

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

KEVIN FLYNN, et al.,	:	CIVIL ACTION
	:	
Plaintiffs,	:	
	:	
v.	:	No. 03-3764
	:	
HEALTH ADVOCATE, INC., et al.,	:	
	:	
Defendants.	:	

MEMORANDUM

ROBERT F. KELLY, Sr. J.

JULY 8, 2004

I. INTRODUCTION

Presently before this Court are two Motions; one is filed by the Plaintiffs, Kevin Flynn (“Flynn”) and Healthcare Advocates, Inc. (“HAS, Inc.”)(collectively the “Plaintiffs”) and the other is filed by Defendant Nancy Conwell (“Conwell”) in response to the Plaintiffs’ Motion.¹ First, the Plaintiffs filed their Motion for Leave to File a First Amended Complaint on May 3, 2004. Subsequently, on May 21, 2004, Defendant Conwell filed a Motion for In Camera Review of Exhibit 1 in opposition to Plaintiffs’ Motion for Leave to file a First Amended Complaint.

II. FACTUAL AND PROCEDURAL BACKGROUND

On June 26, 2003, Plaintiffs filed suit against Health Advocate, Inc. (“HA”) as

¹ While the proposed Amended Complaint designates one of the Defendants as Nancy Conwell Peppelman, the Original Complaint as well as this Court’s January 13, 2004 Opinion designates her as Nancy Conwell. Thus, for purposes of clarity, this Court will also designate this Defendant as Nancy Conwell throughout this Opinion.

well as various individuals (collectively referred to as the “Defendants”),² whom the Plaintiffs allege are or were connected with HA in some fashion. In their Original Complaint, the Plaintiffs sought relief for misappropriation of trade secrets, unfair competition, tortious interference with existing and prospective business relations, fraud, breach of contract, unjust enrichment, conspiracy, violation of the Lanham Act, trademark/service mark infringement and copyright infringement. Pursuant to the January 13, 2004 Memorandum Opinion and Order, this Court dismissed the Plaintiffs’ copyright infringement claim without prejudice.

The underlying facts of the Original Complaint and claims are set forth in the January 13, 2004 Memorandum Opinion. See Flynn v. Health Advocate, Inc., No. 03-3764, 2004 WL 51929, at *1-2 (E.D. Pa. Jan. 13, 2004). However, to put the instant Motions into context, this Court will briefly recite the relevant facts in this Memorandum Opinion. Flynn formed HAS, Inc. in 1996 to provide advice and consultation services to patients and employers in their dealings with the healthcare industry. The Plaintiffs allege that the Defendants conspired to gather information from HAS, Inc. so that they could form their own rival corporation, namely HA. Thus, the claims in the Original Complaint arise from transactions between Flynn, acting as president of HAS, Inc., and various individuals, most of whom were or still are associated with HA. For example, in the Original Complaint, the Plaintiffs state that at one point, merger/co-marketing discussions began between HAS, Inc., HA and their representatives. These discussions eventually led to a written non-disclosure agreement in which HAS, Inc. forwarded its marketing position, marketing strategies, business strategies, sales and marketing

² In their Original Complaint, the Plaintiffs also filed suit against Gordon Conwell & Associates, Inc. (“GCA”). However, pursuant to this Court’s January 13, 2004 Memorandum Opinion and Order, all counts against GCA were dismissed.

opportunities, business plans and other pieces of information to HA. However, the Plaintiffs allege that the real reason behind requesting the information in the first place was to help establish a company to rival HAS, Inc.

On May 3, 2004, the Plaintiffs submitted a Motion for Leave to File a First Amended Complaint. Plaintiffs' proposed Amended Complaint attempts to accomplish four goals. First, Plaintiffs "wish to make a minor amendment to its Lanham Act claim to clarify that it is also seeking damages for . . . 'passing off' of Plaintiffs' materials through the use of confusingly and substantially similar marketing materials." (Pls.' Mot. for Leave to File First Amend. Compl. ¶ 6). Second, Plaintiffs "wish to make a minor amendment by adding a claim for state law trademark infringement." (Id. ¶ 7). Third, Plaintiffs seek to amend their complaint so as to "identify the specific original work that was the subject of copyright infringement." (Id. ¶ 5). Finally, "Plaintiffs seek leave to add an additional party as a defendant for conduct occurring during the litigation." (Id. ¶ 8). The Defendants have only objected to the Plaintiffs' third and fourth proposed amendments to the Complaint, thus Plaintiffs other amendments will be granted.³

In the January 13, 2004 Memorandum Opinion, this Court stated that the Plaintiffs' Original Complaint failed to plead "what specific original works are the subject of the copyright claim." Flynn, 2004 WL 51929, at *12. Additionally, this Court stated that properly pleading the specific original work that is the subject of the copyright claim is often times

³ Additionally, while not specifically mentioned in Plaintiffs' Motion, they also seek leave to amend their Complaint so as to change the name of Defendant Nancy Conwell to Nancy Conwell Peppelman. However, it does not appear as if this amendment is a contested issue by the parties and will thus be permitted.

accomplished by attaching the Copyright Registration to the Complaint. Id. (citing CRA Mktg., Inc. v. Brandow's Fairway Chrysler-Plymouth-Jeep-Eagle, Inc., No. 98-6485, 1999 WL 562755, at *1 (E.D. Pa. July 27, 1999); Johnson v. Katz, No. 94-6693, 1996 WL 107402, at *2 (E.D. Pa. March 7, 1996)). In their proposed Amended Complaint, the Plaintiffs have attached the Copyright Registrations which they allege are the subject of their copyright infringement claims.

The other amendment at issue is the addition of another Defendant and the claims associated with this proposed new Defendant. Specifically, the proposed Amended Complaint seeks to bring in new claims against the law firm of Harding, Earley, Follmer & Frailey (the "Law Firm"). At one time, the Law Firm represented all of the Defendants in this case, however, the Law Firm now only represents one of the Defendants, namely Conwell. The new proposed claims against the Law Firm do not arise from the transactions or occurrences that formed the basis of the Original Complaint, but instead, arise from the alleged conduct by the Law Firm after the Original Complaint was filed on June 26, 2003.

The Plaintiffs propose five new counts against the Law Firm. Specifically, the new counts being proposed against the Law Firm are: 1) Violation of the Digital Millennium Copyright Act; 2) Breach of Contract; 3) Violation of the Stored Wire and Electronic Communications and Transactional Records Access Act; 4) Violation of State Law for Computer Theft and Unlawful Duplication; and 5) Violation of the Computer Fraud and Abuse Act. These proposed new counts arise from the alleged conduct by the Law Firm from July 8, 2003 through July 15, 2003. The facts alleged by the Plaintiffs in the proposed Amended Complaint giving rise to the five new counts against the Law Firm are as follows as set out by the Plaintiffs:

49. Between July 8, 2003, and July 15, 2004, the Law Firm

“hacked” into [HAS, Inc.’s] archived materials on a website known as www.archive.org. The forgoing website is effectively a library of all web pages and other information which appears on the internet. The website gathers information contained on the internet, which is thereafter archived by the website and can be searched through search engines on the website.

50. Not all of the information contained on www.archive.org is available to the public. Any owner of a website can notify www.archive.org that it does not want its past website material to be made public on www.archive.org and, according to the policies and procedures of the website, as well as the security safeguards implemented by www.archive.org and each website’s owner’s terms of use, such information is not available to the general public.
51. [HAS, Inc.] notified www.archive.org that it wanted its archival material to remain private and confidential and www.archive.org complied with [HAS, Inc.’s] request by blocking access to [HAS, Inc.’s] archival information.
52. As a result of the security put into place by www.archive.org, any person attempting to retrieve information regarding [HAS, Inc.] received a message advising the person attempting to obtain the information that the owner of the website had elected to deny access to the site to third parties.
53. The Law Firm attempted to obtain information regarding [HAS, Inc.] through www.archive.org; however, when it attempted to obtain the information it received the notice that the information was not available at the request of the owner.
54. Rather than honor this notice, or the terms of use on [HAS, Inc.’s] website, or www.archive.org’s website, the Law Firm devised a methodology to defeat the security system that was put into place by www.archive.org.
55. Computer records demonstrate that between July 8 and July 15, 2003, the Law Firm made approximately 849 attempts to access the information regarding [HAS, Inc.] through www.archive.org. Notwithstanding the fact that the Law Firm knew that security was in place to prevent it from obtaining access to [HAS, Inc.’s] information, and the Law Firm actually received notices from www.archive.org that the information was not available, the Law Firm devised a methodology, using multiple computers at its offices, to

defeat the security which was put into place by the website for the benefit of companies like [HAS, Inc.].

56. The Law Firm was successful in breaching the security put into place by www.archive.org on approximately 112 occasions. From a technological standpoint, this meant that the Law Firm was also receiving information directly from [HAS, Inc.'s] website on each of these occasions, as www.archive.org retrieved or attempted to retrieve information from [HAS, Inc.'s] website each time it was successful in breaching the security. It was a result of this communication between www.archive.org and [HAS, Inc.'s] website that [HAS, Inc.] obtained the web logs memorializing the hacking activity. This conduct constituted unlawful "hacking" activity in violation of both federal and state law, as described more fully below.
57. The Law Firm was successful in executing old HTML pages from the [HAS, Inc.] website without authorization from www.archive.org or [HAS, Inc.], and made copies of the copyrighted materials contained therein.

(Pls.' Mot. for Leave to File First Am. Compl. at Ex. 2). As a result of these newly alleged facts, the Plaintiffs have brought the five new counts against the Law Firm. The Law Firm, through Conwell, has filed a Motion for In Camera Review of what it considers attorney work product of their current client, Conwell, and their former clients, the other individual Defendants and HA. The Law Firm, through Conwell, asserts that this information was prepared by the Law Firm after the commencement of the litigation.

III. STANDARD

A motion for leave to file an amended complaint is governed by Federal Rule of Civil Procedure 15. This rule states that leave to amend "shall be freely given when justice so requires." FED. R. CIV. P. 15(a). While leave to amend should be freely granted, the United States Supreme Court (the "Supreme Court") has also noted times where such an amendment might not be allowed, "such as undue delay, bad faith or dilatory motive on the part of the

movant, repeated failure to cure deficiencies by amendments previously allowed, undue prejudice to the opposing party by virtue of the amendments, futility of amendment, etc.” Foman v. Davis, 371 U.S. 178, 182 (1962). Additionally, the Supreme Court has stated that “the grant or denial of an opportunity to amend is within the discretion of the District Court.” Id. As one court has noted, “where, however, the complaint, as amended, would radically alter the scope and nature of the case and bears no more than a tangential relationship to the original action, leave to amend should be denied.” Miss. Assoc. of Coops. v. Farmers Home Admin., 139 F.R.D. 542, 544 (D.D.C. 1991).

IV. DISCUSSION

This Court will now discuss the two amendments to the proposed Amended Complaint which are being contested. First, this Court will examine whether the Plaintiffs have met their pleading requirement as to the copyright infringement claim. The Defendants contend that allowing the Plaintiffs to amend their Complaint so as to reinstate their copyright infringement claim would be improper due to its futility. Next, this Court will examine whether it will allow the Plaintiffs to add the Law Firm as a Defendant, as well as include the five new counts it seeks to bring against the Law Firm arising out of the Internet activity conducted by the Law Firm. For the following reasons, this Court will allow the Plaintiffs to amend their Complaint so as to reinstate their copyright infringement claim, but will not allow the Plaintiffs to add the Law Firm as a party nor allow them to pursue their claims against the Law Firm within this action.

A. COPYRIGHT INFRINGEMENT

In the January 13, 2004 Memorandum Opinion, this Court dismissed without

prejudice the Plaintiffs' copyright infringement claim. This Court stated that Plaintiffs' allegations were sufficient as to some of the elements of a properly pleaded copyright infringement claim. However, as noted in the January 13, 2004 Memorandum Opinion:

[t]o state a claim for copyright infringement under Federal Rule of Civil Procedure Rule 8, the Complaint must state which *specific* original work is the subject of the copyright claim, that the plaintiff owns the copyright, that the work in question has been registered in compliance with the statute and by what acts and during what time defendant has infringed the copyright.

Flynn, 2004 WL 51929, at *12 (internal quotation marks and citations omitted). This Court noted that the Plaintiffs "failed to plead in their [Original] Complaint what specific original works are the subject of the copyright claim." Id. As this Court explained, properly pleading the specific original work at issue is often times accomplished by attaching the Copyright Registration to the Complaint. Id. at *12 n.7 (citations omitted).

In their proposed Amended Complaint, the Plaintiffs have attached the Copyright Registrations as exhibits. On May 13, 2004, the Plaintiffs submitted a request to substitute the exhibits they attached to the proposed Amended Complaint. Specifically, in addition to attaching the Copyright Registrations, the Plaintiffs either attached the subject matter of these registrations or provided it to the Defendants during the discovery that has already taken place in this case. As such, this Court cannot say that the Plaintiffs' proposed amendment relating to their copyright infringement claim is clearly futile and, thus, this Court will allow the Plaintiffs to amend their Complaint to include their copyright infringement claim.

B. THE LAW FIRM

As mentioned previously, the Plaintiffs have proposed five additional counts

against the Law Firm. While the Law Firm no longer represents all of the Defendants, it did at one time, and still represents one of the Defendants, Conwell. As the proposed factual allegations state, the new claims against the Law Firm arise from the Law Firm's actions after the Original Complaint was filed. The new proposed claims relate to the online investigation conducted by the Law Firm. Specifically, the Plaintiffs allege that the Law Firm improperly "hacked" into www.archive.org to review old web pages of the Plaintiffs that were previously archived. Thus, the new claims relate to the methods, concepts and ways the Law Firm obtained this information over the Internet.

While leave to amend a complaint is usually freely given under Federal Rule of Civil Procedure 15, the Supreme Court has stated that where there is prejudice to the opposing party, leave to amend can be denied. See Foman, 371 U.S. at 182. Here, the prejudice to the Defendants, and in particular, Defendant Conwell is readily apparent. As Defendant Conwell sets out in her brief, allowing the Plaintiffs to amend their Complaint to include the Law Firm will effectively require Nancy Conwell to obtain new counsel. The addition of the Law Firm would make the Law Firm a witness to the litigation, which would effectively violate Pennsylvania Rule of Professional Conduct ("Pa. R.P.C.") 3.7.⁴ Therefore, since adding the Law

⁴ Pa. R.P.C. 3.7 states:

(a) A lawyer shall not act as advocate at a trial in which the lawyer is likely to be a necessary witness except where:

- (1) the testimony relates to an uncontested issue;
- (2) the testimony relates to the nature and value of legal services rendered in the case; or
- (3) disqualification of the lawyer would work substantial hardship on the client.

(b) A lawyer may act as an advocate in a trial which another lawyer in the lawyer's firm is likely to be called as a witness unless precluded from doing so by Rule 1.7 or Rule 1.9.

Firm as a party to the case would cause prejudice to the Defendants, and in particular Conwell, this Court will not allow the Plaintiffs to add the Law Firm as a party.

It is also important to put into context the proposed claims against the Law Firm as they relate to the Original Complaint. The Original Complaint arose from the Plaintiffs' negotiations and transactions with HA and the individuals whom the Plaintiffs allege were or still are associated with HA. Specifically, the Plaintiffs assert that Defendant John Peppelman originally requested information from the Plaintiffs so as to help form a rival company. Next, the Plaintiffs allege that HA and its associates concocted a scheme to entice the Plaintiffs to agree to a written non-disclosure agreement so that HA could gather more information from the Plaintiffs to help establish their rival company. Clearly, adding the Law Firm as a party and the subsequent claims arising from the Law Firm's Internet activity would have an effect on the litigation and significantly alter the case. As at least one court has noted, "[w]here, however, the complaint, as amended, would radically alter the scope and nature of the case and bears no more than a tangential relationship to the original action, leave to amend should be denied." Miss. Assoc. of Coops., 139 F.R.D. at 544. In the present case, this Court is concerned that in addition to the prejudice it would cause the Defendants, allowing the proposed claims against the Law Firm would transform this case "into something entirely new." Id. Specifically, the proposed new claims against the Law Firm relate to concepts such as "hacking" and licenses on web pages. These concepts are only tangentially connected to the Original Complaint and would likely lead to significant confusion of the issues. As such, because of the prejudice it would cause the

Pa. R.P.C. 3.7.

Defendants and the tangential connection to the Original Complaint, this Court will not allow the Plaintiffs to add the Law Firm as a Defendant.⁵

IV. CONCLUSION

This Court has considered Plaintiffs' Motion for Leave to File a First Amended Complaint. While the Plaintiffs have proposed four amendments, the Defendants have only objected to two of those amendments. First, the Defendants argue that the Plaintiffs' amendment to reinstate their copyright infringement claim should be denied as being clearly futile. Here, the Plaintiffs have attached the Copyright Registrations to the Complaint, as well as the subject matter material. Thus, the Plaintiffs have set forth what they allege is the specific original work underlying their copyright claim. Therefore, this Court cannot say that Plaintiffs' copyright infringement claim is clearly futile and will allow the Plaintiffs to reinstate their copyright claim. Second, the Plaintiffs have sought leave to add the Law Firm as a party, as well as add five new counts to the Complaint arising from the alleged Internet activity conducted by the Law Firm after the Original Complaint was filed. However, due to the prejudice and tangential relationship of these claims to the Original Complaint, Plaintiffs' proposed amendments as they relate to the Law Firm will be denied. The remaining amendments to the Complaint have not been contested by the Defendants and will thus be permitted.

An appropriate Order follows.

⁵ Due to this Court's rationale denying Plaintiffs Motion for Leave to add the Law Firm as a party, this Court deems it unnecessary to consider Defendants' Motion for In Camera Review and will thus deny that Motion as moot.

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	:	CIVIL ACTION
Plaintiffs,	:	
	:	
v.	:	No. 03-3764
	:	
HEALTH ADVOCATE, INC., et al.,	:	
	:	
Defendants.	:	
	:	

ORDER

AND NOW, this 8th day of July, 2004, upon consideration of Plaintiffs' Motion for Leave to File a First Amended Complaint (Doc. No. 24), and upon consideration of Defendant's Nancy Conwell's Motion for In Camera Treatment of Exhibit 1 (Doc. No. 30), it is hereby **ORDERED** that:

1. Plaintiffs' Motion for Leave to File a First Amended Complaint is **GRANTED IN PART** and **DENIED IN PART**. Plaintiffs' proposed amendments as it relates to adding the Law Firm of Harding, Earley, Follmer & Frailey (the "Law Firm") as a Defendant and the claims associated with the Law Firm are **DENIED**. All other proposed amendments by the Plaintiffs are **GRANTED**;
2. Plaintiffs shall file an Amended Complaint which follows the dictates of this Memorandum Opinion and Order within ten (10) days of this Order; and
3. Defendant Nancy Conwell's Motion for In Camera Treatment of Exhibit 1 is **DENIED AS MOOT** since the Law Firm will not be added as a Defendant to the Complaint for the reasons set forth in this Memorandum Opinion.

BY THE COURT:

Robert F. Kelly,

Sr. J.