STATE OF NORTH CAROLINA WAKE COUNTY	IN THE GENERAL COURT OF JUSTICE SUPERIOR COURT DIVISION 24CV026199-910
HEALTH LOGIX, LLC, Plaintiff, v. US RADIOLOGY SPECIALISTS, INC., Defendant.	**ORDER ON PLAINTIFF'S OPPOSITION TO NOTICE OF DESIGNATION AS A MANDATORY COMPLEX BUSINESS CASE**

1. **THIS MATTER** is before the Court on Plaintiff Health Logix, LLC's ("Health Logix") Opposition to Notice of Designation as a Mandatory Complex Business Case (the "Opposition").[1]

2. Health Logix filed the Complaint initiating this action in Wake County Superior Court on 19 August 2024, asserting claims against Defendant US Radiology Specialists, Inc. ("USRS") for (i) declaratory judgment under N.C.G.S. § 1-253 and (ii) anticipatory repudiation/breach of contract.[2] USRS timely filed the Notice of Designation (the "NOD") on 17 September 2024, contending that designation is proper under N.C.G.S. §§ 7A-45.4(a)(5), (a)(9), and (b)(2).[3]

3. Health Logix filed the Opposition three days later on 20 September 2024, and consistent with Business Court Rule 2.2, USRS filed its response to the

[1] (Opp'n Notice Designation Mandatory Complex Bus. Case [hereinafter "Opp'n"], ECF No. 4.)

[2] (Compl. ¶¶ 38–60, ECF No. 2.)

[3] (Notice Designation 1–2 [hereinafter "NOD"], ECF No. 3.)

Opposition on 7 October 2024 ("USRS's Response").[4] On 8 October 2024, the Court issued an Order permitting Health Logix an opportunity to file a reply to USRS's Response.[5] On 16 October 2024, Health Logix timely filed its Reply in Support of Opposition to Designation.[6]

4. This case arises out of a contract dispute. Health Logix is a provider of radiology software services,[7] and USRS provides radiology services through outpatient radiology imaging centers and partnerships with healthcare providers.[8] Health Logix alleges that on 11 August 2022, it and USRS entered into a Software License, Services, and Support Agreement (the "License Agreement") by executing a separate Health Logix Term and Signature Page (the "Term Sheet"), which attached the License Agreement by reference and added specific terms not detailed in the License Agreement, including the "Term/Expiration Date" of the License Agreement and the minimum monthly payment USRS was required to pay for Health Logix's software and support services.[9]

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[4] (Def.'s Resp. Pl.'s Opp'n Notice Designation [hereinafter "USRS's Resp."], ECF No. 5.)

[5] (Order Permitting Reply Supp. Opp'n Designation, ECF No. 1.)

[6] (Pl.'s Reply Supp. Opp'n Designation, ECF No. 6.)

[7] (Compl. ¶ 7.)

[8] (Compl. ¶ 8.)

[9] (Compl. ¶¶ 9–12 & Ex. A.)

5. The Term Sheet provided a 24-month term for the License Agreement, making the License Agreement's expiration date 11 August 2024.[10] Health Logix alleges that in May 2023, representatives of the two companies began discussing an amendment to the Term Sheet (the "Amendment") to extend the License Agreement's term for an additional three years to 11 August 2027.[11] According to Health Logix, USRS prepared the Amendment for signature by the parties, and although Health Logix executed the Amendment on 13 June 2023,[12] USRS did not provide an executed copy of the Amendment, instead indicating to Health Logix that a fully executed copy was forthcoming via email.[13]

6. Health Logix asserts that it relied on the parties' agreement to a three-year extension, devoting significant time and resources to prepare for additional projects under the extended term of the License Agreement.[14]

7. According to Health Logix, it learned through an email exchange with USRS's Senior Counsel and Director of Legal Operations some months later on 22 March 2024 that USRS never executed the Amendment and took the position that there was no effective Amendment and thus that the parties' relationship would end

[10] (Compl. ¶ 12.)

[11] (Compl. ¶¶ 16–17, 23.)

[12] (Compl. ¶¶ 20, 25 & Ex. C.)

[13] (Compl. ¶ 26.)

[14] (Compl. ¶ 27.)

at the end of the current term.[15] As a result, Health Logix advised USRS on 22 May 2024 that it would cease providing services under the License Agreement on 11 August 2024.[16] Health Logix initiated this litigation one week later.

8. Designation under N.C.G.S. § 7A-45.4(a)(5) is proper if the action involves a material issue related to "[d]isputes involving the ownership, use, licensing, lease, installation, or performance of intellectual property, including computer software, software applications, information technology and systems, data and data security, pharmaceuticals, biotechnology products, and bioscience technologies."

9. USRS argues in its NOD that "the crux of this matter is whether a court will require USRS to perform in accordance with an Amendment to a Software License Agreement that it did not sign."[17] USRS further asserts that designation to the Business Court is appropriate under three of the statutory categories enumerated in N.C.G.S. § 7A-45.4; specifically, (a)(5), (a)(9), and (b)(2).[18]

10. Health Logix argues in its Opposition that sections (a)(5) and (b)(2) are inapplicable and that Health Logix does not consent to designation under (a)(9); therefore, Health Logix asserts that the case should proceed on the regular civil docket in Wake County Superior Court.[19]

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[15] (Compl. ¶¶ 32–33.)

[16] (Compl. ¶ 36.)

[17] (NOD 4.)

[18] (NOD 4.)

[19] (Opp'n 1 & 3.)

11. USRS contends under (a)(5) that "[t]his matter is a contractual '[d]ispute involving the . . . use, licensing, lease, installation, or performance of intellectual property, including computer software, software applications, information technology and systems, [and] data.' "[20] USRS further asserts that "[b]ecause the material issue here is whether USRS is contractually bound to pay for three additional years of license to use Health Logix's software under an amendment to the Software Agreement that USRS never signed, designating this matter to the Business Court is appropriate."[21]

12. According to USRS, "the core of this dispute is whether the parties' conduct established an agreement to extend the Software Agreement," and "by placing the parties' course of conduct at the center of its claim, resolution of Health Logix's contract claim is 'closely tied to the underlying intellectual property aspects' of its software system."[22] USRS further contends that "a deep understanding of Health Logix's software system is required," that "the Court must examine Health Logix's technical requirements to deliver a specific software system to USRS under the Software Agreement," and that "[e]valuating and understanding the software meeting topics alone is a material issue that requires designation under [s]ections 7A-45.4(a)(5) and (b)(2)."[23]

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[20] (NOD 4 (quoting section (a)(5)).)

[21] (NOD 5.)

[22] (USRS's Resp. 1–2, 6 (quoting *Cardiorentis AG v. IQVIA Ltd.*, 2018 NCBC LEXIS 64, at *6 (N.C. Super. Ct. June 27, 2018)).)

[23] (USRS's Resp. 3.)

13. Our case law has long been clear that "[t]o qualify for mandatory complex business case designation under [section 7A-45.4(a)(5)], the material issue must relate to a dispute that is 'closely tied to the underlying intellectual property aspects' of the intellectual property at issue." *Cardiorentis AG*, 2018 NCBC LEXIS 64, at *6. "This Court has repeatedly held that contract disputes are not closely tied to the underlying intellectual property aspects of the intellectual property at issue if those actions may be resolved by the application of contract law principles alone." *Toshiba Glob. Com. Sols. Inc. v. Smart & Final Stores LLC*, 2020 NCBC LEXIS 78, *3 (N.C. Super. Ct. June 30, 2020). *See, e.g.*, *FootCareMax, LLC v. Edge Mktg. Corp.*, 2021 NCBC LEXIS 18, *4 (N.C. Super. Ct. Mar. 4, 2021) (holding (a)(5) designation improper where "[plaintiff's] claims [were] focused on [d]efendants' alleged breach of [certain agreements] rather than on the underlying intellectual property aspects of [d]efendants' [intellectual property]"); *Pinsight Tech., Inc. v. Driven Brands, Inc.,* 2020 NCBC LEXIS 23, at *5 (N.C. Super. Ct. Feb. 20, 2020) (holding (a)(5) designation improper where plaintiff's claim for breach of nondisclosure agreements only required application of contract law principles); *Grifols Therapeutics LLC v. Z Automation Co.*, 2019 NCBC LEXIS 91, at *3 (N.C. Super. Ct. July 3, 2019) (holding (a)(5) designation improper where purchase agreement for intellectual property only required application of contract law principles); *Grid Therapeutics, LLC v. Song*, 2019 NCBC LEXIS 99, at *2–3 (N.C. Super. Ct. May 31, 2019) (holding that "dispute over the continued viability of a sublicense for the use and commercial exploitation of

certain intellectual property" only required "straightforward application of contract law" and was not properly designated under (a)(5)).

14. Health Logix's two claims here seek (i) "a declaration establishing the rights and obligations of the parties" under the Amendment and the License Agreement as set forth in the Term Sheet and (ii) damages for USRS's alleged anticipatory repudiation or breach of contract for its failure to pay to Health Logix required payments under the Term Sheet and License Agreement.[24] Neither of these claims requires an examination of the intellectual property characteristics of Health Logix's software to determine whether the contract term at issue was extended or how any damages should be calculated, and the resolution of these claims is not "closely tied to the underlying intellectual property aspects" of Health Logix's products and services. Instead, as in the cases cited above, Health Logix's claims are straightforward contract claims and may be resolved solely by application of contract law principles. As a result, the Court concludes that designation of this action under section 7A-45.4(a)(5) is improper.

15. Since designation is improper under section 7A-45.4(a)(5), USRS's effort to designate this action under section 7A-45.4(b)(2) as a claim designated under (a)(5) involving at least $5,000,000 necessarily fails as well.

16. In addition, USRS has abandoned its effort to designate this action under N.C.G.S. § 7A-45.4(a)(9), which requires the consent of all parties, since Health Logix

[24] (Compl. ¶¶ 51, 60, Prayer for Relief ¶¶ 1–2.)

has advised that it does not consent to designation.[25] *See, e.g.*, *Pinsight Tech., Inc.*, 2020 NCBC LEXIS 23, at *5 (holding designation unavailable under section (a)(9) where conditional notice of designation indicated that defendant did not consent).

17. **WHEREFORE**, based on the above, the Court concludes that the Opposition shall be **ALLOWED** and that this action shall not proceed as a mandatory complex business case under N.C.G.S. §§ 7A-45.4(a)(5), (a)(9), or (b)(2).

18. As a result, the Court hereby advises the Senior Resident Superior Court Judge of Judicial District 10 that this action is not properly designated as a mandatory complex business case so that the action may be treated as any other civil action, wherein the parties may pursue designation as a Rule 2.1 exceptional case with the Senior Resident Superior Court Judge if deemed appropriate.

19. The Court's ruling is without prejudice to the right of the parties to otherwise seek designation of this matter as a mandatory complex business case as may be provided under section 7A-45.4.

SO ORDERED, this the 18th day of October, 2024.

/s/ Louis A. Bledsoe, III
Louis A. Bledsoe, III
Chief Business Court Judge

[25] (Opp'n 3; USRS's Resp. 1.)