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

LABWARE, INC.,	:	
Plaintiff,	:	**CIVIL ACTION**
	:	
v.	:	
	:	
THERMO LABSYSTEMS, INC.,	:	**No. 04-2545**
Defendant.	:	

MEMORANDUM AND ORDER

Schiller, J. **January 31, 2005**

Plaintiff LabWare, Inc. ("LabWare") brings this action against Defendant Thermo Labsystems, Inc. ("Thermo") alleging, inter alia, false advertising in violation of the Lanham Act. Presently before this Court is Thermo's motion for leave to amend its Answer by asserting a counterclaim. For the reasons set forth below, Thermo's motion is granted.

I. STANDARD OF REVIEW

Leave to amend a pleading shall be freely given "when justice so requires." FED. R. CIV. P. 15(a) (2004). Similarly, leave to add a counterclaim by amendment may be given if the pleader has omitted the counterclaim "through oversight, inadvertence, or excusable neglect, or when justice requires." FED. R. CIV. P. 13(f) (2004). Although their wording differs slightly, "both rules have been construed to require essentially the same standards of granting leave to amend the pleadings." *Fid. Fed. Sav. & Loan Ass'n v. Felicetti*, 149 F.R.D. 83, 85 (E.D. Pa. 1993); *see also Bryant v. Clark*, Civ. A. No. 91-4352, 1991 WL 212092, at *1, 1991 U.S. Dist. LEXIS 14755, at *3-4 (E.D. Pa. Oct. 15, 1991); *Gregory v. Corr. Connection, Inc.*, Civ. A. No. 88-7990, 1990 WL 178209, at *1, 1990 U.S. Dist. LEXIS 15283, at *4 (E.D. Pa. Nov. 9, 1990). These standards call for a court to consider

whether the pleader has acted in good faith and without undue delay and whether the non-moving party will suffer undue prejudice from the amendment. *Fort Washington Res., Inc. v. Tannen,* 153 F.R.D. 565, 566 (E.D. Pa. 1994) (citations omitted); *see also Justofin v. Metro. Life Ins. Co.*, 372 F.3d 517, 526 (3d Cir. 2004) (stating that amendment may be denied due to substantial or undue prejudice or in instances of bad faith or dilatory motives). In general, though, the phrase "when justice requires," is flexible and allows the court "to exercise its discretion and permit amendment whenever it seems desirable to do so." *Today's Man, Inc. v. Nationsbank, N.A.*, Civ. A. No. 99-479, 2000 WL 822500, at *2, 2000 U.S. Dist. LEXIS 8710, at *4 (E.D. Pa. June 22, 2000) (quotation omitted); *see also* 6 CHARLES ALAN WRIGHT, ARTHUR R. MILLER & MARY KAY KANE, FEDERAL PRACTICE AND PROCEDURE § 1430 (2d ed. 1990)).

II. DISCUSSION

Thermo seeks to allege a Lanham Act counterclaim against LabWare based on the same legal issues as LabWare's Lanham Act claim against Thermo. (*See* Thermo Mot. Tab 1 at 15-16 (Proposed Countercl.).) LabWare opposes amendment on the grounds that: (1) the counterclaim is inexcusably untimely and would substantially prejudice LabWare; and (2) Thermo does not have standing to sue LabWare. The Court disagrees and holds that amendment is desirable and in the best interests of justice.

A. Timeliness of Counterclaim and Prejudice to LabWare

Although Thermo's counterclaim cannot be described as timely, Thermo has advanced a satisfactory explanation for the delay. Thermo filed this motion on December 29, 2004, approximately three months after the September 28, 2004 deadline for the amendment of pleadings.

(*See* Scheduling Order of Sept. 15, 2004.) Just fifteen days prior to the amendment deadline, however, Thermo acquired Innaphase Corporation, effecting a transition in ownership and control. (Letter from Thermo to the Court of Sept. 13, 2004 (attaching press release announcing acquisition).) A change in the persons managing or controlling a litigation can constitute a justifiable reason for delay. *See, e.g.*, *Felicetti*, 149 F.R.D. at 86 (holding delay not undue when movants sought leave to add counterclaim within a few months of obtaining new counsel). The three-month delay is also explicable given Thermo's statement that LabWare, upon learning of the acquisition of InnaPhase Corporation, "agreed to evaluate whether it would continue to assert its claims against Thermo." (Letter from Thermo to the Court of Dec. 20, 2004.) If LabWare did indeed agree to reevaluate its claims, a fact which is undisputed, then Thermo had good reason to wait before pursing a counterclaim. In sum, Thermo's delay appears to have been undertaken in good faith.

Moreover, LabWare has not shown that it will be substantially prejudiced by Thermo's counterclaim. When opposing an amended pleading on grounds of prejudice, the non-moving party "must show that it was unfairly disadvantaged or deprived of the opportunity to present facts or evidence which it would have offered had the amendments been filed timely." *Edwards v. Storage Tech. Group*, Civ. A. No. 97-5427, 1999 WL 33505545, at *2, 1999 U.S. Dist. LEXIS 2059, at *5-6 (E.D. Pa. Mar. 1, 1999) (*citing Bechtel v. Robinson*, 886 F.2d 644, 652 (3d Cir. 1989)). In this case, the late filing of the counterclaim does not disadvantage LabWare or deprive LabWare of any opportunities it would have enjoyed had the counterclaim been timely filed. Although discovery will need to be taken that is beyond the scope of LabWare's original claims, this discovery would have been necessary even if Thermo had asserted the counterclaim immediately. *See id.* (noting additional discovery would have been necessary had defendant brought counterclaim at the time of its initial

answer in September 1997 or in its answer to the amended complaint in June 1998). Furthermore, there is no reason to believe that LabWare will be unfairly burdened by significant schedule changes, as this case is still in the discovery period and the nature of the counterclaim is such that it should not require extensive additional discovery. Regardless, shifting the schedule in this action would burden LabWare far less than allowing Thermo to file a separate action for false advertising, which Thermo states that it will do if its motion is denied. (*See* Thermo Reply at 4.) As "additional discovery and ultimate judicial resolution of the merits of the counterclaim appears to be inevitable," logic and judicial economy dictate that LabWare's and Thermo's claims be disposed of in a single action. *Felicetti*, 149 F.R.D. at 86.

B. Thermo's Standing to Sue

LabWare also argues that Thermo's counterclaim should not be allowed because Thermo does not have standing to sue LabWare for false advertising. A party must have a "reasonable interest" requiring protection from false advertising to have standing to assert a Lanham Act claim. *Conte Bros. Auto., Inc. v. Quaker State-Slick 50, Inc.*, 165 F.3d 221, 233 (3d Cir. 1998). Labware contends that Thermo lacks a reasonable interest in protection from any statements LabWare made after September 2004, the month when Thermo discontinued its Newton product. According to LabWare, the discontinuation of the Newton product means that Thermo and LabWare are no longer in direct competition and LabWare's statements can no longer cause Thermo any harm. (LabWare's Opp'n at 6-7.)

Whether Thermo is still in competition with LabWare, however, is an unresolved factual issue that cannot prevent Thermo from bringing this counterclaim. When evaluating the merits of a proposed counterclaim, a court must apply the standards of Federal Rule of Civil Procedure

12(b)(6) and construe all allegations in the light most favorable to the defendant/counterclaimant. *See Edwards*, 1999 WL 33505545, at *4; *see also Tannen*, 153 F.R.D. at 566. Under the Rule 12(b)(6) framework, Thermo can only be barred from presenting its counterclaim if it is clear that Thermo would not have standing under any set of facts that might be proven. *See Hishon v. King & Spalding*, 467 U.S. 69, 73 (1984). Here, Thermo disputes LabWare's assertion that the two companies are no longer competitors, stating that "[a]lthough the Newton product has been discontinued, Thermo continues to market and license products that compete with LabWare's products, including a product called SampleManager." (Thermo Reply at 4.) If Thermo is correct, it may well have a "reasonable interest" requiring protection from statements made by LabWare. *See Conte Bros.*, 165 F.3d at 233. Thus, construing all allegations in the light most favorable to Thermo, the Court finds that Thermo may have factual support for its counterclaim and must be given an opportunity to assert it.

III. CONCLUSION

For the foregoing reasons, Thermo's motion for leave to amend is granted. An appropriate Order follows.

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THERMO LABSYSTEMS, INC.,	**:**	**No. 04-2545**
Defendant.	**:**	

ORDER

AND NOW, this **31st** day of **January, 2005**, upon consideration of Defendant Thermo Labsystems, Inc.'s Motion for Leave to File Amended Answer, Affirmative Defenses and Counterclaim, Plaintiff LabWare, Inc.'s response thereto, all replies thereon, and for the foregoing reasons, it is hereby **ORDERED** that:

1. Defendant's Motion for Leave to File Reply Memorandum (Document No. 28) is **GRANTED**.

2. Defendant's Motion for Leave to File Amended Answer, Affirmative Defenses and Counterclaim (Document No. 25) is **GRANTED**.

BY THE COURT:

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Berle M. Schiller, J.