UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF OHIO
EASTERN DIVISION

WILLIAM F. SHEA, LLC, et al.,

Plaintiffs,

v.

Case No. 2:10-cv-615
Judge Gregory L. Frost
Magistrate Judge Norah McCann King

BONUTTI RESEARCH, INC.,

Defendant.

OPINION AND ORDER

This matter is before the Court on Plaintiff William F. Shea, LLC's ("Shea LLC") motion for partial summary judgment (ECF No. 93), Defendant Bonutti Research, Inc.'s ("BRI") brief in opposition (ECF No. 104), and Plaintiff's reply memorandum in support of partial summary judgment (ECF No. 107.) Also before the Court are Defendant BRI's motion to supplement the record and to strike (ECF No. 112), Plaintiff Shea's memorandum in opposition (ECF No. 114), and BRI's reply in support (ECF No. 116).

For the reasons set forth below, the Court finds that Plaintiff Shea LLC is entitled to partial summary judgment on the issue of BRI's liability for breach of contract, but is not entitled to a permanent injunction. Accordingly, Shea LLC's motion for partial summary judgment is **GRANTED IN PART AND DENIED IN PART.** BRI's motion to supplement the record and to strike is also **GRANTED.**

I. Factual Background

Dr. Peter Bonutti is an orthopedic surgeon and inventor. Dr. Bonutti has an orthopedic surgery clinic as well as a research and development facility in Effingham, Illinois. In addition to maintaining a clinical practice, Dr. Bonutti has invented a variety of products for use in the

medical field, including products relating to minimally invasive surgery, spinal fixation and disc replacement, bone and soft tissue fasteners, drug eluting technology, biologics, and pharmaceuticals. To facilitate the development and marketing of his inventions, Dr. Bonutti created several companies, including BRI. Dr. Bonutti owns 85 percent of BRI; his brother, Boris Bonutti, owns the remaining 15 percent.

Defendant Shea LLC provides consulting services to clients in the medical industry. Shea LLC's president, William Shea, is a former CEO of three companies and has extensive contacts in the industry. Dr. Bonutti met Mr. Shea in 2001 when BRI was seeking help with its business and marketing efforts related to Dr. Bonutti's inventions and patents. Mr. Shea persuaded Dr. Bonutti that he could find and develop licensing and funding opportunities for Dr. Bonutti's technologies and businesses. As a result, Dr. Bonutti engaged Mr. Shea to be his representative and advisor in early 2002. (Bonutti Decl. ¶ 8, ECF No. 104-2.) At that time, there was no written agreement to memorialize the engagement. (*Id.*)

When Dr. Bonutti engaged Shea's services, BRI was in the midst of litigation with General Surgical Instruments over an agreement relating to BRI's balloon kyphoplasty technology. The dispute concerned Dr. Bonutti's patent portfolio for balloon technology and whether the balloon kyphoplasty technology could be licensed to Kyphon, another company that had expressed interest in the technology. (Bonutti Decl., ¶ 9.) During the spring and summer of 2002, Dr. Bonutti, GSI, and Kyphon were negotiating a resolution to the dispute. Mr. Shea stepped into the negotiations on behalf of Bonutti. The negotiations culminated in a licensing transaction that provided a one-time payment of $15 million to BRI. For his work on the transaction, Dr. Bonutti agreed to pay $3.325 million to Harwich Equity Holdings, a company

owned by Mr. Shea. (*Id.* at ¶ 10.)

When Mr. Shea stepped into the negotiations with GSI and Kyphon, on the other side of the bargaining table was John Andres, who at the time was senior officer of a company that had recently purchased GSI. (*Id.*) While Mr. Shea and Andres were negotiating against each other in the Bonutti/GSI dispute, Andres and Mr. Shea collaborated to each acquire an 8.75% interest in Techsys Medical, LLC. Techsys was a venture owned by Thomas Errico, a prominent spine surgeon and (like Dr. Bonutti) an inventor, and his nephew, J.P. Errico. Mr. Shea did not tell Bonutti about his partnership with Andres or the Erricos. (Bonutti Decl., ¶ 12.)

In November 2002, Mr. Shea entered into a consulting agreement with Fastenetix and SpineCore, two of the Erricos' companies. Fastenetix developed pedicle screws for use during certain spine procedures while SpineCore developed spinal disc replacement technology. Mr. Shea's job as consultant was to help the Erricos sell both companies to major medical device manufacturers. In collaboration with Andres, Mr. Shea later formed Cape Equity Holdings LLC, an entity they would use for pursuing the sale of the Erricos' disc replacement technology in SpineCore. (Def.'s Opp. Ex. F, ECF No. 104-7.) Mr. Shea did not inform Bonutti of the consulting agreement he signed with the Erricos. (Bonutti Decl., ¶ 20.)

A few months later, in 2003, BRI learned that Andres's company, U.S. Surgical, was distributing a line of medical devices that BRI believed to infringe on certain of Dr. Bonutti's patents. BRI and U.S. Surgical later entered into negotiations for a license of BRI's intellectual property. (*Id.*, ¶ 11.) In these negotiations, Mr. Shea and Andres were again on opposite sides of the bargaining table, with Mr. Shea representing BRI and Andres representing U.S. Surgical and U.S. Surgical's parent company, Tyco. The parties reached an agreement under which BRI

received $3.5 million from Tyco and royalties going forward. (*Id.*) At the time Dr. Bonutti approved this deal, he had no knowledge of Mr. Shea's business relationship with Andres. (*Id.*)

B. Consultant Agreement

In August 2003, BRI and Shea LLC executed a Consultant Agreement to memorialize the parties' business relationship. (Def.'s Opp. Ex. H.) Though signed in August 2003, the parties made the Agreement effective as of March 2002 — the beginning of their business relationship — and included provisions referred to work already done by Shea LLC and Mr. Shea on behalf of BRI. The Agreement listed five "Initial Projects" consisting of deals that Shea LLC was already negotiating, four "Current Projects" consisting of potential deals, and also provided for a procedure to add "New Projects" to the Agreement. (Consultant Agreement, ¶¶ 2 and 6, Exh. A, and Exh. B.)

In exchange for Shea LLC's services, BRI was to pay various "fees" as compensation, including commissions on completed transactions. (*Id.*, ¶ 3.) In most cases, Shea LLC was entitled to roughly 25 percent of the gross proceeds from the deals it negotiated, with Shea LLC's right to commissions surviving termination of the Agreement and continuing throughout the life of the royalty stream. (*Id.*, ¶¶ 3 and 15.)

The Consultant Agreement was explicit about the fact that the parties' relationship was not exclusive. BRI had the right to engage any other consultant and Shea LLC was free to represent other clients. (*Id.*, ¶¶ 2, 3(e), and 10(a).) The Agreement provided, however, for certain disclosures to be made in the event that BRI engaged Shea LLC in a "new project," as defined in the Agreement. As to any "new project," Shea LLC was required to provide written notice to BRI if Shea LLC or any of its affiliates "represents another client with respect to a

product which competes with any product covered by the new Project." (*Id.*, ¶ 10(b).) This disclosure was to be made specifically on a "New Project Form," which was included as part of the Agreement. (*Id.*, Exh. D.) The Agreement did not specifically refer to any disclosure obligations for conflicts related to any of the existing or completed projects referenced in the Agreement.

C. BRI Terminates the Agreement

During the four-year period following execution of the Consultant Agreement, Mr. Shea continued to work on projects for BRI. In 2006 and 2007, Mr. Shea helped close deals with Synthes, Biomet, and Arthrocare. In total, from 2002 to 2008, Mr. Shea worked on eight successful transactions that generated nearly $80 million in royalties to BRI. For his work, BRI paid Shea nearly $12 million. (Bonutti Decl., ¶ 18.)

Starting in 2004, however, the relationship between Mr. Shea and Dr. Bonutti began to go south when Dr. Bonutti learned of activities that he believed to be a conflict of interest. In mid-2004, Mr. Shea revealed to Dr. Bonutti that he represented SpineCore and had just completed a deal to sell the company for $360 million. (Bonutti Decl., ¶ 19; Shea Dep. 645.) Dr. Bonutti considered this representation a "clear conflict of interest" because the disc replacement technology involved in the SpineCore-Stryker transaction competed with technology for which Mr. Shea was supposed to be working for Dr. Bonutti. (Bonutti Decl., ¶ 22.) He was also concerned that Mr. Shea was so "consumed" by the SpineCore deal that he had not spent enough time working on Bonutti projects. (*Id.*)

According to Dr. Bonutti, he was ready to fire Mr. Shea after learning of the SpineCore conflict. (*Id.* at ¶ 24.) But Mr. Shea "made several concessions and other gestures" that changed

Dr. Bonutti's mind. (*Id.*) Among other things, Mr. Shea offered to treat his $15,000 consulting fee as an advance against royalties for future deals. (*Id.* at ¶ 25.) Mr. Shea also told Dr. Bonutti that he and Andres had just formed Hawk Healthcare, a new consulting company. Mr. Shea recommended that Hawk Healthcare perform patent-attorney work on behalf of BRI. (*Id.* at ¶ 26.) Mr. Shea also assured Dr. Bonutti that there would be no further conflicts of interest with regard to his work for BRI. (*Id.* at ¶ 27.)

Mr. Shea and Shea LLC worked as BRI's consultant on October 26, 2007, when BRI terminated the Consulting Agreement due to increasing dissatisfaction with what BRI deemed to be inadequate quality of Shea LLC's representation. (*Id.* at ¶ 42.) For more than 18 months after the termination, BRI continued to pay Shea LLC fees due under the terms of the Consulting Agreement. (*Id.* at ¶ 44.)

In June 2009, Mr. Shea met with Dr. Bonutti to discuss a possible new venture. In preparation for the meeting, BRI learned that Andres was on the board of a company called K2Medical ("K2M") and that Mr. Shea himself had "founders' stock" in the company. (*Id.* at ¶¶ 45-47.) Dr. Bonutti considered this to be an undisclosed conflict because K2M competed with BRI in the field of various spine technologies. (*Id.* at ¶ 46.) Because of Mr. Shea's interest in K2M, BRI decided to terminate further payments to Mr. Shea or Shea LLC. (*Id.* at ¶ 48.) According to Dr. Bonutti, BRI learned after June 2009 of numerous other activities by Mr. Shea and Hawk Healthcare that BRI deemed to be conflicts of interest. Generally speaking, Dr. Bonutti found that Mr. Shea had, during the term of the Consultant Agreement, been working with other clients regarding technology directly competitive to BRI's. (*Id.* at ¶ 49.)

D. Shea LLC Files Suit

Shea LLC and Avon Equity Holdings, LLC (an affiliate of Shea LLC) commenced this action in the Franklin County (Ohio) Court of Common Pleas, alleging claims for permanent injunction (Count I), breach of contract (Count II), breach of fiduciary duty (Count III), and unjust enrichment (Count IV) against various defendants. (Compl., ECF No. 3.) BRI and the other defendants removed the action to this Court based on diversity of citizenship. (Notice of Removal, ECF No. 2.) BRI filed an answer and counterclaim, asserting its own affirmative claims for breach of fiduciary duty (Count I), aiding and abetting breach of fiduciary duty (Count II), breach of contract (Count III), and breach of the covenant of good faith and fair dealing (Count IV). (Answer and Countercl., ECF No. 9.) BRI joined Mr. Shea and Hawk Healthcare as additional counterclaim defendants. (*Id.*)

As a result of pretrial rulings on various motions to dismiss, the only parties remaining in this suit are Plaintiff Shea LLC and Defendant BRI.[1] Shea LLC now seeks partial summary judgment on its breach-of-contract claim and on its request for a permanent injunction.

II. Motion to Supplement and to Strike

As an initial matter, this Court considers BRI's combined motion to supplement the record and to strike. (ECF No. 112.) BRI asks to supplement the summary judgment record

[1]This Court granted the motion to dismiss of various defendants based on the absence of personal jurisdiction. (Opinion and Order, ECF No. 46.) The Court also granted Plaintiffs' Motion to dismiss Counts I and II of BRI's counterclaim. (Opinion and Order, ECF No. 68.) The Court also granted Plaintiffs' motion to drop certain claims related to an entity called Unity Ultrasonic Fixation, LLC, the effect of which was to drop all claims of Plaintiff Avon Equity Holdings, LLC from the action. (Order, ECF No. 90.) As a result of these Orders, (1) Plaintiff Shea LLC and Defendant BRI are the only remaining parties in the action and (2) Counts III and IV of BRI's counterclaim are the only counts of the counterclaim that remain for adjudication.

with an agreement entered into between BRI (among others) and Acacia Research Group LLC ("Acacia"), which agreement assigned approximately 175 of Bonutti's patents as well as certain of the license agreements at issue in this case. (Def.'s Memo. In Support of Mot. 1, ECF No. 112.) BRI also moves to strike from the exhibits attached to Shea LLC's reply brief in support of summary judgment a letter that BRI's former counsel sent to Shea LLC's counsel on the basis that the letter is inadmissible evidence under Fed. R. Evid. 408. (*Id.* at 2.)

A. Defendant's Motion to Supplement

BRI moves to supplement the record with an assignment agreement between certain Bonutti-affiliated entities (including BRI) and Acacia. The assignment agreement, which is referenced in Shea LLC's reply brief, closed on June 8, 2012, after the filing of Shea LLC's motion for partial summary judgment and BRI's opposition. Although the parties dispute what the terms of the assignment agreement represent and what effect the agreement has on Shea LLC's motion for partial summary judgment, this dispute is not the Court's focus when deciding admissibility.

According to Shea LLC, BRI should have addressed the assignment agreement (if at all) in its memorandum in opposition to summary judgment. BRI contends, however, that the use (or misuse) of the agreement in Shea LLC's reply brief prompted its desire to supplement the record. This Court agrees with BRI on this point. The Court finds nothing confusing or prejudicial in allowing BRI to supplement the record with the Agreement. If Shea LLC can refer to the agreement in its reply brief, the Court sees no reason why the actual agreement should not be part of the record. The Court therefore **GRANTS** Defendant BRI's Motion to Supplement. The assignment agreement will be deemed part of the summary judgment record in this case.

B. Motion to Strike

There is an exchange of eight letters between Shea's and BRI's counsel dating from October 7, 2009, to May 4, 2010. BRI moves to strike the April 30, 2010 letter ("Carson letter") from Robert A. Carson ("Carson") to Mark A. Vander Laan ("Vander Laan"). BRI argues that this letter is inadmissible because the statements contained therein were made during compromise negotiations pursuant to Federal Rule of Evidence 408. Shea asserts that this letter is outside the reach of Rule 408 because no compromise negotiations existed.

Rule 408 prohibits admission of offers to compromise and statements made during compromise negotiations when offered to prove liability or the validity of a claim. Rule 408 provides:

> (a) Prohibited Uses. Evidence of the following is not admissible--on behalf of any party--either to prove or disprove the validity or amount of a disputed claim or to impeach by a prior inconsistent statement or a contradiction:
>
> > (1) furnishing, promising, or offering--or accepting, promising to accept, or offering to accept--a valuable consideration in compromising or attempting to compromise the claim; and
> >
> > (2) conduct or a statement made during compromise negotiations about the claim--except when offered in a criminal case and when the negotiations related to a claim by a public office in the exercise of its regulatory, investigative, or enforcement authority.
>
> (b) Exceptions. The court may admit this evidence for another purpose, such as proving a witness's bias or prejudice, negating a contention of undue delay, or proving an effort to obstruct a criminal investigation or prosecution.

The burden of establishing the application of Rule 408 is on the party invoking its protection. *United States v. Skeddle*, 176 F.R.D. 263, 264 (N.D. Ohio 1997); *see also ForeWord*

Magazine, Inc. v. Overdrive, Inc., No. 1:10-cv-1144, 2011 U.S. Dist. LEXIS 125373, at *17 (W.D. Mich. Oct. 31, 2011).

Shea LLC's reply brief cites statements from the Carson letter to inform the substantive issue of whether the Arthrocare and Biomet deals were new projects (Shea LLC contends they were not). (Pl.'s Reply 12-13, ECF No. 107.) Because the Carson letter is being offered to prove the validity of a claim and not for another purpose under Rule 408(b), the sole issue is whether the Carson letter was made during compromise negotiations under Rule 408(a). In this instance, BRI has met its burden to establish that the Carson letter should be stricken as a statement made during compromise negotiations.

Considering Carson's letter in the context of surrounding letters confirms that it was in fact part of compromise negotiations. In a letter dated February 26, 2012, Vander Laan requested more detailed information from BRI's counsel. Despite not receiving the requested information, Vander Laan sent a letter on April 16, 2010 stating that the documents provided are "solely for the purposes of settlement discussions, and are protected by the Federal Rule of Evidence 408 and analogous state rules of evidence." (ECF No. 114, at 24.) In addition to explicitly invoking Rule 408, Vander Laan explained that documents are being provided "as a good faith effort to resolve these disputes" and closed the letter by demanding mediation. *Id.* Contrary to Shea's claim that at most there was one-sided willingness to compromise, the Carson letter reciprocates Vander Laan's willingness. In response to Vander Laan's April 16, 2012 letter, the Carson letter stated that it "is intended to continue the consultation and good faith negotiation," and closed by selecting a mediator. (ECF No. 114-1, at 30-33.) A formal offer of settlement is not necessary for the letter to be covered under Rule 408's broad protection of

statements that are intended as part of compromise negotiations. *Polk v. BP Amoco Chem. Co.*, 586 F. Supp. 2d 619, 622 (D.S.C. 2008).

Shea's contention that the letters do not constitute compromise negotiations because "the parties were uncompromising in their positions and demands" is not well taken. (ECF No. 114, at 4.) The fact that Carson outlines BRI's position and legal analysis with respect to the strengths and weaknesses of the claims does not preclude the letter from Rule 408's protection. It would be hard to imagine a competent negotiator who did not draw upon an assessment of the claim as a basis for compromise. To effectuate Rule 408's underlying purpose of promoting settlement, there must be "full and frank disclosure by each party of his or her position, and the facts on which he or she relies to sustain that position." 2-408 Weinstein's Federal Evidence § 408.05. Furthermore, adopting a hardline position does not remove the discussion from the scope of Rule 408. *Eid v. St.-Gobain Abrasives, Inc.*, 377 F. App'x. 438, 444 (6th Cir. 2010).

For these reasons, the Court **GRANTS** Defendant's Motion to Strike the Carson letter as inadmissible evidence under Rule 408. The Court disregards the Carson letter in considering the merits of Shea LLC's motion for partial summary judgment now before the Court.

III. Shea LLC's Motion for Partial Summary Judgment

Shea LLC moves for partial summary judgment on the issue of BRI's liability for breach of contract and on its request for a permanent injunction commanding BRI to pay fees allegedly due Shea LLC under the Consultant Agreement. Summary judgment under Fed. R. Civ. P. 56 is appropriate "if the movant shows that there is no genuine issue as to any material fact and the movant is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(a). The Court may therefore grant a motion for summary judgment if the nonmoving party who has the burden of

proof at trial fails to make a showing sufficient to establish the existence of an element that is essential to that party's case." *See Muncie Power Prods., Inc. v. United Tech. Auto., Inc.*, 328 F.3d 870, 873 (6th Cir. 2003) (citing *Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986)).

In viewing the evidence, the Court must draw all reasonable inferences in favor of the nonmoving party, which must set forth specific facts showing that there is a genuine issue of material fact for trial. *Id.* (citing *Matsushita Elec. Indus. Co., Ltd. v. Zenith Radio Corp.*, 475 U.S. 574, 587 (1986)); *Hamad v. Woodcrest Condo. Ass'n*, 328 F.3d 224, 234 (6th Cir. 2003)). A genuine issue of material fact exists "if the evidence is such that a reasonable jury could return a verdict for the nonmoving party." *Muncie*, 328 F.3d at 873 (quoting *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986)). Consequently, the central issue is " 'whether the evidence presents a sufficient disagreement to require submission to a jury or whether it is so one-sided that one party must prevail as a matter of law.'" *Hamad*, 328 F.3d at 234-35 (quoting *Anderson*, 477 U.S. at 251-52)).

A. Shea LLC's Claim for Breach of Contract

Shea LLC moves for partial summary judgment on the issue of BRI's liability for breach of contract. Shea LLC claims entitlement to continuing royalties on deals he helped negotiate on behalf of BRI, deals which resulted in BRI being paid more than $80 million. Despite the lucrative nature of the deals for which Shea LLC performed services, BRI terminated its royalty payments to Shea LLC and refuses to pay continuing royalties related to those transactions. Shea LLC argues that summary judgment is appropriate on the issue of BRI's liability for breach of contract.

The parties agree, and this Court has already determined in a previous ruling, that Delaware law applies in this case based upon the broad choice-of-law provision in the Consultant Agreement at issue here. (Opinion and Order 6, ECF No. 67.) Under Delaware law, the general elements of a breach of contract claim are: (1) a contractual obligation; (2) breach of that obligation by the defendant; and (3) resulting damage to plaintiff. See *H-M Wexford LLC v. Encorp, Inc*., 832 A.2d 129, 140 (Del. Ch. 2003). In addition, Delaware law establishes that in order to recover damages for breach of contract, the plaintiff must demonstrate substantial compliance with his contractual obligations: "a party in material breach cannot then complain if the other party fails to perform." *Commonwealth Constr. Co. v. Cornerstone Fellowship Baptist Church, Inc.*, No. 04L-10-101, 2006 Del. Super. LEXIS 349, at *69 (Del. Super. Ct. Aug. 31, 2006).

In this case, BRI argues that Shea LLC is not entitled to partial summary judgment on liability because Shea LLC is in material breach of contract. In other words, BRI argues that is obligations are excused due to Shea's material breach of contract. *See id.* ("Performance under a contract is justifiably excused when the other party to the contract commits a material breach."). Under Delaware law, the question of whether a breach is material is a fact-sensitive analysis undertaken with reference to section 241 of the Restatement (Second) of Contracts. *Id.* at *69-70. Section 241 of the Restatement sets forth the following factors:

> (a) the extent to which the injured party will be deprived of the benefit which he reasonably expected;
>
> (b) the extent to which the injured party can be adequately compensated for the part of that benefit of which he will be deprived;
>
> (c) the extent to which the party failing to perform or to offer to perform will suffer forfeiture;

> (d) the likelihood that the party failing to perform or to offer to perform will cure his failure, taking account of all the circumstances including any reasonable assurances;
>
> (e) the extent to which the behavior of the party failing to perform or to offer to perform comports with standards of good faith and fair dealing.

Although a material breach may allow the non-breaching party to be excused from future performance, a non-material breach does not. *Commonwealth Constr.*, 2006 Del. Super. LEXIS 349, at *69-70. Though the question of whether breach of contract is material is generally an issue of fact, a court may still decide the issue as a matter of law if the materiality question admits of only one reasonable answer. *Norfolk S. Ry. Co. v. Basell USA Inc.*, 512 F.3d 86, 92 (3d Cir. 2008) (applying Delaware law).

BRI identifies a number of breaches by Shea LLC that purportedly extinguished BRI's duty of performance under the Consultant Agreement. In response, Shea LLC contends that the breaches complained of were either nonexistent or not material, such that BRI has no excuse to discontinue paying royalties to Shea.

1. Disclosure of Conflicts Under Paragraph 10(b)

The primary material breach of contract BRI relies upon is Shea LLC's purported breach of Paragraph 10(b), which is titled "*Conflicts*" and speaks to the circumstances under which Shea was required to disclose a potential conflict of interest. Paragraph 10(b)(i) provides:

> Prior to execution of a New Project Form for a new Project, Consultant shall provide written notice to BRI if Consultant or any Consultant Affiliate represents another client with respect to a product which competes with any product covered by the new Project; provided that, Consultant actually knows that the product of its other client and the products from the new Project will compete with each other. Upon such disclosure BRI may either (A) elect not to proceed with the new Project with Consultant or (B) proceed with the new Project with Consultant, which shall act as a waiver of its right to remove that Project from this Agreement pursuant to this Section 10.

(Consultant Agreement, ECF No. 104-9.)

There is no dispute in this case that the parties never executed a "New Project Form." Nonetheless, BRI argues that there were, in fact, new projects that triggered the duty of disclosure, despite the fact that Shea LLC and BRI did not execute the "New Project Form" contemplated by paragraph 10(b). BRI contends that the parties agreed to "waive" the procedure set forth in paragraph 10(b), effectively modifying the Consultant Agreement to dispense with the requirement of executing a New Project Form. BRI also contends that a previous ruling by Magistrate Judge King on a discovery issue definitively establishes that the execution of a "New Project Form" is not a prerequisite to triggering Shea LLC's duty to disclose potential conflicts.

For its part, Shea LLC contends that the parties never added a "new project" to the Agreement. Thus, Shea LLC contends that there cannot possibly be a breach of Paragraph 10(b) because there was never a "new project" to which a duty of disclosure applied. As a factual matter, Shea LLC contends that the so-called "new projects" BRI contends were added during the term of the Consultant Agreement were actually deals that relate to an original project disclosed at Exhibit B to the Agreement, and therefore not subject to the disclosure requirement in Paragraph 10(b). (Pl.'s Reply 11, ECF No. 107.) In any event, citing Delaware case law regarding modification to written agreements, Shea LLC argues that this Court should reject BRI's theory that the parties "waived" the New Project Form requirement because such oral modifications to a contract are disfavored where, as here, the contract contains a provision requiring modifications to be in writing. *See Eureka VIII LLC v. Niagra Falls Holdings LLC*, 899 A.2d 95, 109 (Del. Ch. 2006); *see also Continental Ins. Co. v. Rutledge & Co.*, 750 A.2d

1219, 1230 (Del. Ch. 2000) (noting that Delaware law has "aversion to oral modifications of written agreements").

On the surface, there are two possible questions of fact underlying BRI's argument that Shea materially breached the disclosure provision in paragraph 10(b). First, the parties dispute whether there were, in fact, any "new projects" that would have triggered paragraph 10(b) in the first place: Shea says there were none and BRI says there were. Second, even if there were new projects that would otherwise fall under the rubric of paragraph 10(b), the parties dispute whether they waived the requirement of a "New Project Form" or otherwise modified the Consultant Agreement to obviate the need for completing the contemplated form. But regardless of these issues of fact, neither can allow BRI to overcome Shea's motion for summary judgment on breach-of-contract liability unless one of them creates a genuine issue of *material* fact for trial. In this case, neither of these possible factual disputes is material because the outcome of the case is the same no matter which way the factual dispute is resolved. *See Anderson v. Liberty Lobby*, 477 U.S. at 248 ("Only disputes over facts that might affect the outcome of the suit under the governing law will properly preclude the entry of summary judgment."). Simply put, Shea did not breach any duty of disclosure in Paragraph 10(b) as a matter of law.

For BRI's theory of "oral modification" or "waiver" of Paragraph 10(b) to prevail, there must have been new projects to which the disclosure provision applied *and* a waiver of the New Project Form (*i.e.*, the parties agreeing to move forward with a new project without completing the form). But even if a reasonable jury were to find these facts in BRI's favor, it does not mean that Shea LLC automatically had (much less breached) a duty of disclosure. Paragraph 10(b) speaks to the form *and* the disclosure obligations *together*. Based on the language of Paragraph

10(b), the form and disclosure requirement go hand-in-glove: there is no duty to disclose unless there is a New Project Form. So if there were new projects for which BRI enlisted Shea's services under the Consulting Agreement and the parties waived the New Project Form, the requirement that Shea disclose conflicts in writing was *also* necessarily waived. BRI presents no reason, as a matter of contract interpretation, why the New Project Form can be waived without also waiving Shea LLC's duty to disclose.

The contract provisions governing the services Shea was to perform on "projects" bears this out. Under the "Services" provision, the Consultant Agreement provides generally that Consultant (Shea LLC) was to provide BRI with "such consulting and advisory services that are consistent with the needs of each Project as mutually agreed upon by the parties." (Consultant Agreement ¶ 2.) In turn, the Agreement defines "Project" as "any proposed transaction or other business matter for which the parties have agreed in writing that Consultant will provide its consulting services to the [*sic*] BRI pursuant to the terms of this Agreement." (*Id.* at ¶ 1(k).) For any "New Projects," the Agreement specifically provides that the parties add them to the Agreement by executing a mandatory "New Project Form," which was defined to mean the form attached as Exhibit D to the Agreement. (*Id.* at ¶¶ 1(j) and 6.) In turn, Paragraph 10(b) obligated Shea LLC to provide written notice "[p]rior to execution of a New Project Form" if Shea knows that it or an affiliate "represents another client with respect to a product that competes with any product covered by the new Project." (*Id.* at ¶ 10(b)(I).) Thus, the parties provided for a specific manner by which "New Projects" were added to the Agreement and the manner in which Shea was to disclose any competing products for which he represented other clients.

BRI's argument that Shea LLC materially breached the Agreement by failing to disclose Shea's representation of other clients with respect to competing products rests on the premise that the parties waived the requirement of completing a "New Project Form" without also waiving the disclosure requirement. Based on the Agreement's procedure contemplated for "New Projects," however, there is no disclosure requirement without the New Project Form. Indeed, the New Project Form itself demonstrates that this is the correct interpretation of the Consultant Agreement. The New Project Form contains a space for the parties to describe the project to be added to the Consultant Agreement *and* a separate space for Shea to include a "Competing Product Disclosure." (*Id.* at Ex. D.) Thus, the New Project Form, which the Consultant Agreement describes as the mandatory means of adding all new projects to the Agreement (*id.* at ¶ 6), contemplates that Shea disclose competing products *on the form itself*. Thus, when Paragraph 10(b) provides that Shea shall make its competing project disclosure "[p]rior to the execution of a New Project Form," the provision means simply that Shea must disclose the competing product(s) *on the face of the New Project Form* before the form is executed by the parties. Based on the language of the Consultant Agreement and the New Project Form itself, Shea's duty to disclose only arises if there is a New Project Form completed by the parties: without a new project being added by means of the New Project Form, Shea's duty to disclose competing products is simply not triggered.

BRI is not without a response to this interpretation of the Consultant Agreement. BRI argues that Magistrate Judge King, in a previous discovery ruling in this case, definitively interpreted Paragraph 10(b) in a manner that treated that New Project Form requirement separately from Shea LLC's disclosure obligation. During discovery in this case, BRI filed a

motion to compel discovery, in which it sought an order compelling Shea LLC to respond to interrogatories and document request aimed at discovering the extent to which Shea was "competing" with BRI. (Magistrate's Opinion and Order 3, ECF No. 68.) Shea LLC resisted certain of the requests on the basis that "the parties never added any new Projects or executed any New Project Form." (*Id.* at 13.) Thus, Shea LLC argued (as it does here) that it was never obligated to disclose relationships with other clients.

Magistrate King rejected Shea's argument and granted BRI's motion to compel. In doing so, Magistrate King's Order included the following language that BRI seizes upon:

> In the Court's view, the discovery sought by BRI is relevant or, at a minimum, is reasonably calculated to lead to the discovery of admissible evidence on BRI's breach of contract counterclaim. Although the Agreement makes clear that the relationship between BRI and Shea was not exclusive, the Agreement also required disclosure of conflicts both prior to the execution of a New Project form and after the execution of such form. *Agreement*, at § 10(b). Thus, Shea LLC's argument that its "obligation to provide notice of a potential conflict arises only when the parties add a new Project to the . . . Agreement by executing a New Project form" is incorrect. The Court finds that the discovery sought by BRI is relevant to whether or not Shea LLC properly disclosed conflicts in accordance with the parties' Agreement.

(*Id.* at 14 (citation omitted).)

In light of this ruling, BRI argues that Paragraph 10(b) has already been interpreted in a manner that treated Shea LLC's disclosure obligation as being triggered even in the absence of a "New Project Form" being completed. And because Shea LLC did not appeal the Magistrate's Order under Fed. R. Civ. P. 72(a), BRI argues that Shea LLC is bound by BRI's interpretation of the Agreement. The Court disagrees.

BRI is reading too much into Magistrate King's Opinion and Order. A close reading of the opinion shows that the above quoted language arose in the context of the Magistrate's

consideration of Shea LLC's argument that "discovery should at least be limited to the time period during which the Agreement was in effect, *i.e.*, March 1, 2002 to November 25, 2007." (Opinion and Order 14, ECF No. 68.) This context explains the Magistrate's emphasis on the obligation to disclose conflicts "after" execution of a New Project Form: the Magistrate was making clear that Shea was obligated to disclose conflicts after execution of a New Project Form under Paragraph 10(b)(ii) if at any time Shea obtained "actual knowledge" that it represented a client with respect to a competing product. Thus, the Magistrate ruled that Shea could not limit discovery to the time period up to November 25, 2007.

Viewed in proper context — and even assuming that this Court would be "bound" by it — Magistrate King's ruling is not as sweeping as BRI posits. Specifically, Magistrate King did *not* rule, as BRI argues, that Shea was required to disclose conflicts in the absence of a New Project Form being completed and executed. Magistrate King ruled simply that the Agreement, by its very terms, provided for Shea's disclosure of known conflicts both at the time a New Project Form was executed and thereafter.

In light of this Court's interpretation of the Consultant Agreement, there is no genuine issue of *material* fact with regard to whether Shea is in material breach of Paragraph 10(b)(i)'s duty to disclose. Even if there are factual disputes as to whether BRI engaged Shea LLC with new projects and whether the parties waived the requirement of executing new project forms, these disputes are not material. If the parties waived the requirement of completing and executing a New Project Form, they necessarily waived along with it the requirement that Shea disclose its representation of other clients with respect to competing products. BRI therefore

cannot, as a matter of law, establish that Shea is in material breach of contract by failing to disclose competing products under Paragraph 10(b).[2]

2. Disclosure of Conflicts Under Paragraph 2

Regardless of whether Shea was required to disclose conflicts under Paragraph 10(b) of the Consultant Agreement, BRI also argues that Shea's failure to disclose conflicts breached Paragraph 2 of the Agreement. Paragraph 2, which speaks to the services that Shea was obligated to perform under the Agreement, specified (among other things) that Shea was to "conduct itself in a professional manner." (Consultant Agreement, ¶ 2.) According to BRI, this paragraph imposed a generalized duty for Shea to disclose conflicts, separate and apart from any obligations to do so under Paragraph 10(b).

In support of its argument that a duty of disclosure arises from Paragraph 2, BRI relies on the testimony of Mr. Shea and the declaration of Dr. Bonutti, in which both men expressed the view that the definition of conducting oneself "in a professional manner" included avoiding conflicts of interest. (Def.'s Opp. 38.) Citing Delaware case law as well as this Court's decision in *Escue v. Sequent*, No 2:09-cv-765, 2012 WL 1429304, at *7-8 (S.D. Ohio Apr. 25, 2012), BRI argues that this Court must definitively interpret Paragraph 2 to impose a duty to disclose conflicts of interest. And because Shea did not do so (regardless of whether he was required to do so under the terms of Paragraph 10(b)), BRI contends that Shea LLC is in material breach of

[2]Shea LLC further argues that there was no duty to disclose under Paragraph 10(b) because (1) Shea had no actual knowledge of any conflict covered by Paragraph 10(b), (2) BRI has identified no tangible "product" that could have been covered by Paragraph 10(b), and (3) the conflicts that BRI complains of do not involve clients of Shea LLC or any affiliate of Shea LLC and are therefore not subject to the Consultant Agreement. (Pl.'s Mot. Summ. J. 21-24, ECF No. 93.) Because the Court finds that Shea LLC did not have a duty to disclose conflicts in the first instance, the Court has no occasion to reach these arguments.

the Consultant Agreement and therefore cannot obtain summary judgment on its breach-of-contract claim against BRI. (Def.'s Opp. 52-56.)

The Court rejects BRI's interpretation of Paragraph 2 because it broadens the provision unreasonably. Though BRI cites *West Willow-Bay Court, LLC v. Robino-Bay Court Plaza, LLC*, No. 2742-VCN, 2007 WL 3317551, at *10 n.91 (Del. Ch. Nov. 2, 2007) and *Supermex Trading Co. v. Strategic Solutions Group, Inc.*, No. CIV. A. 16183, 1998 WL 229530, at *1-2 (Del. Ch. May 1, 1998), for the proposition that "Delaware courts give credence to a party's admission that the other side's interpretation of the contract is correct" (Def.'s Opp. 39), neither of these cases stands squarely for the proposition. And even if this Court's decision in *Escue* informed the issue,[3] the situation there was quite different — the agreed-upon interpretation of the contractual provision there was a reasonable one that did not otherwise violate basic rules of contract interpretation. In this case, it is not reasonable to interpret Paragraph 2, which contains *no* mention of conflicts disclosure, to include a disclosure provision under the umbrella of Shea's obligation to "conduct itself in a professional manner." To do so would violate basic rules of contract interpretation.

When construing a contract provision, words grouped in a list should be given related meaning. *See Del. Bd. of Nursing v. Gillespie*, 41 A.3d 423, 427 (Del. 2012). The "professional manner" language appears in a sentence of Paragraph 2 that states in its entirety: "Consultant shall keep BRI reasonably informed regarding the status of and performance of the Services, shall be reasonably accessible to BRI (whether by phone or in person), shall conduct itself in a professional manner, and shall not make any representations regarding any Bonutti Affiliate,

[3]In *Escue*, the Court applied Ohio law.

member of the Bonutti Group or any Invention which Consultant knows to be untrue or not otherwise authorized by BRI." (Consultant Agreement ¶ 2.) Read in the context of the other obligations in this sentence, the "conduct itself in a professional manner" language speaks to the manner in which Shea LLC acts vis-a-vis BRI and others when performing its professional services. To read the "professional manner" language to include a duty of conflict disclosure, as BRI wants this Court to do, would add a significant substantive requirement that is not readily apparent from the text.

Further undermining BRI's proposed interpretation of Paragraph 2 is the well recognized interpretive rule that specific provisions of a contract control over more general provisions. Under this well settled rule, the specific provision governing disclosure of conflicts controls over a more general provision providing for "professional" conduct. *See Wood v. Coastal States Gas Corp.*, 401 A.2d 932, 941 (Del. 1979). The parties included a specific provision in Paragraph 10(b) governing the circumstances and the manner under which Shea was to disclose conflicts of interest. If Section 2 were intended by the parties to include a general disclosure obligation, there would have been no need for them to include a specific disclosure provision in Paragraph 10(b).

Finally, Court rejects BRI's argument as an improper attempt to use extrinsic evidence to guide the Court's interpretation of the Consultant Agreement. In order to establish that Paragraph 2 necessarily includes a conflict disclosure obligation, BRI relies upon deposition testimony from William Shea and the affidavit of Dr. Bonutti, both of which indicate an understanding that to act in a "professional manner" includes an obligation to avoid a conflict of interest. (Shea Dep. 32-33, 34-35, 73, ECF No. 103; Bonutti Aff. ¶ 14, ECF No. 104-2.) But

absent an ambiguity, the parties' understanding of Paragraph 2's meaning is irrelevant to the interpretive analysis. *See West Willow-Bay Court* at *32 n.81. Based on the analysis set forth above, the Court does not see an ambiguity in Paragraph 2 that would require the use of extrinsic evidence to aid the Court in its interpretation.

BRI's attempt to engraft a conflict disclosure requirement in Paragraph 2 when the parties specifically addressed conflict disclosure in Paragraph 10 is not well taken. The Court therefore concludes, as a matter of law, that Shea is not in material breach of his Paragraph 2 obligation to "conduct itself in a professional manner."

3. Breach of Prior Oral Agreement

BRI also argues that Shea LLC materially breached the Consultant Agreement by virtue of its breach of a "prior oral agreement." (Def.'s Opp. 42.) According to BRI, the parties had an "oral agreement in effect prior to the execution of the Consultant Agreement" that also prohibited Shea LLC from "engaging in undisclosed conflicts of interest." (*Id.*) BRI contends that this "prior oral agreement" survived the written Consultant Agreement notwithstanding the Agreement's integration clause. The Court is not persuaded.

The parol evidence rule bars evidence of prior or contemporaneous agreements or negotiations that contradict the terms of an integrated written agreement. *J.A. Moore Constr. Co. v. Sussex Assocs. Ltd.*, 688 F. Supp. 982, 987 (D. Del. 1988). The parties' Consultant Agreement contains an integration clause that specifically states that the Agreement "supersedes all prior understandings, agreements and discussions . . . and constitutes the entire agreement" of the parties. (Consultant Agreement, ¶ 20.) The "oral agreement" championed by BRI here cannot survive this integration clause.

BRI theorizes that the prior oral agreement somehow survives the integrated written agreement because the Consultant Agreement's first recital states that the parties "intended to memorialize the existing agreement of the parties with respect to the matters set forth in this Agreement." (*Id.* at 1.) To bolster its argument, BRI points to other language in Paragraph 20, which defines the "entire agreement" of the parties to include "all documents and agreements referred to in this Agreement," which must include the prior oral agreement. (Def.'s Opp. 43 (quoting Consultant Agreement, ¶ 20).) But BRI's interpretation is an unconvincing attempt to achieve an end run around the parol evidence rule. The rule cannot be so easily sidestepped through a run-of-the-mill recital that states what most, if not all, written agreements do (*i.e.*, memorialize an agreement previously reached by the parties). And BRI cites no authority for the proposition that a general recital at the outset of an agreement can be interpreted to allow a prior oral agreement that varies from the terms of the written agreement to be considered part of the parties' contract.

For these reasons, the Court rejects BRI's argument that Shea is in material breach of contract by virtue of breaching a "prior oral agreement."

4. "No Contest" Provision Under Paragraph 17

BRI points to Paragraph 17 of the Consultant Agreement as the source of another purported material breach of contract by Shea LLC. Paragraph 17 provides:

> **17. No Contest.** Consultant hereby covenants and agrees not to ever (i) initiate or participate in any legal proceeding or action in any court or with the United States Patent and Trademark Office or any foreign counterpart . . . *to challenge the ownership* by any member of the Bonutti Group or any Bonutti Affiliate of or right to license, or the validity of any Invention nor (ii) *file with the United States Patent and Trademark Office or any foreign counterpart* of the United States Patent and Trademark Office *any patent or patent application with respect to or based on any*

of the Inventions, or cause, aid or abet any third person to do any of the foregoing.

(Emphasis added.)

By its terms, Paragraph 17 prohibits Shea LLC from (1) challenging BRI's ownership of an invention or the right to license an invention and (2) filing with the United States Patent and Trademark Office ("USPTO"), or a foreign equivalent, a patent application for or based on a BRI invention (as defined in the Agreement). BRI says the second clause is triggered in this case because Shea LLC assisted SpineCore in obtaining an assignment of "the Ferree Patent," which assignment was filed with the USPTO. (Def.'s Opp. 44.) BRI argues this breached Paragraph 17 because the Ferree disc replacement patents "plainly relate to BRI's own disc replacement 'Inventions.'" (*Id.* at 45.) BRI also points to the patent prosecution work that Hawk Healthcare performed for certain orthopedic screw inserts and for inventions for which Stout Medical sought to obtain patents. (*Id.* at 45-46.)

The Court rejects BRI's arguments because they depend upon an unduly expansive reading of Paragraph 17 that the language does not support. The second clause of Paragraph 17 forbids Shea LLC from filing or assisting anyone to file patent applications "with respect to or based on any of the Inventions" of BRI. By a plain reading of this language, the clause forbids Shea LLC from helping anyone capitalize *on BRI's inventions*. In other words, Shea LLC was not allowed to assist anyone in obtaining a patent for a BRI invention or for an invention that was based on a BRI invention. BRI gives the clause a much broader gloss, construing it to mean that Shea LLC was not allowed to assist anyone in patenting inventions *in a related field* to BRI's inventions. But Paragraph 17 says nothing about Shea LLC's ability to assist other clients in patenting technology in the same or similar field(s) as BRI inventions. BRI is asking this

Court to construe Paragraph 17 to forbid a broad range of activity that the language simply does not forbid.

Even if the Court indulges BRI's position that Shea LLC represented other clients in obtaining patents for inventions related to BRI inventions, this fact does not establish a breach of Paragraph 17. Shea LLC was forbidden from assisting clients in capitalizing *on BRI's inventions*; Shea LLC was *not* forbidden from assisting clients in obtaining patents that relate to the same fields of invention as BRI inventions. The Court therefore concludes, as a matter of law, that Shea LLC is not in material breach of Paragraph 17.

5. Confidentiality Under Paragraph 16

As another material breach of contract, BRI argues that Shea LLC failed to abide by its confidentiality obligations under Paragraph 16 of the Consultant Agreement. Paragraph 16 provides in relevant part:

> [E]ach party shall hold, and shall cause its respective Affiliates to hold, in strictest confidence and not disclose, use, lecture upon or publish any of the Proprietary Information . . . of the other party, except as such disclosure, use or publication may be required in connection with obligations of the parties under this Agreement, or unless a duly authorized officer of the disclosing party expressly authorizes such use or disclosure in writing.

(Consultant Agreement, ¶ 16.)

BRI points to Mr. Shea's conduct in connection with a 2002 engagement as having breached Paragraph 16. In June 2002, Mr. Shea and Dr. Bonutti met with Alex Dinello of Depuy Spine to discuss a potential licensing deal. Mr. Shea signed a non-disclosure agreement that required him to inform Depuy in writing within 30 days of any confidential information disclosed during their discussions. (Def.'s Opp. 49-50, ECF No. 104.) According to BRI, Mr. Shea ignored a "specific direction" from Dr. Bonutti to designate certain BRI information as

"confidential" pursuant to the terms of the non-disclosure agreement with Depuy. BRI gripes that, as a result, Mr. Shea failed to designate the information as "confidential" and that any information revealed to Depuy was deemed not to be confidential by operation of the non-disclosure agreement. (*Id.* at 50.) BRI characterizes this series of events as a material breach of Paragraph 16.

For its part, Shea LLC disputes that any "confidential" information of BRI was revealed during the discussions with Depuy. Indeed, the parties' briefing and evidence reveal some factual dispute as to who may have drafted certain letters to Depuy that disclaimed confidentiality with respect to what was discussed. (Pl.'s Reply 28, ECF No. 107.) But regardless of this factual dispute, and even assuming the truth of BRI's rendition of the facts, BRI cannot show a material breach of Paragraph 16.

By its terms, Paragraph 16 is a provision dealing with use and nondisclosure of confidential information: Shea could not use or disclose BRI's confidential information except in connection with services performed under the Consultant Agreement. BRI does not argue that Shea breached Paragraph 16 through unauthorized use or disclosure of confidential information. Indeed, there is no argument that Mr. Shea was not authorized to reveal information to Depuy when he and Dr. Bonutti explored a potential licensing deal in 2002 and there is evidence that Dr. Bonutti himself participated in the meetings with Depuy. Rather, BRI's gripe is that Mr. Shea should have done more to protect the confidentiality of BRI information that was disclosed during the Depuy discussions by designating certain information as confidential pursuant to the terms of the a non-disclosure agreement with Depuy. Paragraph 16 does not, however, reach such an obligation to safeguard confidentiality in this manner.

Since BRI makes no argument that Shea LLC or Mr. Shea engaged in an unauthorized use or disclosure of information to Depuy, Paragraph 16 is not implicated in this case. BRI simply argues that Shea LLC should have designated information revealed to Depuy as "confidential" under the terms of the non-disclosure agreement with Depuy. Even assuming that Shea LLC failed to do so, such a failure is not a breach of Paragraph 16, much less a material one that would extinguish BRI's obligations under the Agreement.

6. Paragraph 18: Use of Bonutti Name

Paragraph 18 of the Consultant Agreement forbids Shea LLC from using the Bonutti or BRI name "without the prior written approval of BRI." BRI contends that Mr. Shea breached Paragraph 18 by sending marketing information to Stout Medical in 2004 in which he identified transactions he worked on for BRI. (Def.'s Opp. 52 and Ex. QQ.)

This argument need not detain this Court long. BRI does not argue how this breach (assuming it was a breach) was material. Accordingly, this Court has no basis upon which to conclude that the mere use of Bonutti's name in the identified materials was the sort of breach that excused BRI's further performance under the Agreement. Having failed to provide evidence of the breach's materiality, BRI cannot defeat Shea LLC's motion for partial summary judgment by resorting to Paragraph 18.[4]

7. No Material Breach by Shea LLC

[4]The same could be said for all of the alleged breaches of contract other than Shea LLC's purported failure to disclose conflicts (which this Court found not to be a breach). Though BRI's memorandum in opposition to partial summary judgment argues at length about the materiality of Shea LLC's supposed breach of the duty to disclose conflicts, BRI's opposition contains no argument as to how any of the *other* breaches were material. (Def.'s Opp. 52-56, ECF No. 104.)

As chronicled above, the various breaches of contract that BRI argues Shea LLC to have committed are either (1) not breaches of the Consultant Agreement as a matter of law or (2) not shown to be material. Accordingly, BRI has failed to establish a genuine issue of material fact on the issue of whether Shea LLC has established a breach of contract by virtue of BRI's refusal to pay commissions due under the Consultant Agreement. Having found no material breach by Shea LLC as a matter of law, there is no basis upon which to excuse BRI's performance under the Agreement.

B. Injunctive Relief

In Count I of its Complaint, Shea LLC pleaded a claim entitled "Permanent Injunction," in which it sought an injunction ordering BRI to resume payment of fees due under the Consultant Agreement. (Compl., ¶¶ 56-61, ECF No. 3.) In addition to seeking summary judgment on the issue of BRI's liability for breach of contract, Shea LLC's motion asks for summary judgment on the issue of its entitlement to a "permanent injunction." (Pl.'s Mot. 1, ECF No. 93.)

To be entitled to injunctive relief, Shea LLC must show that it has no adequate remedy at law. *See e.g. Cantor Fitzgerald, L.P. v. Cantor*, 724 A.2d 571, 586 (Del. Ch. 1998). Though Shea LLC asks for summary judgment on its desired remedy for injunctive relief, it fails to provide the Court with any evidence or argument concerning this essential prerequisite for an injunction to issue. And the absence of an adequate remedy at law is far from obvious, as the damages remedy that Shea LLC also seeks in this case would appear to be adequate. *See Avins v. Widener College*, 421 F. Supp. 858, 861 (D. Del. 1976) (rejecting injunctive relief in a breach of contract claim when monetary damages would adequately compensate plaintiff); *see also IAM*

Stock Ownership Inv. Trust Fund v. Eastern Air Lines, Inc., 639 F. Supp. 1027, 1035 (D. Del. 1986) ("the extraordinary remedy of an injunction to enforce payment of monies [is] clearly not a remedy appropriate for equity").

For these reasons, Shea LLC's motion for partial summary judgment is denied as to the request for permanent injunctive relief.

C. Summary Judgment on BRI's Counterclaim

Shea LLC also moves for summary judgment on the remainder of BRI's counterclaim, alleging breach of contract (Count III) and breach of the covenant of good faith and fair dealing (Count IV). (Def.'s Counterclaim, ¶¶ 62-77, ECF No. 9.) Shea LLC's motion is well-taken with respect to these claims.

1. Breach of Contract

BRI's breach of contract counterclaim is based on the same theories it uses to defend against Shea LLC's claim for breach of contract. As previously analyzed, this Court found as a matter of law that Shea LLC did not breach Paragraphs 2, 10(b), 16, or 17 of the Consultant Agreement; nor was there any actionable breach of any "prior oral agreement" of the parties. (Section II.A.1-II.A.5, *ante*.) For the same reasons, BRI's affirmative counterclaim for breach of contract based on these same arguments likewise fails as a matter of law.

BRI also argues that Shea LLC breached Paragraph 18 of the Consultant Agreement by utilizing the Bonutti name in certain marketing materials without BRI's permission. (Section II.A.1.6, *ante*.) In rejecting this argument as a basis upon which BRI could excuse its obligation to compensate Shea LLC, this Court did not find the absence of a breach; rather, the Court found merely that BRI failed to establish a genuine issue of fact as to how the breach was *material*.

And having failed to show a material breach, BRI could not use the purported breach of Paragraph 18 as a basis to excuse its own obligation to compensate Shea LLC under the terms of the Consultant Agreement. (*Id.*)

The same rationale does not support summary judgment on BRI's affirmative counterclaim, however, as even technical breaches of contract are actionable under Delaware law. *See USH Ventures v. Global Telesys. Group, Inc.*, 796 A.2d 7, 23 (Del. Super. Ct. 2000). But this does not mean that BRI should be allowed to proceed to trial on its counterclaim for breach of Paragraph 18. As Shea LLC correctly points out in its reply in support of partial summary judgment, BRI presents no argument, much less directs this Court to evidence, to show how it was harmed by Shea LLC's use of the Bonutti name in marketing materials. Indeed, it appears to the Court that had Shea LLC abided by Paragraph 18 and asked permission to disclose the information complained of by BRI, the information would have been disclosed anyway: Paragraph 18 provides that BRI's permission was "not to be unreasonably withheld" and BRI makes no argument that it could have reasonably withheld permission for Shea LLC to utilize the Bonutti name in the challenged marketing materials.

Having not shown evidence of harm, BRI would be able to recover no more than nominal damages at trial for a breach of Paragraph 18. *See Palmer v. Moffatt*, No. 01C-03-114, 2004 Del. Super. LEXIS 51, at *12 (Del. Super. Ct. Feb. 27, 2004). In this instance, Delaware law provides that it is appropriate to enter summary judgment against the breach-of-contract plaintiff. When no loss has been shown at the summary judgment stage, a trial for merely nominal damages is a futile exercise. *Id.* at *14; *see also Layne Christensen Co. v. Bro-Tech Corp.*, 836 F. Supp. 2d 1203, 1218 n.5 (D. Kan. 2011) (applying Delaware law). Accordingly,

notwithstanding the possible technical breach of Paragraph 18, summary judgment in Shea LLC's favor on BRI's counterclaim for breach of contract is granted.

2. Good Faith and Fair Dealing

BRI's claim for breach of the covenant of good faith and fair dealing is likewise doomed as a matter of law. Under Delaware law, the covenant requires contracting parties to "refrain from arbitrary or unreasonable conduct which has the effect of preventing the other party from receiving the fruits of the bargain" between them. *Dunlap v. State Farm Fire & Cas. Co.*, 878 A.2d 434, 442 (Del. 2005). "The covenant is best understood as a way of implying terms in the agreement, whether employed to analyze unanticipated developments or to fill gaps in the contract's provisions. Existing contract terms control, however, such that implied good faith cannot be used to circumvent the parties' bargain." *Id.* (internal quotations and citations omitted). The Delaware Supreme Court has also cautioned that cases in which courts use the covenant of good faith and fair dealing to imply terms in an agreement "should be rare and fact-intensive, turning on issues of compelling fairness." *Cincinnati SMSA Ltd. v. Cincinnati Bell Cellular Sys. Co.*, 708 A.2d 989, 992 (Del. 1998); *see also Dunlap* at 442.

BRI's counterclaim alleges that Shea LLC breached the covenant of good faith and fair dealing "by competing with BRI, failing to disclose conflicts of interest, and misusing confidential information." (Counterclaim, ¶ 76.) Shea LLC urges summary judgment on this claim because Delaware law applies the implied covenant only when the contract "is truly silent with respect to the matter at hand." *Allied Capital Corp. v. GC-Sun Holdings, L.P.*, 910 A.2d 1020, 1032-33 (Del. Ch. 2006). In this case, because the Consultant Agreement squarely addresses conflicts of interest (in Paragraph 10) and confidentiality (in Paragraph 16), Shea LLC

argues that BRI cannot use the covenant of good faith and fair dealing to enlarge Shea LLC's contractual obligations beyond the scope set forth in the written agreement. (Pl.'s Mot. Summ. J. 25, ECF No. 93.) The Court agrees with Shea LLC.

There is no need for the Court to imply the conflict disclosure and confidentiality provisions that BRI's counterclaim seeks here. The parties addressed these issues in the Consultant Agreement itself, identifying the specific circumstances under which Shea LLC was to disclose potential conflicts of interest and describing the particular confidentiality obligations of the parties to the Agreement. (Consultant Agreement, ¶¶ 10 and 16.) As noted in this Court's analysis of BRI's breach-of-contract arguments, Shea LLC did not breach either the disclosure or confidentiality provisions of the Consultant Agreement. Thus, in order for BRI's implied covenant claim to survive, the Court would have to imply confidentiality and disclosure obligations that go beyond those bargained for by the parties and included in the written Agreement. The Court cannot, however, circumvent the parties' bargain in this manner under the guise of the implied covenant of good faith and fair dealing. *Dunlap*, 878 A.2d at 442.

For these reasons, Shea LLC is entitled to summary judgment on Count IV of BRI's counterclaim.

IV. Conclusion

For the foregoing reasons, Defendant BRI's motion to supplement and to strike (ECF No. 112) is **GRANTED**. Plaintiff Shea LLC's motion for partial summary judgment (ECF No. 93) is **GRANTED** as to Defendant BRI's liability for breach of contract, but **DENIED** as to Shea LLC's request for a permanent injunction. Plaintiff Shea's motion for final summary judgment (ECF No. 93) on Defendant BRI's counterclaims is **GRANTED**.

IT IS SO ORDERED.

/s/ Gregory L. Frost
GREGORY L. FROST
UNITED STATES DISTRICT JUDGE