SUPERIOR COURT OF THE DISTRICT OF COLUMBIA
CIVIL DIVISION

AKIN GUMP STRAUSS HAUER & FELD, LLP, **Plaintiff,** **v.** **XCENTIAL CORPORATION and GRANT VERGOTTINI,** **Defendants.**	**Case No. 2022 CA 004744 B** **Judge Juliet J. McKenna** **Next Event: Initial Scheduling Conference February 24, 2023 at 9:30 a.m.**
XCENTIAL CORPORATION and GRANT VERGOTTINI, **Counter-Plaintiffs,** **v.** **AKIN GUMP STRAUSS HAUER & FELD LLP and LOUIS AGNELLO,** **Counter-Defendants.**	

ORDER

On December 7, 2022, Xcential Corporation and Grant Vergottini (hereinafter "Xcential," "Mr. Vergottini," or collectively, "Defendants") filed an Answer to the Amended Complaint and asserted counterclaims against Akin Gump Strauss Hauer & Feld LLP and Louis Agnello, an Akin Senior Counsel, (hereinafter "Akin," "Mr. Agnello" or collectively "Counter-Defendants") to include (1) Breach of Contract – End User License Agreement (hereinafter "EULA"); (2) Misappropriation of Trade Secrets; (3) Misappropriation of Confidential Information; (4) Breach of Implied Contract; and (5) Slander of Title.

On December 22, 2022, Akin and Mr. Agnello filed a Motion to Dismiss the Counterclaims. Xcential and Mr. Vergottini filed an Opposition on January 26, 2023, to which the Counter-Defendants filed a Reply.[1] The Motion, now ripe for review, is granted in part and denied in part.

<u>Legal Standard</u>

To determine whether a claim survives a motion to dismiss, a court must conduct a two-pronged inquiry, examining whether the claim includes well-pled factual allegations and whether such allegations plausibly entitle the Plaintiff to relief. *See Potomac Dev. Corp. v. District of Columbia*, 28 A.3d 531, 544 (D.C. 2011) (citing *Ashcroft v. Iqbal*, 556 U.S. 662, 677–78 (2009)). "A claim has facial plausibility when the Plaintiff pleads factual content that allows the court to draw the reasonable inference that the Defendant is liable for the misconduct alleged." *Id.* (quoting *Iqbal*, 556 U.S. at 678). The applicable standard of review requires the trial court to "accept[] the [factual] allegations in the complaint as true and view[] all facts and draw[] all reasonable inferences in favor of the plaintiff." *Tingling-Clemmons v. District of Columbia*, 133 A.3d 241, 245 (D.C. 2016) (citing *Hillbroom v. PricewaterhouseCoopers LLP*, 17 A.3d 566, 572 (D.C. 2011)). "To survive a motion to dismiss, the complaint need only contain sufficient factual matter, accepted as true, to state a claim to relief that is plausible on its face." *Atkinson v. D.C.*, 281 A.3d 568, 570 (D.C. 2022) (internal quotations and citations omitted). While a court "must accept as true all of the allegations contained in a Complaint," "threadbare recitals of the elements of a cause of action, supported by mere conclusory statements, do not suffice" to survive a motion to dismiss. *Iqbal*, 556 U.S. at 78.

[1] All pleadings were timely filed pursuant to the briefing schedule set forth in the Court's December 29, 2022 written order.

Analysis

As an initial matter, Akin and Mr. Agnello assert that each of the Defendants' counterclaims are barred by the *Noerr-Pennington* doctrine. This doctrine derives from two Supreme Court antitrust cases, *Eastern Railroad Presidents Conference v. Noerr Motor Freight. Inc.*, 365 U.S. 127 (1961) and *United Mine Workers v. Pennington*, 381 U.S. 657 (1965). Taken together, these cases stand for the proposition that, under the First Amendment, private parties are immune from liability under antitrust laws for attempts to influence the passage or enforcement of laws, even if the laws would have an anticompetitive impact or effect.

The doctrine has been applied and expanded by lower courts, including the D.C. Circuit and D.C. Court of Appeals, to "stand for the proposition that when a person petitions the government for redress, the First Amendment prohibits any sanction on that action . . . so long as that petition was in good faith." *Nadar v. Democratic Nat'l Comm.*, 567 F.3d 692, 696 (D.C. Cir. 2009) (citations omitted). "[T]he Supreme Court has treated lawsuits as petitions." *Id.* Akin and Mr. Agnello argue that their action of filing a petition with the U.S. Patent and Trademark Office (hereinafter "USPTO") to institute a derivation proceeding with respect to the Defendants' pending patent application is a protected action of petitioning government for redress and that they are therefore immunized from civil suit.

In determining the applicability of the *Noerr-Pennington* doctrine, the Court must evaluate whether one party's lawsuit infringes on another party's constitutional right to petition the government for redress of grievances. That is not the situation here. While the Court is unpersuaded by the Defendants' argument that Akin and Mr. Agnello instituted a sham proceeding before the USPTO, the Court finds that the *Noerr-Pennington* doctrine does not extend to breach of contract claims. *See Microsoft Corp. v. Motorola, Inc.*, 795 F.3d 1024, 1047

(9th Cir. 2015); *see also Liqwd, Inc. v. L'Oreal USA, Inc.*, 2019 U.S. Dist. LEXIS 233336 at *40-41 (D. Del. Apr. 30, 2019); *see also Spear Pharms., Inc. v. William Blair & Co., LLC*, 610 F. Supp. 2d 278, 288 (D. Del. 2009) (denying a motion to dismiss a claim for breach of a confidentiality agreement based on the *Noerr-Pennington* doctrine).

Furthermore, at the motion to dismiss stage, the Defendants' counterclaims plausibly implicate actions outside of the Counter-Defendants' petition before the USPTO. And, while not binding upon this Court, other courts "rarely award *Noerr-Pennington* immunity at the motion to dismiss stage, where the Court must accept as true the non-moving party's well-pleaded allegations." *Sonus Networks, Inc. v. Inventergy, Inc.*, 2015 U.S. Dist. LEXIS 9774 at *5 (N.D. Cal. July 27, 2015).

Turning then to the individual counterclaims, the Court finds that the Defendants allege sufficient facts to state plausible claims for relief in Counts 1, 2, 3, and 4 to survive the Motion to Dismiss. However, the Court grants the Motion to Dismiss with respect to Count 5 for failure to plead an essential element.

Count One: Breach of Contract – EULA

To prevail on a breach of contract claim, a party must establish: (1) a valid contract between the parties; (2) an obligation or duty arising out of the contract; (3) a breach of that duty; and (4) damages caused by the breach. *Tsintolas Realty Co. v. Mendez*, 984 A.2d 181, 187 (D.C. 2009). A valid and enforceable contract requires "both: (1) agreement to all material terms, and (2) the intention of the parties to be bound." *Simon v. Circle Assocs.*, 753 A.2d 1006, 1012 (D.C. 2000) (citing *Georgetown Entertainment Corp. v. District of Columbia*, 496 A.2d 587, 590 (D.C. 1985)). Contracts require offer, acceptance, and "must be supported by consideration." *Osseiran v. Int'l Fin, Corp.*, 889 F. Supp. 2d 30, 37 (D.D.C. 2012).

Xcential and Mr. Vergottini allege that Akin and Mr. Agnello were subjected to the End User License Agreement, or EULA, which governed communications and actions related to Xcential's LegisPro bill drafting and amending software. Among other allegations, the Defendants contend that the Counter-Defendants have breached the EULA by using this software for a commercial purpose "other than evaluation and trial purposes, as well as by making Xcential's confidential information available in any form." Ans. to Am. Compl. ¶ 38.

While the Counter-Defendants argue that Defendants have failed to allege a breach of any provision of the EULA, the Court finds that Defendants have adequately asserted a breach of contract. Xcential and Mr. Vergottini plead three plausible EULA breaches: (1) copying Xcential's software to create its own software, (2) modifying and adapting Xcential's software to do so; and (3) pursuing commercial gains from Xcential's software, which the EULA explicitly forbids.

Counts Two and Three: Misappropriation of Trade Secrets and Confidential Information

In support of its counterclaim that Akin and Mr. Agnello misappropriated Xcential's trade secrets and confidential information, Defendants assert that Xcential's software is "(1) non-public information; (2) protected by reasonable measures; and (3) derive independent economic value from not being known to other persons." Ans. to Am. Compl. ¶ 44. Between March and August of 2019, Xcential alleges that it disclosed trade secrets and confidential information, pursuant to the NDA and EULA. *Id.* ¶ 46. Defendants contend that, to the extent that Mr. Agnello "invented any amendment generation software, it was necessarily done based upon and using Xcential's software . . . [and] under the express restrictions of the EULA, which prohibited such use." *Id.* ¶ 47.

While the Counter-Defendants argue that the claims are conclusory, the Court finds that the Defendants have sufficiently alleged all elements in support of such claims, including that Xcential's software is proprietary information and a trade secret and that Xcential made reasonable efforts to maintain the secrecy of the software. The Defendants' assertion that Counter-Defendants have misappropriated both Xcential's trade secrets and confidential information, to the benefit of themselves, satisfies the applicable pleading standard.

Count Four: Breach of Implied Contract

A party seeking relief for a breach of implied contract must show: "(1) valuable services [were] rendered; (2) for the person sought to be charged; (3) which services were accepted by the person sought to be charged, used and enjoyed by him or her; and (4) under such circumstances as reasonably notified the person sought to be charged that the person rendering the services expected to be paid by him or her." *Paul v. Howard University*, 754 A.2d 297, 311 (D.C. 2000) (citing *Vereen v. Clayborne*, 623 A.2d 1190, 1193 (D.C. 1993)); *see also Boyd v. Kilpatrick Townsend & Stockton*, 164 A.3d 72, 81 (D.C. 2017). In order to establish the existence of an implied in-fact contract, a party must also show that all of the necessary elements of an express contract—*i.e.*, offer, acceptance, and consideration—are present. *Paul*, 754 A.2d at 311 (citing *Emerine v. Yancey*, 680 A.2d 1380, 1383 (D.C. 1996)).

The Defendants allege that they had an implied-in-fact contract with the Counter-Defendants. Xcential contends that it provided "hundreds of services, disclosed its trade secrets and confidential information, and made capital contributions towards the launch of" a software, but upon "receiving the benefits of the labor and skills from Xcential," Akin and Mr. Agnello "breached the implied contract by rejecting the protect as soon as financial terms were discussed and tried to file a patent on the work Xcential performed." Ans. to Am. Compl. ¶ 60.

Akin and Mr. Agnello argue that the Defendants are unable to show that Plaintiffs assented to an implied contract, and thus Defendants are unable to establish all requirements to show a breach of implied contract. Xcential and Mr. Vergottini rebut this argument, contending that that they "provided a pricing sheet to Akin and [Mr.] Agnello (clearly indicating it expected payment)[.]" Opp. at 14. Given the liberal pleading standard the Court must apply when assessing a motion to dismiss, the Defendants have set forth an adequately pled factual allegation that, if proven to be true, entitles them to relief.

Count Five: Slander of Title

Lastly, the Defendants allege that the Counter-Defendants' representation to USPTO that Mr. Agnello invented the software constitutes slander of title. Ans. to Am. Compl. ¶ 63. Defendants claim only that the representation was false, not malicious, and thus fail to plead an essential component of the first element of the claim. *Id.* "To establish a claim for slander of title, the [claimant] must prove: (1) a communication relating to the tile of property was false *and malicious* . . ." *Bloom v. Beam*, 99 A.3d 263, 266 (D.C. 2014) (*emphasis added*). Malice may be established "by showing that a party knew that the slanderous statement was false or misleading or that the statement was made with reckless disregard of its truth or falsity[.]" 50 Am. Jur. 2d *Libel and Slander* § 523 (2022).

In their Opposition to the Motion to Dismiss, Defendants argue that it may uncover information in discovery to support its claim of slander of title. Opp. at 14-15. However, "[i]n order to be entitled to obtain discovery . . . , [the claimant] must have alleged facts that, taken as true, would establish the defendants' liability." *Burnett v. Wash. Metro. Area Transit Auth.*, 58 F. Supp. 3d 104, 107 (D.D.C. 2014) (citing *Stokes v. Cross*, 327 F.3d 1210, 1215 (D.C. Cir. 2003)). "Counsel should not be allowed to file a complaint first and thereafter endeavor to develop a cause of action." *Weil v. Markowitz*, 108 F.R.D. 113, 116 (D.D.C. 1985) (citing *Edwards v. Gordon & Co.*, 94 F.R.D. 584, 586, n. 2 (D.D.C. 1982)). Thus, the Court grants the Motion to Dismiss Count Five, Slander of Title.

Conclusion

Wherefore, for the reasons set forth above, it is this 15th day of February, 2023 hereby

ORDERED, that the Counter-Defendants' Motion to Dismiss is **DENIED** with respect to Counts 1, 2, 3 and 4; and it is

FURTHER ORDERED, that Counter-Defendants' Motion to Dismiss is **GRANTED** with respect to Count 5, which is hereby **DISMISSED WITH PREJUDICE.**

SO ORDERED.

Judge Juliet J. McKenna
Superior Court of the District of Columbia

Copies to:

Counsel of Record via Odyssey and electronic mail.