IN THE SUPERIOR COURT OF THE DISTRICT OF COLUMBIA
Civil Division

AKIN GUMP STRAUSS HAUER & FELD
LLP,

     Plaintiff,

     v.

XCENTIAL CORPORATION, *et al.,*

     Defendants.

Case No. 2022 CA 004744 B
Judge Juliet J. McKenna

Next Event:
Initial Scheduling Conference
January 13, 2023, 9:30 am

JURY TRIAL DEMANDED

DEFENDANTS' ANSWER TO FIRST AMENDED COMPLAINT, AFFIRMATIVE DEFENSES, AND COUNTERCLAIMS

Defendants Xcential Corporation ("Xcential") and Grant Vergottini (collectively "Defendants"), by undersigned counsel, submit the following Answer, Affirmative Defenses, and Counterclaims to the First Amended Complaint filed by Plaintiff Akin Gump Strauss Hauer & Feld LLP ("Plaintiff").

ANSWER

Defendants respond to the individually numbered paragraphs in Plaintiff's Complaint as indicated below. To the extent any specific or general allegation is not addressed in the numbered paragraphs, such allegation is denied.

1.   Denied.

2.   Denied.

3.   Defendants lack sufficient information to admit or deny the allegations as to what Defendant Agnello understood or believed, so they are denied. Otherwise, denied.

4.   Defendants lack sufficient information to admit or deny the first sentence of

Paragraph 4, so it is denied. In the second sentence, Defendants admit that Akin (through Agnello) approached Xcential regarding its LegisPro Software but deny the remaining allegations.

5.   Admitted that Akin and Xcential entered into a non-disclosure agreement ("NDA") but deny the remaining allegations.

6.   Denied.

7.   Admitted.

8.   Admitted that Xcential did not deliver prototype software to Defendants because Defendants did not contract for such software. Admitted that Defendants filed patent applications naming Defendant Vergottini as the inventor. Otherwise, denied including denying any link between Defendants' decision not to have Xcential build them software and Xcential's patent filings.

9.   Denied.

PARTIES

10.   Defendants lack sufficient information to admit or deny, so it is denied.

11.   Admitted.

12.   Admitted.

JURISDICTION AND VENUE

13.   Admitted.

14.   Denied as to subparts (a) and (d); subparts (b) and (c) are admitted.

BACKGROUND

Section A.

15.   Defendants lack sufficient information to admit or deny this allegation, so it is denied.

16.   Defendants deny any suggestion or implication that Agnello is the first or only person to conceive of such an idea. Regarding the remaining allegations, Defendants lack sufficient information to admit or deny these allegations, so they are denied.

17.   Defendants lack sufficient information to admit or deny this allegation, so it is denied.

18.   Admitted.

19.   Admitted only that laws are changed by drafting and presenting a bill to a legislative body, and denied as to the remainder.

20.   Denied.

21.   Admitted.

22.   Admitted.

23.   Defendants lack sufficient information to admit or deny this allegation, so it is denied.

24.   Defendants lack sufficient information to admit or deny this allegation, so it is denied.

25.   Defendants lack sufficient information to admit or deny this allegation, so it is denied.

26.   Defendants lack sufficient information to admit or deny this allegation, so it is denied.

27.   Defendants deny any suggestion or implication that Agnello was the first or only person to conceive of such a system. Regarding the remaining allegations, Defendants lack sufficient information to admit or deny these allegations, so they are denied.

28.   Defendants lack sufficient information to admit or deny the remaining allegations, so the remaining allegations are denied.

29.   Defendants deny any suggestion or implication that Agnello was the first or only person to envision the software described in Paragraph 29, and deny that such conception was "Agnello's software." Regarding the remaining allegations, Defendants lack sufficient information to admit or deny this allegation, so it is denied.

30.   Defendants deny any suggestion or implication that Agnello was the first or only person to conceive of the software described in Paragraph 30. Regarding the remaining allegations, Defendants lack sufficient information to admit or deny these allegations, so they are denied.

Section B.

31.   Admitted only that Agnello wrote to Xcential and had conversations with Mark Stodder, but the remaining allegations are denied.

32.   Admitted only that Xcential advertises itself as a legislative technologies provider that is an industry leader in legislative drafting, Xcential's commercial software tracks "change sets," and Xcential displays change sets as redlines to pending bills or existing statutes (among other features not mentioned in the Complaint).   Defendants lack sufficient information to admit or deny the remaining allegations, so the remaining allegations are denied.

33.   Defendants lack sufficient information to admit or deny this allegation, so it is denied.

Section C.

34.   Admitted only that Stodder demonstrated LegisPro to Akins attorneys and staff at Akins D.C. office and provided pricing sheets and that the demonstrated LegisPro was not

configured to generate federal legislation. Defendants lack sufficient information to admit or deny the remaining allegations, so the remaining allegations are denied.

35. Admitted only that the demonstrated software could not generate new bills as required for federal law and that Agnello explained to Xcential that Akin was interested in a platform for drafting federal bills. Denied that the demonstrated software could only track changes to California laws. Denied that the demonstrated software only allowed for display redlines to an existing statute. Defendants lack sufficient information to admit or deny the remaining allegations, so the remaining allegations are denied.

36. Admitted only that Akin and Xcential spoke several times and that an email from Bozzell includes a reference to "42 U.S.C. 1395w-102." Denied that the quote is complete or accurate. Defendants lack sufficient information to admit or deny the remaining allegations, so the remaining allegations are denied.

37. Admitted that the quoted language appears in an email from Stodder to Bozzell but deny any characterization attributed to the language, and deny the remaining allegations.

38. Admitted only that Xcential provided Akin with two more demonstrations of its LegisPro software in early 2019 in Washington D.C. and admitted the provisional patent application was filed September 12, 2019, but deny the remaining allegations.

39. Admitted only that Xcential made a second follow-up demonstration focused on system architecture to Akins in February 2019, but deny the remaining allegations.

Section D.

40. Admitted that Xcential and Akin entered into an NDA on March 14, 2019, and admit that the quoted text appears in the NDA but without the emphasis added in Paragraph 40. The remaining allegations are denied.

41. Admitted that the quoted text appears in the NDA, but denied as to the emphasis that Defendants added in Paragraph 41. It is further denied that the quoted text constitutes the entire definition of "Confidential Information."

42. Denied.

43. Admitted only that the quoted text appears in the NDA, but denied that it includes the emphasis Defendants added in Paragraph 43. Denied as to the remaining allegations.

44. Denied.

45. Admitted only that the quoted text appears in the NDA, but denied to the extent the allegations contains a legal conclusion.

46. Admitted only that the quoted text appears in the NDA. Denied as to the remaining allegations.

47. The allegations of this paragraph contain legal conclusions to which no response is required. To the extent a response is required, the remaining allegations are denied.

Section E.

48. Admitted only that in April 2019, Xcential provided Agnello and his colleagues with access to a trial version of LegisPro, and that April 2019 is about four-and-one-half months before the provisional patent application was filed. Admitted that the quoted text appears in Xcential's statement of work, but deny the characterization of the text, and deny the remaining allegations.

49. Denied that there was any "failure" in the software. Regarding the remaining allegations, Defendants lack sufficient information to admit or deny these allegations, so they are denied.

50.   Deny the characterizations as to Xcential's understanding. Regarding the remaining allegations, Defendants lack sufficient information to admit or deny these allegations, so they are denied.

51.   Denied that there was any limitation to Xcential's software, and denied that Xcential had a failure to understand. Regarding the remaining allegations, Defendants lack sufficient information to admit or deny these allegations, so they are denied.

Section F.

52.   Denied that May 1, 2019 is just four months before the provisional patent application was filed. Admitted that Agnello and Stodder met in Akin's Washington, D.C. office, but denied as to the remaining allegations.

53.   Admitted that Agnello sent Stodder a draft bill. Admitted the quoted language appeared in an email from Agnello to Stodder. Denied that a reference to "42 U.S.C. 1395w-3" appears in an email from Agnello, as it does not reflect a complete citation. Denied as to the remaining allegations.

54.   Admitted that Grant Vergottini is the Xcential co-founder and CEO. Admitted that Grant Vergottini is the inventor on the Xcential patent application. Admitted that the quoted language appears in an email from Stodder to Agnello, but denied as to the characterization that a bill-drafting process is "[Agnello's] bill-drafting process." Denied as to the remaining allegations.

55.   Admitted that Agnello had a videoconference with Stodder and Vergottini on May 10, 2019, but denied as to the remaining allegations.

56.   Admitted that a videoconference occurred, but denied as to the characterization of the conversation.

57.   Denied, in particular and without limitation as to Akin's characterizations.

58.   Admitted that the quoted language appears in an email from Stodder to Agnello, but denied that Akin's added emphasis was in the original email. Further denied as to Akin's characterizations, and the remaining allegations.

Section G.

59.   Admitted that the quoted language appears in an email from Stodder to Agnello but denied that Akin's added emphasis was in the original email. Further denied as to Akin's characterizations, and the remaining allegations.

60.   Denied.

61.   Admitted that August 2019 is about one month before filing the provisional patent application. Admitted that the quoted language appears in an email attachment from Stodder to Agnello, but denied as to Akin's characterizations, and denied as to the remaining allegations.

62.   Admitted that the quoted language appears in an email from Stodder to Bozzell, but denied as to the characterization, and deny the remaining allegations.

63.   Denied.

64.   Denied.

Section H.

65.   Admitted that on September 12, 2019, without any prior notice to Akin, Xcential filed its U.S. Provisional Patent Application 62/899,384 ("'384 application") from which its U.S. Patent Application 17/018,233 ("'233 application") claims priority. The remaining allegations are denied.

66.   Admitted that the quoted language appears in an email from Stodder to Agnello, but denied as to the characterization, and denied as to the remaining allegations.

67.   Admitted that the quoted language appears in Xcential's proposal in August 2019, but denied as to the remaining allegations.

68.   The allegations of this paragraph contain legal conclusions and Plaintiff's impressions and analysis to which no response is required. To the extent a response is required, the allegations are denied.

69.   Denied as stated, but admitted only that the '233 abstract and the '384 provisional contains the quoted sections.

70.   Admitted, except denied that the emphasis appears in the '233 application.

71.   Denied as stated, and denied that the description echoes information gained from Agnello, but admitted only that the '233 specification and the '384 provisional contains the quoted sections.

72.   Denied as stated, but admitted only that the '233 specification contains the quoted sections. The allegation that Agnello conceived inventions that are in the '233 application contains legal conclusions to which no response is required. To the extent a response is required, that allegation is denied.

73.   Admitted only that the '233 application contains the depicted Figure 1, and denied as to the remaining allegations.

74.   Admitted only that Figures 4-6 illustrate a snapshot document of 42 U.S.C. § 1395w-27a. Denied as to the remaining allegations.

75.   Admitted only that Figure 5 shows "changes made to the snapshot document" done "using some method of change tracking" and the snapshot is of 42 U.S.C. § 1395w-27a. Denied as to the remaining allegations.

76.   Admitted as to the first sentence. Denied as to the remaining allegations.

77.   Admitted that Subchapter XVIII of 42 U.S.C. includes hundreds of sections. Denied as to the characterization of Stodder's communications. Defendants lack sufficient information to admit or deny the remaining allegations, so the remaining allegations are denied.

78.   Denied as stated, but admitted only that claim 6 of the '233 application contains the quoted sections. Denied that Agnello conceived an invention, and denied as to the remaining allegations.
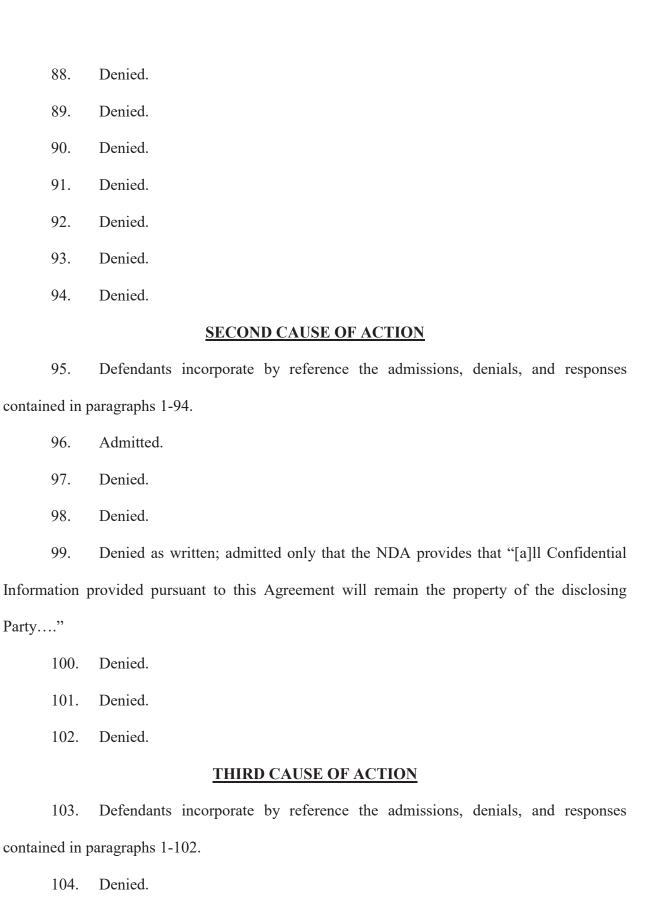
Section I.

79.   Denied that Xcential needed permission or to inform anyone before filing. Admitted that Xcential had contacts with Akin after the filing and re-sent the August 1 proposal outline, but deny the remaining allegations.

80.   Denied.

81.   Denied.

82.   Denied.

83.   Defendants lack sufficient information to admit or deny this allegation, so it is denied.

Section J.

84.   Admitted that the quoted language appears in an email from Stodder to Agnello and admit that Stodder spoke with Akin in January 2020, but denied as to the remaining allegations.

FIRST CAUSE OF ACTION

85.   Defendants incorporate by reference the admissions, denials, and responses contained in paragraphs 1-84.

86.   Denied.

87.   Denied.

88.   Denied.

89.   Denied.

90.   Denied.

91.   Denied.

92.   Denied.

93.   Denied.

94.   Denied.

SECOND CAUSE OF ACTION

95.   Defendants incorporate by reference the admissions, denials, and responses contained in paragraphs 1-94.

96.   Admitted.

97.   Denied.

98.   Denied.

99.   Denied as written; admitted only that the NDA provides that "[a]ll Confidential Information provided pursuant to this Agreement will remain the property of the disclosing Party…."

100.   Denied.

101.   Denied.

102.   Denied.

THIRD CAUSE OF ACTION

103.   Defendants incorporate by reference the admissions, denials, and responses contained in paragraphs 1-102.

104.   Denied.

105.	Denied.

106.	Denied.

107.	Denied.

PRAYER FOR RELIEF

The allegations of the Wherefore paragraph do not require a response, but Defendants deny that Plaintiff is entitled to the relief sought. To the extent a response is required, the allegations of the Wherefore paragraph are denied.

AFFIRMATIVE DEFENSES

FIRST AFFIRMATIVE DEFENSE
(Failure to State a Claim Upon Which Relief May Be Granted)

Plaintiff has failed to state a claim upon which relief can be granted against Defendants.

SECOND AFFIRMATIVE DEFENSE
(Failure of Consideration)

Plaintiff's second and third cause of action are barred based on a failure of consideration because Akin did not offer anything in consideration for anything that Xcential may or may not have done for Akin.

THIRD AFFIRMATIVE DEFENSE
(Latches)

Plaintiff's claims are barred by the doctrine of laches because it waited an unreasonable period of time to file this action and that prejudicial delay has worked to the detriment of Defendants.

FOURTH AFFIRMATIVE DEFENSE
(No Injury)

Plaintiff has not sustained any losses, damages, or detriment of any sum or amount whatsoever as a result of any act or acts, fault, carelessness, recklessness, or other alleged breach of duty on the part of Defendants.

FIFTH AFFIRMATIVE DEFENSE
(Statute of Limitations)

Under either District of Columbia or Delaware law, the statute of limitations to bring a trade secret claim is three years. The Complaint alleges that Xcential filed its patent application on September 12, 2019, and this Complaint was filed more than three years after that date.

FIRST AMENDED COUNTERCLAIMS OF DEFENDANTS XCENTIAL CORPORATION AND GRANT VERGOTTINI AGAINST PLAINTIFFS AKIN GUMP STRAUSS HAUER & FELD LLP

Counterclaim Plaintiff Xcential Corporation ("Xcential" or "Counterclaim Plaintiff"), by and through its undersigned counsel, files this Complaint against Counterclaim Defendants Akin Gump Strauss Hauer & Feld LLP ("Akin" or "Counterclaim Defendant Akin") and Louis Agnello ("Agnello" or "Counterclaim Defendant Agnello") (collectively "Counterclaim Defendants") as follows:

NATURE OF THE ACTION

1.   This is a civil action against Counterclaim Defendants for breach of contract, misappropriation of trade secrets, misappropriation of confidential information, breach of implied contract, and slander of title.

THE PARTIES

2.   Counterclaim Plaintiff Xcential is a Delaware corporation with its principal place of business at 841 2nd Street, Encinitas, CA 92024.

3.   Upon information and belief, Counterclaim Defendant Akin, operates as a limited liability partnership under the laws and regulations of numerous jurisdictions both inside and outside of the United States. Upon information and belief, Akin, headquartered in Washington, D.C., is an American international law firm and one of the largest lobbying firms in the United

States, by revenue. Upon information and belief, Akin has more than 1,000 attorneys, with offices across the country and the world, including in Washington, D.C.

4.   Upon information and belief, Counterclaim Defendant Agnello is a counsel in Akin's Washington, D.C. office and advises clients on a wide range of health care policy, regulatory and legislative issues.

JURISDICTION AND VENUE

5.   This Court has general jurisdiction over this matter pursuant to D.C. Code § 11-921 and personal jurisdiction over Counterclaim Defendants under D.C. Code § 13-422.

6.   This Court has personal jurisdiction over Counterclaim Defendant Akin as its headquarters is located in Washington, D.C.

7.   This Court has personal jurisdiction over Counterclaim Defendant Agnello as he is based in Washington, D.C.

8.   Venue is proper in this District as Counterclaim Defendants are based in Washington, D.C.

BACKGROUND

9.   Xcential is a small technology company based in Encinitas, California, specializing in providing software for legislative drafting, amending, and publishing. Xcential's customers include various organizations within the U.S. Congress, state legislatures, and other legislative bodies around the world.

10.   Mr. Grant Vergottini ("Vergottini") is the co-founder and CEO of Xcential. In his early career from 1985 to 1997, Vergottini focused on the design of electronic systems using his technical background in computer-aided engineering. As part of this experience, Vergottini developed language-based design software where the behavior of an electronic system was

described in a computer language and then, through a series of simplifying transformations, that description was refined into a manufacturable design description. This process was called "design synthesis," which helped Vergottini form the backbone of the solutions developed in legal informatics.

11. Xcential provides amendment-generation technologies to extract amending language from a bill, statute, or regulation by examining track changes, which are formatted as proposed amendments. Xcential first developed this technology in 2009 for the State of California.

12. In the process of developing its solution for the State of California, the UK and Scottish Parliaments, and with the U.S. House of Representatives, Xcential learned of two primary styles of amending. *Amending in full* means that a provision is restated with changes shown as insertions or deletions, which may be found in bills that amend U.S. state laws. *Cut-and-bite* amending means that specific changes to words are identified and described using complex amending language, which may be found in almost all bill amendments (changes being proposed to a bill in process) and amending bills (bills that amend existing law) and regulations at the U.S. federal level and in many other jurisdictions around the world.

13. Over the course of Xcential's two decades of experience developing and implementing amendment-generation technologies for governments, Xcential and Vergottini have long discussed potential software solutions to improve the *cut-and-bite* amending processes, long before they ever met Agnello. Xcential and Vergottini engaged in discussions with legislative bill drafting and codification professionals who suggested, for example, implementing automated *cut-and-bite* bill generation at the U.S. federal level and methods to automatically update databases of laws.

14.   Before Xcential was founded and decades before Agnello approached Xcential, a Ph.D. thesis by Tim Arnold-Moore titled, "Information Systems For Legislation" from January 1998 contemplated software systems to improve the *cut-and-bite* amending processes. Arnold-Moore later implemented some of these systems for in-context amending in his Teratext software, which is now owned and marketed by Leidos, a global provider of software solutions.

15.   Vergottini has authored numerous blog posts on legal information technology and, in July 2013, Vergottini authored a blog post discussing the different ways bill amendments may be rewritten and advocated for an *amendment-in-context* approach to drafting amendments at https://legixinfo.wordpress.com/2013/07/08/transparent-legislation-should-be-easy-to-read/ (last accessed December 7, 2022).

16.   In 2016, Xcential began a new project with the U.S. House of Representatives to modernize and bring automation tools to the process of compiling the *cut-and-bite* amendments into the U.S. Code. As a part of this project, Xcential developed several new technologies.

- Class Act: Xcential applied modern automation to a traditional manual process, which had previously relied on creating a series of 3x5 index cards to list the provisions to be amended. These cards had been used to record and verify the detailed changes being applied to the U.S. Code.

- Change Sets: Xcential developed a more sophisticated mechanism to groups and annotated sets of changes to be able to handle more complex insertions and deletions. Xcential filed a U.S. Provisional Application No. 62/696,566 ("Method for extending track changes in an XML document to allow for groupings and nesting of changes") on July 11, 2018.

17.   In September 2018, Counterclaim Defendant Agnello approached Xcential to try out Xcential's LegisPro bill drafting and amending software ("Software") to assess whether the Software could simplify the management of bill drafting practice.

18.   Counterclaim Defendant Agnello does not have expertise in software coding. Upon information and belief, Counterclaim Defendant Agnello holds no degrees or certifications in computer science or software coding–related fields.

19.   In response to Counterclaim Defendant Agnello's request, Xcential provided several demonstrations of its Software in 2018 and 2019. As a general demonstration of the Software, the Change Set mechanism was shown as a feature to group different amendments together. Xcential also provided a white paper that explains the Change Set mechanism.

20.   On February 20, 2019, Counterclaim Defendant Agnello suggested that he could start using the Software to draft bills he was working with at that time. From Xcential's viewpoint, Counterclaim Defendant Agnello's suggestion was not a reasonable expectation as the Software requires extensive configuration and customization to suit any jurisdiction's drafting styles.

21.   In March 2019, Xcential and Counterclaim Defendants discussed the scope of an evaluation, pared down the amount of the U.S. Code to be converted, and entered into a Non-Disclosure Agreement ("NDA").

22.   In response to Counterclaim Defendant Agnello's request, on or about April 25, 2019, Xcential provided copies of the Software to Counterclaim Defendant Agnello and several of his colleagues, subject to Xcential's End User License Agreement ("EULA") for the Software. Xcential additionally provided Counterclaim Defendant Agnello with a guide to using the Software. Before accessing Xcential's Software, Counterclaim Defendant Agnello accepted the terms of Xcential's EULA.

23.   Counterclaim Defendant Akin and Xcential also entered into a Statement of Work on April 18, 2019, for a limited, 30-day trial license for Akin to use Xcential's Software. The Statement of Work incorporates the EULA by reference. The Statement of Work was signed by Stodder, on behalf of Xcential, and Joseph Bush, Manager of IT Administration, on behalf of Akin.

24.   The entire text of the EULA was emailed to Counterclaim Defendant Akin on March 14, 2019, and in that email Stodder asked "[l]et me know if you have any feedback" in relation to the EULA. Counterclaim Defendant did not provide any feedback to the terms of the EULA.

25.   A link to the EULA is displayed on the start page of Xcential's Software. The EULA is a conditional, limited license agreement between Xcential and its users. Under the EULA, Xcential agrees to conditionally license to its users the right to use the Software, subject to certain terms, restrictions, and conditions. Among other provisions, the EULA expressly conditions the users' use of the Software as limited to evaluation, trial, development, and educational purposes only. The Software shall not be used for any production or commercial purposes.

26.   The EULA also expressly conditions access to the Software on the users' promise to acknowledge that the Software, all copies of the Software, any derivative works, compilations, and collective works of the Software, and any know-how and trade secrets related to the Software are the sole and exclusive property of Xcential and contain Xcential's and/or its licensors' confidential and proprietary materials. Thus, it is not possible for a user, including Counterclaim Defendant Agnello, to lawfully obtain access to the Software without expressly consenting to the EULA.

27.   Further, Xcential hired a third-party contractor at Xcential's expense to convert some sample data that Counterclaim Defendant Agnello had provided into an XML format that could be read by the Software.

28.   On May 1, 2019, Counterclaim Defendant Agnello tested out the Software and realized that the Software did not work the same way he had anticipated, as Xcential could have told him.

29.   On May 10, 2019, Xcential met with Counterclaim Defendant Agnello and his colleagues in Akin's Washington D.C. office and via GotoMeeting to better understand issues that Counterclaim Defendant Agnello had with the Software. Here, Counterclaim Defendant Agnello explained that he wanted to generate a bill by marking up the U.S. Code using track changes and then using the Software's amendment generator.

30.   Xcential explained to Counterclaim Defendant Agnello that applying the track changes to the U.S. Code was not an easy task for many reasons. While bill amendments are a simple list of proposed changes, a bill is a complex hierarchy of changes organized by several parameters such as the part of the law being amended, the type of effect being proposed, effective dates, and the policy being proposed. Counterclaim Defendant Agnello did not understand the problem with directly amending the U.S. Code. Upon information and belief, Counterclaim Defendant Agnello could not have proposed a solution because he has no ability to write software code or experience designing software code.

31.   During this meeting, Xcential suggested that Xcential's more recent projects had developed new technologies and these new technologies might solve the problem. Counterclaim Defendant Agnello said that if Xcential were to find a way to solve this problem, all of K Street would throw a parade for Xcential.

32.   In reliance on Counterclaim Defendant Agnello's statement regarding a K Street Parade, Xcential built a prototype software addressing the problem at Xcential's own cost and without any promise of payment from Counterclaim Defendants. This prototype was based on two key Xcential technologies: "Change Set" and a mechanism to create an artificial document of extracted portions of the U.S. Code, later dubbed as a "Snapshot." The Snapshot technology extracts provisions to be amended into a more manageable document instead of directly tracking changes to the U.S. Code. Xcential developed the Snapshot technology from Xcential's recent experience in federal projects, without any assistance or input from Counterclaim Defendants. As a result, producing an amending bill rather than a bill amendment became possible for Xcential's amendment generator. As this process involved a sequence of transformational stages of information processing, Xcential named this technology "Bill Synthesis," reflecting the similarity to Vergottini's decades-old experience in design synthesis.

33.   On August 29, 2019, Xcential had a follow-up meeting with Counterclaim Defendant Agnello in Counterclaim Defendant Akin's Washington D.C. office to demonstrate the results of Xcential's prototype software. After the demonstration, Counterclaim Defendant Agnello was astonished and exclaimed "Holy Shit" over and over. However, when Xcential proposed a small project to implement a real system for somewhere between $55,000 and $190,000, which was only 5-10% of what Xcential would normally charge a government customer, Counterclaim Defendants' interest in the project waned, and they stopped engaging Xcential.

34.   On September 12, 2019, Xcential filed a U.S. Provisional Patent Application No. 62/899,384 directed broadly to inventions related to Xcential's Bill Synthesis from which its U.S. Patent Application No. 17/018,233 ("'233 Application") claims priority. Here, claims concern the

extension Xcential made to Change Sets and the Snapshot technology Xcential used to simplify the problem of amending the U.S. Code ("Invention").

35.   On March 17, 2022, Counterclaim Defendant Akin filed a petition to institute a derivation proceeding with respect to the '233 Application, claiming that Counterclaim Defendant Agnello conceived of and communicated the Invention before the priority date of the '233 Application.

COUNT I - BREACH OF CONTRACT (EULA)

36.   Xcential incorporates herein the allegations set forth in paragraphs 1 through 35 above.

37.   Counterclaim Defendant Agnello has assented to the EULA. The EULA restricts the contracting party from using the Software for any production or commercial purposes. Additionally, the EULA provides that the user acknowledges that the Software, all copies of the Software, any derivative works, compilations, and collective works of the Software, and any know-how and trade secrets related to the Software are the sole and exclusive property of Xcential and contain Xcential's and/or its licensors' confidential and proprietary materials. The EULA further provides that the user agrees not to make Xcential's confidential information available in any form to any unauthorized third parties, and that the user agrees to take all reasonable steps to ensure that Xcential confidential information is not disclosed or distributed by the user in violation of the EULA.

38.   Counterclaim Defendants have breached the EULA, in violation of the laws of the State of California, by, among other things, using the Software for any commercial purposes other than evaluation and trial purposes, as well as by making Xcential's confidential information available in any form.

39.   As a result of Counterclaim Defendants' actions, Xcential has suffered damage in an amount to be proven at trial, including but not limited to loss of goodwill among users of the Software, and decreased profits.

40.   Counterclaim Defendants have breached the EULA, by reason of which Xcential has suffered and, unless Counterclaim Defendants are enjoined, will suffer harm and irreparable injury, in addition to monetary damage. Xcential is entitled to specific performance of the EULA, and/or temporary, preliminary and permanent injunctions prohibiting further acts of breach.

COUNT II - MISAPPROPRIATION OF TRADE SECRETS

41.   Xcential incorporates herein the allegations set forth in paragraphs 1 through 40 above.

42.   Xcential's software including its bill drafting techniques, know-how, methods, models, and processes constitute trade secrets and confidential and proprietary information. Xcential has maintained this information in confidence, and it is not generally known to other persons or the public who could obtain economic value from the disclosure or use of such information. This information is a valuable asset of Xcential and has independent economic value.

43.   Counterclaim Defendant Akin has agreed under the EULA that the Software, all copies of the Software, any derivative works, compilations, and collective works of the Software constitute trade secrets.

44.   Xcential's software packages are (1) non-public information; (2) protected by reasonable measures; and (3) which derive independent economic value from not being known to other persons. In particular, Xcential's software packages derive independent economic value, actual or potential from not being generally known to other persons, who can obtain economic value from its disclosure or use of the information.

45.   Xcential took reasonable measures to maintain the secrecy of its software, which include, but are not limited to: (1) limiting access to confidential information about the software; (2) requiring third parties to execute strict non-disclosure agreements before being allowed to access the software; and (3) requiring user credentials for access to the software.

46.   During the period between March 2019 and August 2019, Xcential disclosed its trade secret and confidential information to Counterclaim Defendant Agnello pursuant to both the NDA and the EULA.

47.   Upon information and belief, to the extent that Counterclaim Defendant Agnello invented any amendment generation software, it was necessarily done based upon and using Xcential's software, as well as its disclosed confidential information under the express restrictions of the EULA, which prohibited such use.

48.   Counterclaim Defendant Agnello misappropriated Xcential's trade secret and confidential information by deliberate actions, which include but are not limited to breach of his confidential obligations in the EULA.

49.   Based on the willful and intentional misappropriation of Xcential's trade secret, Xcential should be awarded damages including actual loss and disgorgement of unjust enrichment caused by the misappropriation; an equitable accounting for all profits or benefits arising out of such breach; and all other remedies in equity and law, including recovery of its costs and legal fees.

50.   Counterclaim Defendants, jointly and severally, have wrongfully profited from their misappropriation and have caused Xcential damages and irreparable harm. Counterclaim Defendants' conduct was intentional, willfully and wantonly reckless, malicious, and/or grossly negligent, which justifies an award of punitive damages.

COUNT III - MISAPPROPRIATION OF CONFIDENTIAL INFORMATION

51.   Xcential incorporates herein the allegations set forth in paragraphs 1 through 50 above.

52.   Counterclaim Defendants had access to Xcential's confidential information only because of the relationship between the parties, which was governed expressly by confidentiality restrictions in the EULA and NDA.

53.   Counterclaim Defendants did not have access to the same information without this relationship because otherwise Counterclaim Defendants would not have developed the K-Street Invention from which to implement the amendments with similar functionality to the Invention.

54.   Upon information and belief, Counterclaim Defendants did not have access to the same information without their relationship with Xcential, because otherwise Counterclaim Defendants could have created their own method or process of bill drafting without the necessity of engaging with or requiring disclosure from Xcential.

55.   Counterclaim Defendants are in the legal service business and using Xcential's confidential information provides a competitive benefit at the expense of Xcential. Further, Counterclaim Defendants have misappropriated Xcential's confidential information for their own personal benefit. As a result, Counterclaim Defendants have been unjustly enriched based upon the misappropriation of the confidential information.

56.   Counterclaim Defendants, jointly and severally, have wrongfully benefited from their misappropriation and have caused Xcential damages and irreparable harm. Upon information and belief, Counterclaim Defendants' conduct was intentional, willfully and wantonly reckless, malicious, and/or grossly negligent, which justifies an award of punitive damages.

COUNT IV - BREACH OF IMPLIED CONTRACT

57.   Xcential incorporates herein the allegations set forth in paragraphs 1 through 56 above.

58.   For a contract to exist, it need not be memorialized in a written form. Even if an express written contract does not exist, a contract may be "implied in fact" as a result of "an inference from the facts and circumstances of the case." Although not formally stated in words, an implied-in-fact contract is derived from the presumed intention of the parties as indicated by their conduct.

59.   During the period between March 2019 and August 2019, the parties operated under an implied-in-fact contract. By virtue of the actions, statements, and conduct between Akin, on the one hand, and Xcential, on the other hand, an implied contract was created between and among the parties, if an enforceable express contract did not exist, whereby Xcential committed to contribute various resources to delivering updated Xcential software to Counterclaim Defendants that would meet the needs of Counterclaim Defendant Agnello, in exchange for financial compensation from Counterclaim Defendants. This alleged course of conduct suffices to establish the existence of an implied contract.

60.   Xcential complied with this implied contract. Xcential provided hundreds of hours of services, disclosed its trade secrets and confidential information, and made capital contributions towards the launch of more advanced Xcential software. After receiving the benefits of the labor and skills from Xcential, Counterclaim Defendants breached the implied contract by rejecting the project as soon as financial terms were discussed and tried to file a patent on the work Xcential performed. Counterclaim Defendants' conduct was also a breach of the duty of commercial reasonableness.

61.   As a direct and proximate result of Counterclaim Defendants' acts, Xcential has been severely damaged and is entitled to damages in the amount to be determined at trial.

COUNT V - SLANDER OF TITLE

62.   Xcential incorporates herein the allegations set forth in paragraphs 1 through 61 above.

63.   The actions of Counterclaim Defendants – falsely claiming to the United States Patent and Trademark Office that Agnello is a true inventor of the Invention – constitute slander of title and rights of and to property and assets of Xcential, including, without limitation, title and rights of and to the Invention, and the claim of inventorship of the same.

64.   As a direct and proximate result of Counterclaim Defendants' conduct, Xcential has been severely damaged and is entitled to damages in an amount to be determined at trial and punitive damages against Counterclaim Defendants.

PRAYER FOR RELIEF

WHEREFORE, Counterclaim Plaintiff Xcential respectfully requests the following relief:

i.   Enter judgment in favor of Xcential and against Counterclaim Defendants based on Counterclaim Defendants' misappropriation of trade secrets and confidential information;

ii.   An award of damages to Xcential in an amount to be determined at trial for Counterclaim Defendants' breach of contract (EULA);

iii.   An award of damages to Xcential in an amount to be determined at trial for Counterclaim Defendants' misappropriation of trade secrets;

iv.   An award of damages to Xcential in an amount to be determined at trial for Counterclaim Defendants' misappropriation of confidential information;

v.   An award of damages to Xcential in an amount to be determined at trial for Counterclaim Defendants' breach of implied contract;

vi.   An award of damages to Xcential in an amount to be determined at trial for Counterclaim Defendants' slander of title;

vii.   Xcential attorneys' fees and costs for bringing and prosecuting this action;

viii.   Pre-judgment and post-judgment interest at the highest rates allowed by law;

ix.   An order preliminarily and permanently enjoining Counterclaim Defendants and all other persons or entities acting in concert with Counterclaim Defendants from representing that Agnello is an inventor of the Invention, and otherwise violating Xcential's rights as set forth hereinabove; and

x.   Any such other and further relief as it deems proper and just.

JURY DEMAND

Xcential demands a trial by jury on all issues so triable.

Date: December 7, 2022

Respectfully submitted,

HOLLAND & KNIGHT LLP

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