

**IN THE COURT OF COMMON PLEAS FOR PHILADELPHIA COUNTY
FIRST JUDICIAL DISTRICT OF PENNSYLVANIA
TRIAL DIVISION – CIVIL**

BUYFIGURE.COM, INC.,	:	FEBRUARY TERM, 2010
	:	
Plaintiff,	:	NO. 3691
	:	
v.	:	COMMERCE PROGRAM
	:	
AUTOTRADER.COM, INC., R.H.	:	
HOLLENSHEAD AUTO SALES &	:	
LEASING, INC., and ROBERT M.	:	
HOLLENSHEAD,	:	
	:	
Defendants.	:	

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OPINION

Plaintiff, BuyFigure.com, Inc. (“BuyFigure,”) appeals from this court’s Order entered on August 13, 2012, in which the court granted defendants’ Motion for Summary Judgment and dismissed plaintiff’s claims based on res judicata/collateral estoppel and the statute of limitations.

BuyFigure was, and may still be, involved in the business of buying and selling automobiles. Defendant Robert M. Hollenshead was, and apparently is still, a shareholder of BuyFigure. He is also a principal of defendant R.M. Hollenshead Auto Sales & Leasing, Inc. (“RMH”), which is also involved in the sale of automobiles.¹

Beginning in 2000, BuyFigure developed an internet application designed to establish a guaranteed trade-in value for any used car (the “Disputed Invention”).² At that time, Mr. Hollenshead was a high-level employee of BuyFigure pursuant to a written employment

¹ Mr. Hollenshead and RMH are collectively referred to as the “Hollenshead Defendants.”

² According to the Complaint, the Disputed Invention “would allow automobile dealers to submit information online regarding a proposed trade-in vehicle to a service [t]hat would establish the value of that vehicle on the used car market and guarantee that value with a promise to purchase the vehicle at the established price.” Complaint, ¶ 9.



agreement in which he agreed that all inventions developed while he was employed at BuyFigure belonged to BuyFigure.

In May 2001, Mr. Hollenshead resigned as CEO of BuyFigure.³ Beginning in 2002, Mr. Hollenshead allegedly began improperly to use the Disputed Invention for the benefit of his own company, RMH.⁴ The Hollenshead Defendants have allegedly continued to use the Disputed Invention in their business through the present time.

In November 2007, BuyFigure filed suit against the Hollenshead Defendants and others in federal court (the “Federal Action”).⁵ In the Federal Action, BuyFigure asserted causes of action under RICO and the Lanham Act, as well as common law claims for conversion, civil conspiracy, breach of contract, breach of fiduciary duty, and punitive damages.⁶

Upon motion by the Hollenshead Defendants, the federal court dismissed all but the trademark claim based on the statute of limitations. In doing so, the court noted that, even though BuyFigure was aware of the Hollenshead Defendants’ alleged appropriation and use of the Disputed Invention beginning in 2002, BuyFigure did not file the Federal Lawsuit until at least five years later.⁷ Since the statutes of limitations for RICO, tort, and contract claims are

³ Complaint, ¶ 3.

⁴ Another person, who was previously employed by BuyFigure and was subsequently employed by RMH, was convicted of Unlawful Use/Access Of [BuyFigure’s] Computer and may have taken the Disputed Invention from BuyFigure and given it to RMH. The Hollenshead Defendants claim they are using a different application.

⁵ BuyFigure.com, Inc. v. R.M. Hollenshead Auto Sales & Leasing, Inc., United States District Court for the Eastern District of Pennsylvania, Case No. 07-CV-4680.

⁶ See Order dated June 12, 2008, entered in the Federal Action, attached as Exhibit 2 to defendants’ Motion for Summary Judgment.

⁷ See *id.*

four, two and four years, respectively, the claims for breach of contract, conversion, breach of fiduciary duty, and civil RICO violations were time barred.⁸

Only the cause of action asserting trademark infringement under the Lanham Act survived the Motion to Dismiss.⁹ That claim was subsequently dismissed upon Motion for Summary Judgment. BuyFigure filed a timely Motion for Reconsideration, which the federal court denied. BuyFigure never appealed any of the court's orders or the judgment entered against it in the Federal Action.

In February, 2010, while the Federal Action was pending, BuyFigure filed this action against the Hollenshead Defendants and against defendant Autotrader.com, Inc. ("Autotrader"), an automobile auctioneer. BuyFigure alleged that in 2008, Autotrader began using the Disputed Invention under a license from RMH. In its Complaint, BuyFigure requested: a declaratory judgment that it is the exclusive owner of the Disputed Invention; an injunction to prohibit the Hollenshead Defendants and Autotrader from further use or licensing of the Disputed Invention; an accounting of their revenues from its use; and damages.

Defendants filed Preliminary Objections, a Motion for Judgment on the Pleadings, and a Motion for Summary Judgment based on res judicata/collateral estoppel, all of which were overruled or denied by the late Judge Sheppard.¹⁰ Defendants filed a Motion for Reconsideration from Judge Sheppard's denial of their Motion for Summary Judgment. Unfortunately, Judge

⁸ The Federal Court also dismissed the punitive damages and civil conspiracy claims for failure to state claims upon which relief could be granted, since they were essentially derivative of the other dismissed claims. *See* Order dated June 12, 2008, entered in the Federal Action.

⁹ The trademark claim was not based on the purported theft of the Disputed Invention, but rather on the Hollenshead Defendants' use of a similar name – Ebuyfigure.com – in the conduct of their business, so the trademark claim is not relevant here. Summary judgment was entered against BuyFigure on that claim based upon its abandonment of its claimed trademark.

¹⁰ At the time Judge Sheppard ruled on the first such motion, the Federal Action had not yet concluded, so res judicata could not yet be applied.

Sheppard passed away before he was able to decide whether he should reconsider, so the Motion was reassigned to this court. This court initially denied the Motion for Reconsideration, but subsequently reconsidered and entered an Order

requesting supplemental briefs be filed on, essentially, the following issue:

While the running of statute of limitations relating to personal actions normally merely bars the remedies, but does not discharge the rights, did the expiration of the statutory periods addressed in federal court also extinguish any right of ownership Plaintiff may have had in the "Invention" and transfer it to R.M. Hollenshead Auto Sales & Leasing, Inc. and Robert M. Hollenshead?¹¹

The parties submitted the requested briefs, and the court entered the August 13th Order from which this appeal is taken.

BuyFigure objects to the August 13th Order on both procedural and substantive grounds. BuyFigure claims the court's decision to grant defendants' Motion for Summary Judgment was procedurally improper because the same question, whether res judicata and the statute of limitations barred BuyFigure from pursuing its claims in this action, was answered in the negative at least four times previously in this action.

"A trial court has the inherent power to reconsider its own rulings."¹² Furthermore, the law of the case doctrine on which plaintiff relies,¹³ does not require the court to ignore what is right just because it or its predecessor has been repeatedly wrong in the past.¹⁴ Nor does that

¹¹ Order entered May 29, 2012. The Order gave defendants approximately two weeks to file a brief and gave BuyFigure over a month to file its brief.

¹² Key Automotive Equip. Specialists v. Abernethy, 431 Pa. Super. 358, 362, 636 A.2d 1126, 1128 (1994).

¹³ "This doctrine refers to a family of rules which embody the concept that a court involved in the later phases of a litigated matter should not reopen questions decided by another judge of that same court or by a higher court in the earlier phases of the matter. Among the related but distinct rules which make up the law of the case doctrine are that: . . . (3) upon transfer of a matter between trial judges of coordinate jurisdiction, the transferee trial court may not alter the resolution of a legal question previously decided by the transferor trial court." Commonwealth v. Starr, 541 Pa. 564, 574, 664 A.2d 1326, 1331 (1995).

¹⁴ See *id.* (the law of the case doctrine does not apply where the prior ruling was clearly erroneous).

doctrine require the court and the parties to continue to litigate a case in which no viable claim is raised only to await the appellate court's reversal after an appeal.¹⁵ It was therefore proper for this court to reconsider its own decision, as well as to reconsider Judge Sheppard's.

Furthermore, BuyFigure was not prejudiced by this court's decision to reconsider its ruling on defendants' Motion for Summary Judgment. The court gave BuyFigure ample notice of its intentions and an opportunity to submit additional briefs, so BuyFigure was afforded more than sufficient due process.

BuyFigure's substantive objections likewise have little merit. BuyFigure previously brought its claims against the Hollenshead Defendants in the Federal Action based upon their "theft" of the Disputed Invention. However, BuyFigure brought those claims too late, and the claims were dismissed by the federal court based on the statute of limitations.¹⁶ The federal court's decision precludes BuyFigure from re-litigating before this court the issue whether the Hollenshead Defendants wrongfully obtained the Disputed Invention from BuyFigure.

The doctrine of res judicata applies when there exists an identity of issues, an identity of causes of action, identity of persons and parties to the action, and identity of the quality or capacity of the parties suing or being sued. . . . Collateral estoppel applies when the issue decided in the prior adjudication was identical with the one presented in the later action, there was a final judgment on the merits, the party against whom the plea is asserted was a party or in privity with a party to the prior adjudication, and the party against whom it is asserted has had a full and fair opportunity to litigate the issue in question in the prior adjudication.¹⁷

¹⁵See DiGregorio v. Keystone Health Plan E., 840 A.2d 361, 371-372 (Pa. Super. 2003) (Appellate court found "there was no viable cause of action for either punitive damages or attorneys' fees, [so] the motions court's order to the contrary clearly was erroneous. . . . Furthermore, since the order clearly was subject to certain reversal on appeal, the order allowing [plaintiffs] to proceed to trial with a totally frivolous claim would have squandered the judicial resources of the trial court and this Court as well. Thus, . . . adherence to the motions court's order was intolerable and the trial court's decision to overrule the prior order fell within the clearly erroneous exception

¹⁶ The theft claims against the Hollenshead Defendants, which were already stale in 2007 when the Federal Action was commenced, were even more so in 2010, when this action was commenced.

¹⁷ In re Iulo, 564 Pa. 205, 210, 766 A.2d 335, 337 (2001).

BuyFigure had a full and fair opportunity to litigate in the Federal Action the issue whether it waived by delay its right to enforce its ownership interest in the Disputed Invention against the Hollenshead Defendants. Because BuyFigure sat on its rights, it lost them, and it cannot now assert them a second time against the Hollenshead Defendants.

Since the Hollenshead Defendants can no longer be sued by BuyFigure for taking and using the Disputed Invention, the question then is whether the Hollenshead Defendants can license the Disputed Invention to a third party, Autotrader, without making Autotrader somehow liable to BuyFigure for misappropriation of the Disputed Invention.¹⁸ Since Autotrader obtained a license from the Hollenshead defendants to use the Disputed Invention, Autotrader is in privity with them. Since the federal court ruled against BuyFigure and in favor of Autotrader's licensor with respect to BuyFigure's claimed interest in the Disputed Invention, BuyFigure is collaterally estopped from asserting against the licensee, Autotrader, a superior interest in the Disputed Invention

Furthermore, due to the Hollenshead Defendants' adverse possession of the Disputed Invention during the entire statute of limitations period and beyond, the Hollenshead Defendants have obtained title to the Disputed Invention. Normally, "statutes of limitations relating to personal actions merely bar the remedy and do not discharge the right."¹⁹ However, "where one has had the peaceable, undisturbed, open possession of personal property,²⁰ with an assertion of

¹⁸ No claim for misappropriation has ever been asserted against Autotrader in this action, but it has apparently been threatened.

¹⁹ Priester v. Milleman, 161 Pa. Super. 507, 510, 55 A.2d 540, 542 (1947).

²⁰ The same logic necessarily applies to intangible property as well. See Gee v. CBS, Inc., 471 F. Supp. 600, 655 (E.D. Pa. 1979) ("Our view that a Pennsylvania court would apply the doctrine [of adverse possession] to the specific chose in action involved in this claim (i.e. Bessie Smith's artistic performance) is further supported by the Pennsylvania Supreme Court's statement that 'At common law, rights in a literary or artistic work were recognized on substantially the same basis as title to other property.'")

his ownership, for the period which bars an action for its recovery by the true owner, the former acquires a good title, superior to that of the latter, whose neglect to assert his legal rights has lost him his title.”²¹ Since the Hollenshead Defendants have possessed the Disputed Invention openly and adversely to BuyFigure since at least 2002, they now own it and may license it to whomever they choose.

This court is not entirely comfortable with this result,²² which may reward a thief with title to the thing it stole. However, the bar of the statute of limitations and the principles of res judicata require such a result. The Disputed Invention is apparently a desirable commodity,²³ and public policy requires that title to such useful intangible property not be forever in doubt. In the interests of commerce and because of BuyFigure’s dilatory conduct in protecting its claim of exclusive ownership, BuyFigure must be barred now and in the future from seeking to prevent the Hollenshead Defendants and those who claim rights through them from using the Disputed Invention.

For all the foregoing reasons, it is respectfully requested that the court’s August 13, 2012 Order be affirmed on appeal.

Dated: December 31, 2012


PATRICIA A. McINERNEY, J.

To the extent that the Disputed Invention is a patentable or copyrightable work, it would enjoy additional protections under federal law and not just the two year limitations period for conversion provided under state law. No such federal claims have been raised by BuyFigure in either this or the Federal Action.

²¹ Priester, 161 Pa. Super. at 513, 55 A.2d at 543-544.

²² This discomfort explains in large part the convoluted procedural history of this case.

²³ This conclusion is based on the fact that two of the parties are willing to litigate vigorously over the right to own and use the Disputed Invention, and a third is willing to license it.