

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

THE CHASE MANHATTAN BANK, :
As Collateral Agent, :
 :
Plaintiff, :
v. :
 :
IRIDIUM AFRICA CORPORATION; IRIDIUM :
CANADA, INC.; IRIDIUM CHINA (HONG KONG) :
LTD.; IRIDIUM INDIA TELECOM LTD.; IRIDIUM :
MIDDLE EAST CORPORATION; IRIDIUM :
SUDAMERICA CORPORATION; KHRUNICHEV :
STATE RESEARCH AND PRODUCTION SPACE :
CENTER; KOREA MOBILE TELECOMMUNICATIONS : Civil Action No:
CORPORATION; LOCKHEED MARTIN CORPORATION; : 00-564 JJF
MOTOROLA, INC.; NIPPON IRIDIUM (BERMUDA) :
LTD.; PACIFIC ELECTRIC WIRE & CABLE CO., :
LTD.; RAYTHEON COMPANY; SPRINT IRIDIUM, :
INC.; STET-SOCIETÁ FINANZIARIA TELEFONICA :
PER AZIONI; THAI SATELLITE :
TELECOMMUNICATIONS CO., LTD.; and VEBACOM :
HOLDINGS, INC., :
 :
Defendants. :

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Attorneys for Defendants Iridium Africa Corporation and Iridium
Middle East Corporation.

MEMORANDUM OPINION

March 29, 2004

Wilmington, Delaware

Farnan, District Judge.

Presently before the Court are the Objections To The Magistrate Judge's Recommendation To Strike Recovery Under The Pledge And Security Agreement And Corporate Ratification filed by The Chase Manhattan Bank ("Chase"). (D.I. 743.) For the following reasons, the Court will not adopt the Report and Recommendation of the Magistrate Judge.

BACKGROUND

The dispute in this case arises from an \$800 million loan Chase extended to Iridium LLC in 1998 (the "Chase Loan"). Chase's Objections relate to the Magistrate Judge's refusal to permit Chase to pursue its Pledge and Corporate Ratification theories at trial. (D.I. 736.) The Pledge and Corporate Ratification theories derive from the Parent Security Agreement by which Iridium LLC purportedly gave Chase its right to call the Members' Reserve Capital Call ("RCC") obligations. By its Pledge and Corporate Ratification theories, Chase alleges that the Members ratified Iridium LLC's pledge of the RCC obligations to Chase because the Members expressly authorized Iridium LLC to enter into the Parent Security Agreement with Chase. Chase alleges that the Members knew Iridium LLC entered into the Parent Security Agreement, that no Member objected to the execution of the Parent Security Agreement, and that the Members benefitted in the \$800 million Chase loaned to Iridium LLC.

In the order denying Chase's motion for reconsideration (D.I.

736), the Magistrate Judge concluded that Chase could not pursue its Corporate Ratification and Pledge theories at trial. The Magistrate Judge reasoned that the Pledge and Corporate Ratification theories necessarily involved the pre-1997 and 1998 LLC Agreements (the "1996 Agreements") because they were based upon the Parent Security Agreement by which Iridium LLC pledged the Members' RCC obligations in the 1996 Agreements to Chase. The Magistrate Judge found that nowhere in its Amended Complaint did Chase "mention" the 1996 Agreements. *Id.* at 9. Based upon this finding, the Magistrate Judge concluded that Chase had not sufficiently pled its Corporate Ratification and Pledge theories.

STANDARD OF REVIEW

A court may overrule a magistrate judge's decision on a non-dispositive matter only if the decision was "clearly erroneous or contrary to law." 28 U.S.C. § 636(b)(1)(A). However, a district court shall conduct a de novo determination of a magistrate judge's decision on a dispositive matter. 28 U.S.C. § 636(b)(1)(C). A magistrate judge's denial of a party's leave to amend is ordinarily a non-dispositive matter. 14 James Wm. Moore, et al., Moore's Federal Practice, §72.02[8]. However, if the denial of the motion to amend disposes of a claim, the magistrate judge's ruling is dispositive in nature. See Continental Cas. Co. v. Dominick D'Andrea, Inc., 150 F.3d 245, 251 (3d Cir. 1998). Applying these principles to the Magistrate Judge's preclusion of Chase's Corporate Ratification and

Pledge theories and denial of Chase's leave to amend, the Court will review the Magistrate Judge's decision de novo because the Magistrate Judge's Report and Recommendation effectively disposed of two of Chase's claims.

DISCUSSION

I. Did Chase Adequately Plead Its Pledge And Corporate Ratification Theories In Its Amended Complaint

In the Report and Recommendation, the Magistrate Judge concluded that Chase could not pursue its Pledge and Corporate Ratification theories because she found that Chase did not "mention" the 1996 Agreements in its Amended Complaint. (D.I. 736 at 9.) In support of the Magistrate Judge's conclusion, the Members contend that Chase's Amended Complaint did not put them on notice of Chase's Pledge and Corporate Ratification theories. Therefore, the Members contend that Chase should not be entitled to now pursue these theories for relief.

In its Objections, Chase contends that the Magistrate Judge committed multiple errors in denying it the opportunity to pursue its Pledge and Corporate Ratification theories at trial. Chase contends that it should be permitted to advance its theories at trial because 1) it satisfied Federal Rule of Civil Procedure 8(a)'s liberal pleading standard; 2) the Defendants opened the door to its theories through their affirmative defenses; and 3) the record in this case has constructively amended its Amended Complaint so as to include the Pledge and Corporate Ratification theories. Finally, Chase contends that the Magistrate Judge erred in refusing to permit Chase to amend

its Amended Complaint. The Court is persuaded by Chase's contention that the allegations in its Amended Complaint satisfy Rule 8(a)'s liberal pleading standards, and therefore, the Court will not adopt the Magistrate Judge's Report and Recommendation.

Federal Rule of Civil Procedure 8(a) provides that a pleading must set forth "a short and plain statement of the claim showing that the pleader is entitled to relief." Fed. R. Civ. P. 8(a)(2). A plaintiff need not set forth in detail the facts upon which its claim is based, "but must provide a statement sufficient to put the opposing party on notice of the claim." 2 James Wm. Moore et al., Moore's Federal Practice § 8.04[1] (citations omitted). Further, "[a]ll pleadings shall be construed as to do substantial justice." Fed. R. Civ. P. 8(f).

The Court concludes that paragraphs forty and twenty-three of the Amended Complaint assert sufficient factual allegations to permit Chase to pursue its theories at trial. In paragraph forty of its Amended Complaint, Chase alleges that:

[The] Members ratified the pledge of the [RCC] obligations to Chase because . . . they expressly authorized Iridium LLC to pledge its rights in respect of the [RCC] obligations to Chase. Upon this express authority and/or apparent authority, Iridium LLC executed the Parent Security Agreement, which pledge Iridium LLC's rights in [the RCC obligations] to Chase. The Iridium Members knew and/or Iridium LLC did not conceal that Iridium LLC executed the Parent Security Agreement . . . and the . . . Members accepted the benefit of the [Chase] Loan and Iridium's use of the funds.

(D.I. 3 at paragraph 40.) Further, paragraph forty incorporated by reference paragraph twenty-three of the Amended Complaint, which

provides:

Iridium LLC's rights in respect of the [RCC] obligations, pledged to Chase through the Parent Security Agreement, pre-existed the October 15, 1997 amendment to Section 4.02 of the Iridium LLC Agreement. The terms of the [RCC] were initially set forth in Section 4.02 of the original Iridium LLC Agreement dated July 29, 1996.

Id. at paragraph 23 (emphasis added).

The Court concludes that these allegations provide an adequate factual basis for Chase's Pledge and Corporate Ratification theories. Further, the Court concludes that paragraph twenty-three of the Amended Complaint explicitly references the 1996 Agreements. Based upon the allegations and the reference to the 1996 Agreements in the Amended Complaint, the Court concludes that Chase satisfied its Rule 8(a) burden of pleading a "short plain statement of the claim showing that the pleader is entitled to relief," Fed. R. Civ. P. 8(a)(2), and therefore, will permit Chase the opportunity to pursue its Pledge and Corporate Ratification theories at trial.

II. Whether the Members Are Prejudiced By Chase's Corporate Ratification and Pledge Theories

Based upon the Court's determination that Chase sufficiently pled its Corporate Ratification and Pledge theories in its Amended Complaint, the Court also concludes that the Members had sufficient notice of Chase's theories of relief. Accordingly, the Court concludes that the Members will not be unduly prejudiced by

permitting these theories to go to trial.¹

CONCLUSION

For the reasons discussed, the Court will not adopt the Report and Recommendation of the Magistrate Judge. An appropriate Order will be entered.

¹ Based upon its conclusion, the Court will not address Chase's remaining objections to the Magistrate Judge's Report and Recommendation.

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TELECOMMUNICATIONS CO., LTD.; and VEBACOM :
HOLDINGS, INC., :
 :
 :
Defendants. :

ORDER

At Wilmington, this 29th day of March 2004, for the reasons
discussed in the Memorandum Opinion issued this date;

IT IS HEREBY ORDERED that:

- 1) The Objections To Magistrate Judge's Recommendations To Strike Recovery Under The Pledge And Corporate Security Agreement And Corporate Ratification (D.I. 743) filed by The Chase Manhattan Bank ("Chase") are **SUSTAINED**;
- 2) The Court **WILL NOT ADOPT** the Magistrate Judge's Report and Recommendation denying Chase the opportunity to pursue its

Pledge and Security Agreement and Corporate Ratification
theories at trial. (D.I. 736.)

JOSEPH J. FARNAN, JR.
UNITED STATES DISTRICT JUDGE