

IN THE COURT OF COMMON PLEAS OF PHILADELPHIA COUNTY
FIRST JUDICIAL DISTRICT OF PENNSYLVANIA
TRIAL DIVISION—CIVIL

THIRD PILLAR SYSTEMS, INC.	:	January Term, 2011
	:	
<i>Plaintiff</i>	:	No. 02916
	:	
v.	:	Commerce Program
	:	
DE LAGE LANDEN OPERATIONAL SERVICES, LLC	:	
	:	
and	:	
	:	Control Nos. 11052305,
IVORY CONSULTING CORPORATION	:	11052373, 11032649.
	:	
<i>Defendants</i>	:	

ORDER

AND NOW, this 12th day of March, 2012, upon consideration of the Preliminary Objections of Defendants De Lage Landen Operational Services, LLC and Ivory Consulting Corporation, the Responses in Opposition of Plaintiff Third Pillar Systems, Inc., the respective memoranda of law, and the reply briefs filed by each Defendant, is **Ordered** as follows:

- I. The Preliminary Objections of Defendant Ivory Consulting Corporation are **Sustained**, and **the Second Amended Complaint is Dismissed as to this Defendant**;
- II. The Preliminary Objections of Defendant De Lage Landen Operational Services, LLC are **Sustained**, and **the Second Amended Complaint is Dismissed in its entirety**;
- III. The Petition for Preliminary Injunction filed by Plaintiff Third Pillar Systems, Inc., which was stayed by Order of this Court on 14 April 2011 pending

Third Pillar Systems, I-ORDOP



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resolution of Defendants' Preliminary Objections, is **Moot**.

By The Court,

A handwritten signature in black ink, appearing to read "Arnold L. New, J.", written over a horizontal line.

Arnold L. New, J.

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IVORY CONSULTING CORPORATION	:	11052373
	:	
<i>Defendants</i>	:	

OPINION

The Preliminary Objections of Defendant Ivory Consulting Corporation require this Court to determine whether Pennsylvania may exercise personal jurisdiction over said Defendant. The Preliminary Objections of Defendant De Lage Landen, LLC, require this Court to determine whether the claims filed by Plaintiff in the instant action should have been brought as compulsory claims in the course of a pending action filed in the U.S. District Court for the Eastern District of Pennsylvania. For the reasons below, this Court holds that Pennsylvania may not exercise personal jurisdiction over Defendant Ivory Consulting Corporation, and Plaintiff Third Pillar Systems, Inc. may not maintain its claims against Defendant De Lage Landen, LLC, because said claims were compulsory in the action filed in Federal Court, and should have been brought therein.

Background

Plaintiff, Third Pillar Systems, Inc. (“Third Pillar,”) is a software developer

organized under the laws of Nevada, and with a principal place of business in California. Defendant De Lage Landen Operational Services, LLC, (“DLL,”) is a financial services company organized and located in Pennsylvania. Defendant Ivory Consulting (“Ivory,”) is a software developer based in California.

Between 2004 and 2006, DLL and Third Pillar entered into a number of agreements whereby DLL agreed to disclose to Third Pillar specific proprietary and confidential information about its leasing business, and Third Pillar agreed to use that information to develop software for the financial leasing business of DLL. Pursuant to the agreements, DLL allegedly retained full ownership rights to its proprietary information, and substantial rights to the work-product developed by Third Pillar.¹

Between February and May 2009, DLL engaged an expert to examine the software supplied by Third Pillar. The expert allegedly uncovered that Third Pillar allowed or was about to allow a competitor of DLL to use the software and access DLL’s proprietary information embedded therein. Thus, on 29 May 2009, DLL filed a lawsuit against Third Pillar in the United States District Court for the Eastern District of Pennsylvania (the “Federal Action”). In the Federal Action Complaint, DLL asserted the claims of Breach-of-Contract, Misappropriation of Trade Secrets under California statutory law, Promissory Estoppel, Unjust Enrichment and Injunctive Relief. The Honorable Judge Harvey Bartle, III is presiding over the Federal Action.

On 5 March 2010, Judge Bartle issued a “Memorandum Including Findings-of-Fact and Conclusions-of-Law,” and a “Permanent Injunction.”² Pursuant to the Permanent Injunction, Third Pillar, its officers and agents, have been enjoined from

¹ De Lage Landen Operational Services, LLC v. Third Pillar Systems, Inc., Case No. 2:09-cv-02439-HB, filed in the United States District Court for the Eastern District of Pennsylvania, Exhibit B to the Preliminary Objections of Defendant DLL, ¶ 2.

² Exhibit C to the Preliminary Objections of Defendant DLL.

“using, modifying exploiting or making available to third parties in whole or in part,” certain specified portions of the software developed by Third Pillar on behalf of DLL.³

On 26 July, 2010, Third Pillar filed a Motion to Amend its Answer and To Add Counterclaim which included the claims of Misappropriation of Trade Secrets, Conversion, and an Application for Temporary and Permanent Injunction.⁴ However, the Motion to Amend the Answer and To Add Counterclaim did not seek to include the claim of breach-of-contract. Judge Bartle ruled upon the Motion to Amend the Answer and To Add Counterclaims on 27 August 2010. The Order issued by Judge Bartle granted in part the Motion, but denied the portion seeking addition of the counterclaim. Judge Bartle issued a Memorandum Opinion simultaneously with his Order. The Memorandum Opinion explained that “Third Pillar’s counterclaim would be futile” because Third Pillar did not allege violation of the terms of the agreement which, in turn, constituted the basis for any other claim included by Third Pillar in its Motion to Amend Answer and To Add Counterclaim.⁵ Judge Bartle reasoned that there could be no claim for misappropriation or conversion, and no injunction against DLL, without an allegation explaining how DLL had obtained the misappropriated software, if not pursuant to a contract.

Rather than attempting to re-file in the Federal Action a new Motion for Leave to Amend Answer and To Add Counterclaim, including the claim of breach-of-contract, Third Pillar filed an action against DLL in the United States District Court for the Northern District of California, San Francisco Division (the “California Action,”) on 6

³ Exhibit C to the Preliminary Objections of Defendant DLL.

⁴ Third Pillar’s memorandum of law in support of its Motion for Leave to Amend its Answer and Counterclaim, Exhibit D to the Preliminary Objections of Defendant DLL.

⁵ Memorandum Opinion, Exhibit E to the Preliminary Objections of Defendant DLL, pp. 3, 6.

August 2010.⁶ In this action, Third Pillar did aver that DLL had violated a specific agreement, the Source Code and Object Code Software Licensing Agreement (“SCOCSLA,”) by disclosing to third parties the confidential and proprietary data contained in the software, and by using the software outside of its agreed-upon scope. In addition to the claim of breach of the SCOCSLA agreement, Third Pillar also asserted a claim for Declaratory Judgment. The Application for Declaratory Judgment sought a temporary and permanent restraining injunction against DLL.⁷ Specifically, the Application for a restraining injunction asked the District Court in California to terminate the SCOCSLA licensing agreement between Third Pillar and DLL. DLL filed a Motion to Dismiss the California Action or, in the alternative, a Motion to Transfer the California Action to the Federal Action in Pennsylvania. The Honorable Judge Charles R. Breyer of the U.S. District Court for the Northern District of California issued an Order transferring the case to the Federal Action in Pennsylvania, and instructing DLL to file with the Federal Court in Pennsylvania a notice of related case.⁸

Instead of allowing the California Action to be transferred to the Federal Court in Pennsylvania, Third Pillar chose to dismiss the California Action in its entirety.⁹ However, Third Pillar soon filed another lawsuit against DLL, on 20 January 2011, this time in the Court of Common Pleas, Philadelphia County (the “Instant Action.”) The Second Amended Complaint in the Instant Action avers that Third Pillar and DLL entered into the SCOCSLA agreement. According to the Second Amended Complaint, Third Pillar is entitled under SCOCSLA to retain ownership of significant portions of the

⁶ Third Pillar Systems, Inc., v. De Lage Landen Operational Services, LLC, Case No. CV-10-3447, Exhibit H to the Preliminary Objections of Defendant DLL.

⁷ Third Pillar Systems, Inc., v. De Lage Landen Operational Services, LLC, Case No. CV-10-3447, Exhibit H to the Preliminary Objections of Defendant DLL, ¶¶ 21-34.

⁸ Civil Minutes, Exhibit J to the Preliminary Objections of Defendant DLL.

⁹ Notice of Dismissal, Exhibit L to the Preliminary Objections of Defendant DLL.

specially-developed software, including confidential information of Third Pillar.¹⁰ The Second Amended Complaint alleges that at some point of the Third Pillar–DLL contractual relationship, Third Pillar requested to inspect the licensed software in the possession of DLL, but DLL allowed merely an “extremely narrow inspection.”¹¹ Based upon that narrow inspection, Third Pillar was able to conclude that DLL had materially breached SCOCSLA by dishonoring the confidentiality provisions therein. According to Third Pillar, “DLL engaged Ivory Consulting to help DLL complete and integrate the software that uses Third Pillar’s Confidential Information and Trade Secrets,” disclosed to Ivory Consulting “Confidential Information,” and ... “used the Confidential Information ... outside the scope of the SCOCSLA license.”¹² The Second Amended Complaint in the Instant Action asserts in Count I the claim of Breach-of-Contract against DLL alone. It also asserts the following claims against DLL and Ivory:

- II. Misappropriation of Trade Secrets under Cal. Civ. Code § 3426.1 *et seq.*;
- III. Misappropriation of Trade Secrets under 12 Pa. C.S.A. § 5301 *et seq.*;
- IV. Conversion under California common law;
- V. Conversion under Pennsylvania common law;
- VI. Declaratory Judgment.

On 23 May 2011, Defendants Ivory Consulting and DLL filed Preliminary Objections to the Second Amended Complaint. The parties subsequently agreed to stay resolution of the Preliminary Objections due to ongoing settlement discussions. However, the settlements discussions failed, and the parties agreed to resume litigation. The Preliminary Objections are ripe for a decision.

Discussion

The standard for preliminary objections is settled:

¹⁰ Second Amended Complaint, ¶¶ 9-10.

¹¹ Second Amended Complaint, ¶15.

¹² Second Amended Complaint, ¶¶ 17, 30.

All material facts set forth in the complaint as well as all inferences reasonably deducible therefrom are admitted as true.... The question presented by the demurrer is whether, on the facts averred, the law says with certainty that no recovery is possible. Where a doubt exists as to whether a demurrer should be sustained, this doubt should be resolved in favor of overruling it.¹³

I. Third Pillar has offered no evidence showing that this Court may exercise personal jurisdiction over Ivory Consulting.

The Preliminary Objections of Defendant Ivory Consulting attack Third Pillar's Second Amended Complaint on grounds this Court lacks personal jurisdiction. The law on personal jurisdiction is clear:

A state may exercise in personam jurisdiction over a non-resident defendant based either upon the specific acts of the defendant which gave rise to the cause of action or upon the defendant's general activity within the state.

* * *

The standard which must be met by a state in asserting specific personal jurisdiction over a non-resident ... is clear: (1) the non-resident defendant must have sufficient minimum contacts with the forum state and (2) the assertion of in personam jurisdiction must comport with fair play and substantial justice.

* * *

On the other hand, when a State exercises personal jurisdiction over a defendant in a suit not arising out of or related to the defendant's contacts with the forum, the State is exercising general jurisdiction over the defendant.¹⁴

General jurisdiction over corporations may be exercised if (1) the corporation is incorporated or qualifies as a foreign corporation under the laws of this Commonwealth; (2) the corporation consents; or (3) the corporation carries on a "continuous and systematic" part of its business in this Commonwealth.¹⁵

In its Preliminary Objections, Ivory Consulting asserts that Pennsylvania may

¹³ Emplrs. Ins. of Wausau v. DOT, 581 Pa. 381, 389; 865 A.2d 825, 830 (Pa. 2005).

¹⁴ Kubik v. Letteri, 532 Pa. 14-17; 614 A.2d 1110, 1112-1114 (Pa. 1992).

¹⁵ 42 Pa. C.S.A. § 5301(a)(2)(1)-(iii).

exercise neither general nor specific jurisdiction. As to lack of general jurisdiction, Ivory Consulting asserts it has no systematic and continuous contacts with Pennsylvania because it has no presence, employees or agents in this Commonwealth, does not target its advertising or marketing efforts to Pennsylvania, owns or leases no real estate therein, is not registered with the Secretary of State thereof, and keeps in Pennsylvania no bank accounts, mailing address or telephone listings.¹⁶

As to lack of specific jurisdiction, Ivory Consulting asserts it has not “purposefully directed its activities” toward Pennsylvania, or “availed itself of the privilege of conducting activities within” Pennsylvania, and has not invoked “the benefits and protection of its laws.”¹⁷ Specifically, Ivory Consulting asserts that none of its employees ever worked in Pennsylvania on the software originally developed by Third Pillar, and none of them obtained Third Pillar’s confidential information. Ivory asserts that none of its employees obtained Third Pillar’s confidential information because such information is insulated from access by any third party.¹⁸

To support its contention that there is no general or specific personal jurisdiction, Ivory Consulting attached to its Preliminary Objections three separate affidavits. The affidavit of Mark S. Hayes, Chief Executive Officer of Ivory Consulting, states:

5. Ivory has not registered with the Pennsylvania Secretary of State as a foreign corporation doing business in Pennsylvania.
6. Ivory does not pay any taxes to Pennsylvania or any subdivisions thereof. * * *
9. Ivory does not market or advertise its services or

¹⁶ Preliminary Objections of Defendant Ivory Consulting, ¶¶ 12-23.

¹⁷ Preliminary Objections of Defendant Ivory Consulting, ¶¶ 23-24.

¹⁸ Preliminary Objections of Defendant Ivory Consulting, ¶¶ 27-29.

supplies in Pennsylvania.

10. Ivory does not own or lease land or property in Pennsylvania.
11. Ivory does not have any employees in Pennsylvania.
* * *
15. Ivory does not direct any advertising or marketing to residents of Pennsylvania. The company advertises nationwide through its website [which] does not allow customers to enter into contracts with Ivory or otherwise purchase goods or services from Ivory via the Internet. * * *
20. Ivory maintains no bank account in Pennsylvania.¹⁹

The affidavit of Steven Hays-Lohrey, Vice President and Chief Software Architect for Ivory Consulting states:

3. In September 2006, Ivory contracted with DLL to work on ... a new loan origination software platform.... I oversaw all of the computer programming work Ivory conducted on the project.... All of Ivory's computer programmers who worked on the ... Project received information for the project from DLL in California, and performed all of the work on the project in California. * * *
6. DLL did not hire Ivory to combine Third Pillar's software into DLL's software or any other software.... DLL created [a] Pricing Interface Object ("PIO") software.... [which] effectively isolated Third Pillar's ... software and all of its contents from Ivory's ... software....
7. No one from Ivory ever accessed Third Pillar's confidential information or trade secrets at DLL's offices in Pennsylvania. At no point during the ... Project did any of Ivory's employees, contractors, representatives or other agents who worked on the project receive, possess, or even see any of Third

¹⁹ Affidavit of Mark S. Hayes, Replacement to Exhibit B to the Preliminary Objections of Ivory Consulting.

Pillar's ... software, documentation or any other confidential information associated with Third Pillar's software in Pennsylvania or California....

8. None of Ivory's computer programmers who worked on the ... project ... ever worked in, or even visited, DLL's Pennsylvania offices. None of those persons ever provided any programming work for DLL on the Project in Pennsylvania.... All of the programming work on the ... Project took place in California because it was more efficient for the programmers to work on the project there.²⁰

Finally, the affidavit of Steve Gordon, Vice President of Information Technology for DLL, states that—

7. As part of its work in connection with the ... Project, Ivory Consulting ... has ... never been shown any source object code being developed by DLL or any of its Software vendor partners, such as Third Pillar....
8. Any software ... licensed from Third Pillar is protected by a password-controlled system and a log is used to track developer use. Thus, I was able to confirm that Ivory Consulting ... has never been given any access by DLL to any software ... licensed from Third Pillar.²¹

In the Response in Opposition to the Preliminary Objections, Third Pillar denies that Pennsylvania may not exercise personal jurisdiction over Ivory Consulting, but offers no affidavit to rebut the affidavits of Ivory Consulting. The law is clear:

When a defendant challenges the court's assertion of personal jurisdiction, that defendant bears the burden of supporting such objections to jurisdiction by presenting evidence. The burden of proof only shifts to the plaintiff after the defendant has **presented affidavits** or other evidence in support of its preliminary objections challenging jurisdiction.

Hall-Woolford Tank Co. v. R.F. Kilns, Inc., 698 A.2d 80, 82 (Pa. Super.

²⁰ Affidavit of Steven Hays-Lohrey, Exhibit C to the Preliminary Objections of Defendant Ivory Consulting.

²¹ Affidavit of Steve Gordon, Exhibit D to the Preliminary Objections of Defendant Ivory Consulting.

1997).

In Hall-Woolford, Plaintiff in Pennsylvania ordered Defendant in New York to kiln-dry a shipment of cypress lumber needed for the construction of a fermenting vat. Defendant kiln-dried the lumber in New York and shipped it to Plaintiff in Pennsylvania. All shipment arrangements had been made by Plaintiff in Pennsylvania. After receiving shipment, Plaintiff informed Defendant that the lumber had been damaged by improper kiln-drying. Plaintiff sued Defendant and Defendant filed preliminary objections on grounds of lack of general and specific *in personam* jurisdiction. Defendant attached an affidavit to the preliminary objections. The affidavit stated that Defendant—

was a New York corporation with its sole place of business in ... New York, and that [Defendant] did not advertise or otherwise solicit or transact business out of the state. With respect to the particulars of the disputed contract, the execution of the parties' contract occurred in New York and ... [Plaintiff], rather than [Defendant], arranged for transport of the lumber.²²

Plaintiff filed a response in opposition to the preliminary objections. The response in opposition asserted that the activities of Defendant were sufficient to support exercise of specific personal jurisdiction. In addition, Plaintiff attached to its response a counter-affidavit signed by Plaintiff's president. The counter-affidavit merely stated that Defendant, after treating the lumber, loaded it onto a truck and shipped it to Pennsylvania. In other words, the counter-affidavit did not rebut the averment that Plaintiff in Pennsylvania, rather than Defendant in New York, had made all of the arrangements for shipment of the lumber.²³ The Trial Court sustained the preliminary objections and Plaintiff appealed. Affirming the Trial Court's decision, the

²² Hall-Woolford Tank Co. v. R.F. Kilns, Inc., 698 A.2d 80, 82 (Pa. Super. 1997).

²³ Hall-Woolford Tank Co. v. R.F. Kilns, Inc., 698 A.2d at 82 (Pa. Super. 1997).

Pennsylvania Superior Court explained:

... once the party opposing jurisdiction has supported his objection with competent evidence, the burden shifts to the party asserting jurisdiction to prove that, both statutorily and constitutionally, personal jurisdiction is proper. Presently, in support of its preliminary objections opposing jurisdiction, [Defendant] submitted an affidavit wherein it claimed that [Plaintiff] made all of the shipping arrangements for the lumber.

In its answer to [Defendant's] objections, [Plaintiff] did not affirmatively aver, let alone offer proof, of which company arranged for the cypress to be shipped from New York to Philadelphia. Instead, [Plaintiff] merely stated that [Defendant's] employees loaded the cypress onto a truck which then traveled from New York to Philadelphia....

In sum, when presented with the opportunity to rebut the averment that it shipped the goods ... [Plaintiff] proffered evidence which was, at best, inconclusive. Vague evidentiary support such as this is insufficient to sustain the proponent's burden of proving that jurisdiction is proper.²⁴

In this case, Ivory Consulting has submitted three affidavits as evidence that this Court lacks both general and specific personal jurisdiction. As to lack of general jurisdiction, Ivory Consulting submitted an affidavit specifically stating that Ivory Consulting maintains no presence in this Commonwealth, does not direct any marketing efforts to Pennsylvania, maintains no real estate, bank accounts, mailing or address listings therein, and is not registered with the Secretary of State of Pennsylvania.²⁵ As to lack of specific jurisdiction, Ivory Consulting submitted two affidavits stating that no employee of Ivory Consulting worked in Pennsylvania, or accessed or received any software or confidential information associated with Third Pillar.²⁶ By contrast, Third Pillar has offered no affidavit to rebut that this Court lacks general and specific personal jurisdiction, other than to vaguely deny lack of personal jurisdiction in its Response in

²⁴ Hall-Woolford Tank Co. v. R.F. Kilns, Inc., 698 A.2d at 84.

²⁵ Affidavit of Mark S. Hayes, Replacement to Exhibit B to the Preliminary Objections of Ivory Consulting.

²⁶ Affidavits of Steven Hays-Lohrey and Steve Gordon, Exhibits C and D to the Preliminary Objections of Defendant Ivory Consulting.

Opposition to the Preliminary Objections of Ivory Consulting. Third Pillar has failed to sustain its burden of proving that jurisdiction is proper, the Preliminary Objections of Ivory Consulting are sustained, and all claims asserted by Third Pillar against Ivory Consulting in the Second Amended Complaint are dismissed.

II. Third Pillar should have asserted the Instant Claims in the Federal Action.

The Preliminary Objections of DLL assert that “Third Pillar’s claims in this lawsuit should have been raised as a compulsory counterclaim in the pending Federal Action under Fed. R. Civ. P. 13.”²⁷ DLL concludes that failure by Third Pillar to assert the instant claims in the “first” Federal Action precludes Third Pillar from asserting the claims in the “later” Instant Action.²⁸

The law on compulsory counterclaims is settled:

a counterclaim [which] arises out of the transaction or occurrence that is the subject matter of an opposing party's claim is a compulsory counterclaim within the meaning of Rule 13(a) of the Federal Rules of Civil Procedure....

[A] counterclaim is logically related to the opposing party's claim where separate trials on each of their respective claims would involve a substantial duplication of effort and time by the parties and the courts. Where multiple claims involve many of the same factual issues, or the same factual and legal issues, or where they are offshoots of the same basic controversy between the parties, fairness and considerations of convenience and of economy require that the counterclaimant be permitted to maintain his cause of action. Indeed the doctrine of res judicata compels the counterclaimant to assert his claim in the same suit for it would be barred if asserted separately, subsequently.²⁹

In addition, the Supreme Court of Pennsylvania has held that—

²⁷ Preliminary Objections of Defendant DLL, ¶ 33.

²⁸ Preliminary Objections of Defendant DLL, ¶ 34.

²⁹ Great Lakes Rubber Corp. v. Herbert Cooper Co., 286 F.2d 631, 633, 634 (3d Cir. Pa. 1961) (emphasis supplied).

Rule 13(a) of the Federal Rules of Civil Procedure provides for the filing of a counterclaim in an action based upon a claim arising out of the same occurrence or transaction. If such counterclaim exists, it must be therein pleaded or it is forever barred.³⁰

The language above is clear: a counterclaim is compulsory if it arises out of a transaction or occurrence that is the subject matter of an opposing party's claim. If a compulsory counterclaim exists, it must be pleaded in the action based upon the same transaction or occurrence, or forever be lost.

Nevertheless, Third Pillar denies that the claim of breach-of-contract asserted in the Instant Action was compulsory in the Federal Action, and denies that such a claim should have been asserted by counterclaim therein. Third Pillar relies on the language of Fed. R. Civ. P. 13(a) which states that “a pleading must state as a counterclaim any claim that –**at the time of its service**- the pleader has against an opposing party.”³¹ Third Pillar asserts that at the time it served its proposed Motion for Leave to Amend Answer and To Add Counterclaim, DLL's breach of SCOCSLA had not yet matured because, under that agreement, the time for a potential cure of the breach had not yet elapsed. Third Pillar concludes that since the time for cure had not elapsed, the claim of breach-of-contract had not accrued and could not be compulsory in the Federal Action. Since the claim of breach-of-contract was not compulsory in the Federal Action, Third Pillar is entitled to assert that claim in the instant Second Amended Complaint, alongside the other claims therein. Thus, this Court must determine whether the claim of breach-of-contract, as asserted in Count I of the instant Second Mended Complaint, “existed” and could have been asserted at the time Third Pillar served its proposed

³⁰ London v. Philadelphia, 412 Pa. 496, 499; 194 A.2d 901, 902 (Pa. 1963).

³¹ Brief in Opposition to the Preliminary Objection of Defendant DLL (emphasis supplied).

counterclaim in the Federal Action.

The pertinent provision in the Federal Rules of Civil Procedure states:

Rule 13. Counterclaim and Crossclaim

(a) Compulsory Counterclaim.

- (1) In General. A pleading must state as a counterclaim any claim that **-at the time of its service-** the pleader has against an opposing party if the claim:
 - (A) arises out of the transaction or occurrence that is the subject matter of the opposing party's claim; and
 - (B) does not require adding another party over whom the court cannot acquire jurisdiction.³²

In this case, the record shows that Third Pillar, in the Federal Action, sought to add the claims of Misappropriation of Trade Secrets, Conversion, and an Application for Temporary and Permanent Injunction, but not a claim sounding in breach-of-contract. Admitting as true all material facts alleged in the instant Complaint, and all inferences reasonably deductible therefrom, this Court concludes that Third Pillar would not have attempted to assert in the Federal Action the claims of Misappropriation of Trade Secrets, Conversion, and an Application for Injunctive Relief, unless it had already determined that DLL was in breach of its contractual duties under the SCOCSLA licensing agreement. Since Third Pillar had already determined that DLL had breached SCOCSLA, the claim of breach-of-contract had matured, had become compulsory in the Federal Action, and should have been included with the other claims actually proposed in the Motion for Leave to Amend Answer and To Add Counterclaim. Third Pillar did not include the compulsory claim of breach-of-contract in the Federal Action, and may assert neither that claim, nor any of the other claims asserted in the instant Second

³² FED. R. CIV. P. 13(a)(1) (2012) (emphasis supplied).

Amended Complaint. The Preliminary Objections of Defendant DLL are sustained, and the Second Amended Complaint of Plaintiff Third Pillar is dismissed in its entirety.

By The Court,



Arnold L. New, J.