

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

TRUE NORTH COMPOSITES LLC and
TPI TECHNOLOGY INC.,

Plaintiffs,

v.

Civil Action No. 00-157-JJF

HARRIS SPECIALTY CHEMICALS
INC. d/b/a HARDCORE
COMPOSITES, SKW AMERICAS
INC., and SCOTT HEMPHILL,

Defendants.

Allen M. Terrell, Jr., Esquire, and Peter B. Ladig, Esquire of RICHARDS, LAYTON & FINGER, P.A.,
Wilmington, Delaware.

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Attorneys for Defendant Hardcore Composites Operations LLC.

MEMORANDUM OPINION

March 30, 2001

Wilmington, Delaware

FARNAN, District Judge.

Presently before the Court is the Motion to Dismiss filed by Defendant Hardcore Composites Operations LLC (D.I. 117), and Defendant Scott Hemphill's Joinder Motion to Dismiss (D.I. 130). For the reasons stated below, the Court will grant the motions pursuant to 28 U.S.C. § 1367(c)(2).

BACKGROUND

In their Amended Complaint, True North Composites, LLC ("TNC") and TPI Technology, Inc. ("TPI")(collectively "Plaintiffs"), allege that Harris Specialty Chemicals, Inc. ("Harris") agreed to buy certain assets from Plaintiffs as evidenced by an Asset Purchase Agreement. (D.I. 89 at ¶ 16). At the closing of the transaction, TPI and Harris entered into a License Agreement in which TPI agreed to license several of its patents and certain secret trade information relating to those patents to Harris. (D.I. 89 at ¶ 17)(both agreements collectively called "the Agreements"). The License Agreement contained a confidentiality clause. (D.I. 89 at ¶ 19). Plaintiffs allege that Harris failed to meet several of its obligations under the Agreements and therefore, the License Agreement terminated. (D.I. 89 at ¶ 20-30).

Plaintiffs allege that after the termination, SKW Americas, Inc. ("SKW"), Harris's parent corporation, sought a buyer for Harris. Ultimately, Hardcore Composites Operations, LLC ("HCO") bought a division of Harris. (D.I. 89 at ¶ 6, 31, 40). Plaintiffs allege that this sale violated both of the Agreements. (D.I. 89 at ¶ 32).

In response to the Harris-HCO transaction, Plaintiffs filed this lawsuit against Harris,

SKW, HCO, and Scott Hemphill, the sole member and officer of HCO. In their Amended Complaint, Plaintiffs seek: (1) injunctive relief to prevent patent infringement, (2) injunctive relief to prevent misappropriation of trade secrets, (3) injunctive relief to prevent the transfer of the business, (4) damages for breach of contract, and (5) a declaratory judgment. (D.I. 89).

On August 28, 2000, HCO filed a Motion to Dismiss pursuant to Rule 12(b)(1), Rule 12(b)(6), and Rule 12(b)(7) of the Federal Rules of Civil Procedure. (D.I. 117; D.I. 118). Mr. Hemphill joined this motion on September 11, 2000 (D.I. 130). On December 15, 2000, Plaintiffs voluntarily dismissed the patent infringement claim asserted against HCO, (D.I. 198), thus leaving only state claims against HCO and Mr. Hemphill.

DISCUSSION

A. 28 U.S.C. § 1367(c)(2)

District Courts may refuse to exercise their supplemental jurisdiction over state claims¹ if the state claims “substantially predominate[] over the [federal] claim or claims.” 28 U.S.C. § 1367(c)(2). In this case, the infringement claim once asserted against HCO has been dismissed, and the issue of HCO’s liability depends upon the resolution of unique state law issues regarding whether or not a successor to a contract can be held liable to the same extent as the original

¹ Insofar as HCO contends that the Court should not exercise supplemental jurisdiction over these claims because Plaintiffs have not specifically pleaded the basis for such jurisdiction, the Court concludes that such an omission alone is not fatal to Plaintiffs’ claims. In re Ford Motor Co. Ignition Switch Prods. Liab. Litig., 39 F. Supp. 2d 458, 468-69 (D.N.J. 1999)(citing CHARLES WRIGHT & ARTHUR MILLER, 5 FEDERAL PRACTICE & PROCEDURE, § 1207 (2d ed. 1990)).

signatory to the contract.² (D.I. 31 at 8-9). Thus, the Court concludes that state law issues predominate and that dismissal of the remaining claims against HCO is warranted.

Mr. Hemphill is a named Defendant only in Count IV of the Amended Complaint, which asserts the state law claim of misappropriation of trade secrets. (D.I. 89). For the same reasons discussed above regarding HCO, the Court concludes that it should decline to exercise its jurisdiction over the claim asserted against Mr. Hemphill. Mr. Hemphill's involvement in the instant action is primarily through his interest in HCO, and any liability he may have revolves around whether or not he breached an agreement he signed while employed by TNC. Thus, the Court concludes that state law claims predominate and Mr. Hemphill should also be dismissed as a Defendant.

CONCLUSION

For the reasons discussed, the Court concludes that the Motion to Dismiss filed by Defendant Hardcore Composites Operations LLC (D.I. 117), and Defendant Scott Hemphill's Joinder Motion to Dismiss (D.I. 130), should be granted pursuant to 28 U.S.C. § 1367(c)(2).

An appropriate Order will be entered.

² Plaintiffs dispute that all of the state claims are based on a breach of contract theory. However, if the Agreements were not breached, Plaintiffs misappropriation claims will necessarily fail because those claims require "unauthorized use" of trade secrets. In the Court's view, whether or not any use of trade secrets is "unauthorized" depends upon whether the Agreements were breached.

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| HARRIS SPECIALTY CHEMICALS | : | |
| INC. d/b/a HARDCORE | : | |
| COMPOSITES, SKW AMERICAS | : | |
| INC., and SCOTT HEMPHILL, | : | |
| | : | |
| Defendants. | : | |

ORDER

At Wilmington this 30 day of March, 2001, for the reasons set forth in the Memorandum Opinion issued this date;

IT IS HEREBY ORDERED that the Motion to Dismiss filed by Defendant Hardcore Composites Operations LLC (D.I. 117) and Defendant Scott Hemphill's Joinder Motion to Dismiss (D.I. 130) are **GRANTED** pursuant to 28 U.S.C. § 1367(c)(2).

UNITED STATES DISTRICT JUDGE

