supplying a missing term, the court should endeavor to hold the parties to their bargain." *166 Mamaroneck Ave. Corp. v. 151 E. Post Rd. Corp.*, 575 N.E.2d 104, 106 (N.Y. App. Div. 1991).

Striking a contract as unenforceably indefinite "is at best a last resort." *Id.* (citation omitted). "Indefiniteness must reach the point where construction becomes futile." *Management Computer Servs.*, 206 Wis.2d at 179, 557 N.W.2d at 75 (quoting *Heyman Cohen & Sons, Inc. v. M. Lurie Woolen Co.*, 133 N.E. 370, 371 (N.Y. 1921) (Cardozo, J.)). If the trier of fact "can determine the parties' intention, 'indefiniteness disappears as a reason for refusing enforcement.'" *Management Computer Servs.*, 206 Wis.2d at 179, 557 N.W.2d at 75 (citing 1 ARTHUR CORBIN & JOSEPH PERILLO, CORBIN ON CONTRACTS § 4.1, at 544 (rev. ed. 1993)). Also, indefinite parts of a contract can be stricken and the remainder of the contract enforced. *Reiburn v. Roseman*, 239 N.E.2d 174, 175 (N.Y. 1968) ("That portion of the agreement which is void for indefiniteness may be excised without affecting the validity of the remainder.").

We conclude that the essential terms of the core agreement are ascertainable from the contracts. TBC was to manufacture and sell the patented skate designed granted by the Brandners for a \$750,000 licensing fee. Basic rights and responsibilities were established. We agree that in delineating those rights and responsibilities, greater clarity could have been used. The lack of clarity, however, does not change the parties' intent to enter into a contract. If the parties intended to enter a contract, the trier of fact should attach a "sufficiently definite meaning" if possible rather than frustrate that intention. *Management Computer Servs.*, 206 Wis.2d at 178, 557 N.W.2d at 76 (citing SAMUEL WILLISTON & WALTER H. E. JAEGER, WILLISTON ON CONTRACTS § 37, at 110-11 (3d ed. 1957)). We, therefore, conclude that the contracts are not unenforceably indefinite.

Brandner argues that essential terms of the contract such as the length of time the agreements are to run, how possible infringements were to be enforced between the parties or the exclusive nature of the contracts are ambiguous. Without these terms, Brandner contends there can be no core agreement. We do not agree. Even if these terms are ambiguous, they do not rebut the fact that an agreement to pay \$750,000 for a license to manufacture and sell the patented skates was made by the parties. Any ambiguity over duration, infringement rights, or exclusivity is a matter of contract interpretation to be resolved through extrinsic evidence to determine the parties' intent.

TBC next argues that the trial court erred by finding that it breached the contracts. The trial court found a breach on two grounds: failure to pay royalties and failure to exploit the patent or utilize best efforts to develop the patent. TBC asserts that because there was a large up-front payment, there is no duty to exploit the patent. The plaintiff's counter that the up-front fee was a licensing fee and there is a duty to exploit the patent unless there is a substantial up-front payment of royalty fees.<sup>1</sup>

The concept that a licensee is required to use "best efforts" on behalf of the licensor derives from Justice Cardozo's opinion in *Wood v. Lucy, Lady Duff-Gordon*, 118 N.E. 214 (N.Y. 1917). In that case, the court implied a duty to exploit an exclusive design because the licensor's sole revenue was to be derived from the royalties from the licensee's sales. Hence, licensor was at licensee's mercy.

Courts have applied this doctrine in the context of an exclusive licensing agreement for royalty payments because without the implied best efforts clause, the contract would lack mutuality of obligation and be inequitable. *Permanence Corp. v. Kennametal, Inc.*, 908 F.2d 98, 100 (6th Cir. 1990). "Where it is unnecessary to imply such an obligation in order to give effect to the terms of the contract, the obligation will not be implied." *Id.* The obligation of best efforts should not be lightly inferred. *Id.* In *Permanence*, the court did not find it necessary to imply the best efforts obligation where a \$500,000 fee was paid and the contract provided for a percentage of future of sales. *Id.* at 101.

In this case, a \$750,000 up-front fee was paid and the contract specified future royalty payments for each skate sold. Under these circumstances, the obligation of best efforts is not needed to create mutuality of obligation under the contracts. This is not a case where the licensor was at the licensee's mercy as in *Wood*. The licensing fee, although not the only consideration contemplated by the parties, is sufficient to create the necessary

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<sup>1</sup> Although we do not rely on the theory, the parties conceded at oral argument that the duty to exploit a patent requires the licensee to have an exclusive license and because the trial court did not make a finding that the license was exclusive, the trial court erroneously found a breach on these grounds.

mutuality of obligation for a contract whether it is termed a licensing fee or an advance royalty fee.

As an additional basis requiring reversal of the trial court's conclusion that TBC breached by failing to develop the patent, we conclude that disputed issues of material fact exist which preclude summary judgment. The duty to use best efforts is grounded in the duty of good faith. Whether TBC utilized good faith in trying to fulfill the contract is a question of fact that requires the receipt of evidence. *See Tepedino v. City of Long Beach*, 640 N.Y.S.2d 591, 592 (1996). In this case, the trial court erred when it ruled that TBC breached the duty to use best efforts without evidence reflecting the efforts TBC made in attempting to exploit the patent. Without an evidentiary basis demonstrating that TBC did not use good faith efforts to develop the patent, the court could not grant summary judgment on the basis of breach of contract.

TBC also argues that the trial court's finding of breach of contract for failing to pay royalties was error. TBC argues that the contract did not provide for minimum royalty payments and because no skates had been sold yet, no royalties were due.

The contracts specify a fee for each skate sold or manufactured is to be paid to the Branders as a royalty. But, since no skates were either manufactured or sold, no royalties have been paid. Brander argues that a minimum monthly royalty fee was also due without regard to skates being manufactured or sold. The contracts do not unambiguously provide for minimum monthly royalty payments. To prevail on this claim for breach of contract, Brandner must prove the minimum royalty requirement through the use of extrinsic evidence to discern the parties' intent. Because there is no unambiguous duty to make a minimum royalty payment, this issue is not appropriate for summary judgment. The trial court erred by finding a breach to make minimum payments where the contracts did not unambiguously contain such a duty.

Because we conclude that the trial court erred by finding the contracts unenforceably indefinite and concluding that TBC breached the contracts for failing to exploit the patent and, further, because material facts are

disputed, we reverse and remand. We need not decide the issue of exclusivity or address TBC's claim for promissory estoppel.

*By the Court.* – Order reversed and cause remanded.

Not recommended for publication in the official reports.