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Case No. 2022-1174-SG

TATE OF DEL AWADE

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

P.F. CHANG'S CHINA BISTRO, INC., Plaintiff,)))
v. UKG, INC. d/b/a ULTIMATE KRONOS GROUP, Defendant.)) C.A. No. 2022)) PUBLIC VERSION) FILED: December 22, 2022)

PLAINTIFF'S OPENING BRIEF IN SUPPORT OF MOTION FOR TEMPORARY RESTRAINING ORDER AND EXPEDITED PROCEEDINGS

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Dated: December 19, 2022

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PRELIMINARY STATEMENT

Plaintiff P.F. Chang's China Bistro, Inc. ("PFC") seeks injunctive relief to prevent the irreparable harm that will result if Defendant UKG, Inc. d/b/a Ultimate Kronos Group ("UKG") further deletes, destroys, or decommissions PFC's and data information, including PFC's data platform stored and hosted on UKG's UltiPro Software. UKG must be enjoined from further destructive efforts or deletion of PFC's data and information before, and until, PFC can search for, seek to recover, and/or obtain, and successfully verify the transfer of its data. Absent injunctive relief, UKG has represented that such harm will occur on **December 31**, 2022.

In 2009, PFC and UKG entered into an Intersourcing Service Model Agreement (the "Agreement") for PFC to (1) use UltiPro Software ("UltiPro") services as PFC's main database, and (2) store and protect PFC's confidential data and information. Under the Agreement, PFC and UKG agreed to certain terms and obligations among each other in connection with the use of UltiPro. Pursuant to the Agreement UKG acknowledged that PFC

and that PFC

. The Agreement also contains a				
	clause which	states that		

In or around March, 2021, PFC chose to move to a different service provider—FUSE. On July 1, 2020, PFC terminated its contract for use of UltiPro. But that termination nonetheless entitled PFC to receive a complete copy of its information stored on UltiPro. So in or around March 25, 2021, PFC requested UKG provide it a full copy and transfer of all the databases that had been stored on UltiPro. Between March, 2021 and April, 2021, PFC and UKG communicated about the request to transfer all of the database information out of UltiPro and to FUSE.

During that time, on or around May 28, 2021, PFC emailed UltiPro notifying it of pending litigation against PFC and issued UltiPro a litigation hold notice requesting that UltiPro "retain all of P.F. Chang's data until further notice." On June 28, 2021, a UKG representative responded by email, confirming receipt of

the litigation hold demand, and informed PCF that "the database [on UltiPro] was set to decommission three months post-termination on June 27, 2021." UKG's representative stated that they were successfully able to pause the decommission and would be able to provide PFC its requested backup data to retain for its records.

On July 21, 2021, PFC responded to UKG by requesting that it continue to ensure the integrity of PFC's data until all of the migration to Fuse was complete. PFC emphasized its request that UKG not delete any of PFC's data until the migration process was complete and the data had been validated. On July 27, 2021, UKG responded confirming it would delay the decommission of PFC's database until the migration to Fuse was complete.

In or around December 3, 2021, PFC discovered that some of its information was not successfully transferred from UltiPro to Fuse. PFC raised the issue with UKG multiple times upon learning of the issue, but UKG made repeated assurances that there was no problem. Around March, 2022, and after subsequent investigation into the matter, PFC discovered that more than small bits of data was missing. PFC was missing almost one years' worth of data and information which was supposed to be stored in and hosted on UltiPro.

When PFC brought the missing data and information to UKG's attention, it repeatedly provided empty promises that UKG would be able to retrieve PFC's missing data using some sort of extraction tool. UKG has been unsuccessful. Ultimately, on August 26, 2022, PFC received confirmation from a UKG representative who admitted that UKG had lost some of PFC's data and information. Specifically, the representative stated: "They've informed me that [] the requested documents are inaccessible and UKG is unable to provide. Therefore, continuing to delay the decommission isn't warranted as we do not have the data. As such, UKG intends to proceed with the decommission currently scheduled for 9/12/22."

STATEMENT OF FACTS

PFC is a Delaware Corporation known for its American-based casual dining restaurant chains and is headquartered in Scottsdale, Arizona. *See* Verified Complaint (cited as "Compl.") ¶1. Upon information and belief, Ultimate Kronos Group was formed from the merger of Ultimate Software Group, Inc. and Kronos Incorporated. *Id.* ¶2. Ultimate Software Group, Inc. was an American multinational technology company that developed and sold UltiPro Software ("UltiPro"), a cloud-based human capital management software system for businesses. *Id.* ¶3.

¹ UKG has since extended this decommissioning to December 31, 2022, hence the need for urgent injunctive relief.

information and belief, Kronos Incorporated was an American Upon multinational workforce capital management and human management cloud provider. Id. ¶4. On April 1, 2020, the companies combined to form Ultimate Kronos Group ("UKG"). Id. ¶5. UKG is an American multinational technology company which continued each company's HR solutions—including Workforce Dimensions, Workforce Ready, and UltiPro HCM and HR service delivery solutions. *Id.* ¶7.

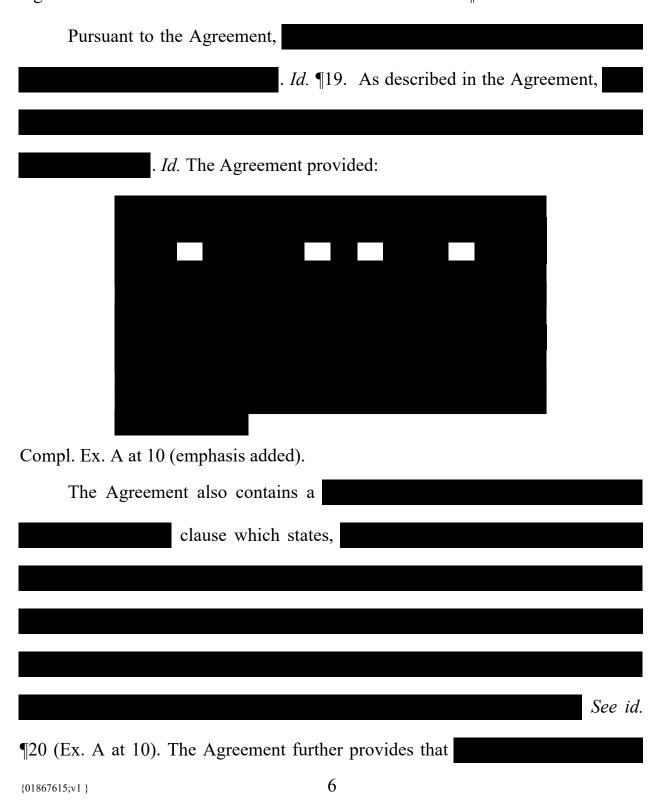
UltiPro is a UKG-exclusively owned hosting service database for data and information which only UKG can modify, alter or enhance. *Id.* ¶8.

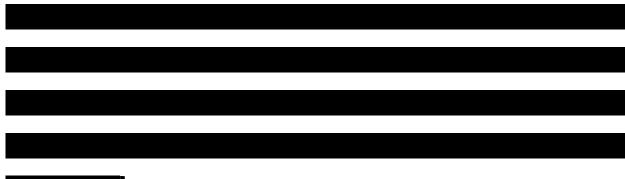
On or around February 27, 2009, PFC and UKG entered into an Intersourcing Service Model Agreement² (the "Agreement") for PFC to use UltiPro services as its main database and to store and protect its confidential data and information. *Id.* ¶17. PFC's claims against UKG arise out of this Agreement.

Pursuant to the Agreement, the parties expressly agreed that "this Agreement shall be governed by and construed in accordance with the internal laws of the

² A true and correct copy of the Agreement is attached as Exhibit A to the Verified Complaint. Since February 27, 2009, PFC and UKG have amended and supplemented the Agreement for PFC's continued use of UltiPro. The Agreement was most recently amended on September 8, 2020 (the "Twelfth Amendment"). Compl. ¶25.

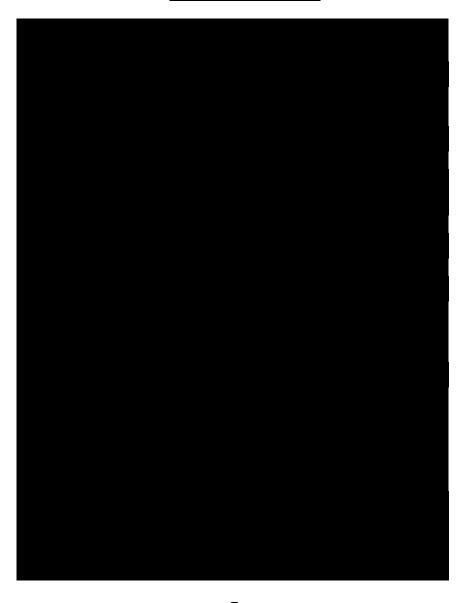
state of Arizona and jurisdiction and venue for any action regarding this Agreement or for the breach of it shall be in Delaware." *Id.* ¶10.

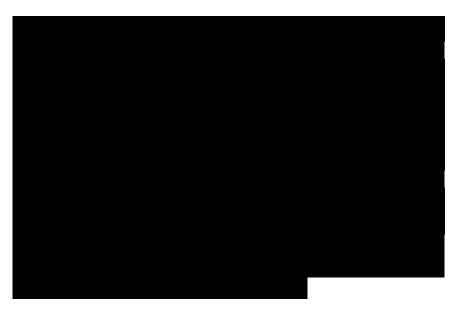




Id. ¶21 (Ex. A at 10).

The Agreement contains a which provides:





Compl. ¶22 (Ex. A at 11-12).

The Agreement also outlined . The

Agreement states:



Compl. ¶23 (Ex. A at 12 (emphasis added)).

The Agreement also contemplates that

" *Id.* ¶24 (Ex. A at 10).

In or around March, 2021, PFC chose to move to a different service provider—FUSE. *Id.* ¶26. On July 1, 2020, PFC terminated its contract for use of the UltiPro Software. In or around March 25, 2021, PFC requested UKG provide it a full copy and transfer of all the databases that had been stored on UltiPro. Compl., ¶¶26-27. On March 26, 2021, UKG informed PFC that it would pull PFC's data for transfer. *Id.* ¶29.

Later that same day, UKG responded that PFC had an outstanding balance owed and provided the cost of the data download. PFC responded to UKG that it would obviously pay UKG what it is owed, PFC would pay for the data dump, and that PFC "wanted to make sure that we have this before everything is turned off". *Id.* ¶30. UKG responded informing PFC that the data dump request can still be

addressed after the contract expiration. *Id.* ¶32. On March 31, 2021, PFC emailed UKG requesting confirmation that the final data extract requests had been submitted. *Id.* ¶33.

On April 1, 2021, PFC provided UKG with the information of the person who the data dump should be delivered. *Id.* ¶35. On or around May 28, 2021, PFC emailed UKG notifying it of pending litigation against PFC and issued UKG a litigation hold notice requesting that UKG "retain all of P.F. Chang's data until further notice." *Id.* ¶36. On June 28, 2021, a UKG representative responded by email, confirming receipt of the litigation hold demand, and informed PCF that "the database [on UltiPro] was set to decommission three months post-termination on June 27, 2021." *Id.* ¶37. UKG's representative continued that it was able to successfully pause the decommission and would be able to provide PFC with its data to download and retain.

On July 21, 2021, PFC responded to UKG by requesting that it continue to ensure the integrity of PFC's data until all of the migration to Fuse was complete. *Id.* ¶38. PFC emphasized its request that UKG not delete any of PFC's data until the migration process was complete and the data had been validated. On July 27, 2021, UKG responded confirming it would delay the decommission of PFC's database until the migration to Fuse was complete. *Id.* ¶39.

In or around December 3, 2021, PFC discovered that some of its data and information was not successfully transferred from UltiPro to Fuse. *Id.* ¶40. PFC raised the issue with UKG multiple times upon learning of the issue, but UKG made repeated assurances that there was no problem. *Id.* In or around March 10, 2022, and after subsequent investigation into the matter, PFC discovered that more than small pieces of its data was missing. *Id.* ¶41. PFC was missing a substantial amount of its data and information which was supposed to be stored in and hosted on UltiPro. *Id.*

On August 26, 2022, a UKG representative emailed PFC admitting that UKG had lost some of PFC's data and information. *Id.* ¶42. On November 16, 2022, PFC issued another litigation hold notice to UKG requesting that it refrain from any steps to further delete, destroy, tamper with, or decommission any of PCF's database. *Id.* ¶44.

Between November and December 2022, UKG provided PFC with the false hope that they might be able to retrieve the missing employee data and information from UltiPro using some sort of extraction tool. Despite those promises, UKG has been unsuccessful in retrieving PFC's missing data and information. *Id.* ¶45. Now, UKG has repeatedly threatened to "decommission" the PFC's entire data platform hosted on UltiPro beginning on December 31, 2022 despite the multiple litigation

holds issued to UKG. *Id.* ¶46. Doing so will render it completely impossible for PFC to recover its data.

PFC believes that it still might be able to recover some or all of its data but for the threatened decommissioning of its entire data platform resident in UKG's systems. *Id.* ¶47. PFC needs its data for any pending or future litigation in which the data and information hosted on UltiPro potentially could have formed a defense or partial defense to any claim or claims. *Id.* ¶48. Without this data, PFC's ability to defend these lawsuits will be significantly impaired. The data and information that UKG lost or destroyed is intangible. It would be impossible for PFC to recreate that data and information. *Id.* ¶49. UKG's threatened decommission of PFC's entire database threatens even more intangible, irreparable harm to PFC for which there is no monetary substitute. *Id.* ¶50. It is imperative that PFC preserve its data and information for a number of reasons, including but not limited to as evidence in any pending or future litigation. *Id.*

<u>ARGUMENT</u>

I. The Court should grant a temporary restraining order to enjoin UKG's further destruction of PFC's data.

Pursuant to Rule 65, the Court of Chancery is authorized to grant injunctive relief in the form of a temporary restraining order. Ct. Ch. R. 65; *see also* Rule 65,

Ariz.R.Civ.P. ³ Delaware courts have defined temporary restraining orders as "a special remedy of short duration" where the paramount element is "the nature and imminence of the allegedly impending injury." *Arkema Inc. v. Dow Chem. Co.*, 2010 WL 2334386, at *3 (Del. Ch. May 25, 2010) (citation omitted). As this Court has stated, "the purpose of a temporary restraining order is twofold: to protect the status quo and to prevent imminent and irreparable harm from occurring pending a preliminary injunction hearing or final resolution of a matter." *CBOT Holdings, Inc. v. Chicago Bd. Options Exch., Inc.*, 2007 WL 2296356, at *3 (Del. Ch. Aug. 3, 2007). Injunctive relief is warranted when the movant demonstrates "(i) the existence of a colorable claim, (ii) the irreparable harm that will be suffered if relief is not granted, and (iii) a balancing of hardships favoring the moving party." *Arkema Inc.* 2010 WL 2334386, at *1.

The standard applicable to a motion to expedite proceedings is substantially similar – Plaintiffs are entitled to expedited proceedings upon a showing that "the plaintiff has articulated a sufficiently colorable claim and shown a sufficient possibility of a threatened irreparable injury." *See Giammargo v. Snapple Beverage Corp.*, 1994 WL 672698, at *2 (Del. Ch. Nov. 15, 1994). The burden on

³ PFC and UKG expressly agreed in the Agreement to have the laws of the State of Arizona control any dispute arising out of the Agreement. Therefore, PFC will reference Arizona law when referring to substantive law applicable to this case.

a plaintiff in seeking expedited proceedings in cases seeking injunctive relief is not heavy, and such relief is routinely granted. *See Renco Grp. Inc. v. MacAndrews AMG Hldgs. LLC*, 2013 WL 209124, at *1 (Del. Ch. Jan. 18, 2013); *see also In re Ness Techs., Inc. S'holders Litig.*, 2011 WL 3444573, at *2 (Del. Ch. Aug. 3, 2011); *Cnty of York Employees Ret. Plan v. Merrill Lynch & Co.*, 2008 WL 4824053, at *5 (Del. Ch. Oct. 28, 2008) (noting that expedited proceedings will be ordered upon "showing of good cause why that is necessary") (citation omitted).

In applying this standard, the Court "has followed the practice of erring on the side of [more expedited proceedings] rather than fewer." *Id.* at *9. The Court need not make factual findings; the well-pled, verified allegations of the Verified Complaint guide the Court's inquiry. *See, e.g., Shocking Techs., Inc. v. Michael*, 2012 WL 165561, at *1 (Del. Ch. Jan. 10, 2012).

Here, PFC asserts colorable claims grounded in its documentary evidence. As set forth in the Verified Complaint, UKG's destructive actions constitute a breach of the Agreement. Moreover, failure to enjoin UKG from further destructive efforts would cause irreparable harm to PFC, and that harm to PFC far outweighs any potential, *de minimus* harm to UKG in the delay of decommissioning PFC's data platform on UltiPro. PFC, therefore, meets the prerequisites for obtaining a temporary restraining order prohibiting UKG's

deletion, destruction or decommissioning of PFC's data platform and for expedited proceedings. We will address the standards for granting injunctive relief, and why they compel such relief here, in turn.

A. Plaintiff has pled colorable claims and has established a reasonable probability of success on the merits.

To obtain a TRO or expedited treatment, a party "need only state a colorable claim for relief, which is essentially a non-frivolous cause of action." Newell Rubbermaid Inc. v. Storm, 2014 WL 1266827, at *9 (Del. Ch. Mar. 27, 2014) (quoting Reserves Dev. Corp. v. Wilm. Tr. Co., 2008 WL 4951057, at *2 (Del. Ch. Nov. 7, 2008)). Demonstrating a colorable claim entails a "lenient" and "very low standard." Reserves Dev. Corp. v. Wilmington Tr. Co., 2008 WL 4951057, at *2 (Del. Ch. Nov. 7, 2008); Vansant v. Ocean Dunes Condo. Council Inc., 2014 WL 718058, at *1 (Del. Ch. Feb. 26, 2014). In assessing colorability, this Court treats the facts alleged by the movant as true. Cottle v. Carr, 1988 WL 10415, at *2 (Del. Ch. Feb. 9, 1988). PFC has demonstrated a strong likelihood of success of its claims against UKG. As set forth in the Verified Complaint, PFC's causes of action are founded upon the promises, covenants, and clauses found in the Agreement. A breach of contract claim under Arizona law requires the moving party to prove: (1) the existence of a valid contract; (2) the breach of that contract; and (3) damages that the plaintiff suffered as a result of the breach. City of Tucson

v. Superior Court of Pima County, 116 Ariz. 322, 569 P.2d 264 (App. 1977). PFC has met this burden.

The Agreement is an enforceable, valid contract to which UKG agreed to be bound. This Agreement was freely entered into by PFC and UKG, and since February 27, 2009, PFC and UKG have amended and supplemented the Agreement for PFC's continued use of UltiPro. Compl. ¶25. With respect to UKG, it agreed to provide hosting services for PFC's data and information in exchange for payment of those services by PFC. The foregoing constitutes sufficient consideration, and the underlying agreements are presumptively valid. See Savoca Masonry Co., Inc. v. Homes & Son Construction Company Inc., 112 Ariz. 392, 542 P.2d 817 (1973) (noting that under general contract law requirements, a contract is valid if there is an offer, an acceptance, consideration and sufficient specification of the terms so that the obligations involved can be ascertained).

Here, as enumerated in the Agreement, UKG agreed to certain obligations under the Agreement. Amongst others, UKG expressly acknowledged that it did not have any ownership of the information or data on PFC's data platform and that, upon termination of the Agreement, it had an obligation to return PFC's data and information to it. Once termination of the Agreement came to fruition, and PFC requested its data platform (and all the data and information hosted in it) be

transferred to its new service provider, PFC discovered that it was missing some of its data and information. And UKG acknowledged that it is unable (or unwilling) to retrieve that data and information. UKG has also failed to provide any explanation as to why that data and information has not been returned to PFC. This is sufficient evidence to demonstrate a colorable claim for breach of contract against UKG.

B. PFC will suffer imminent, irreparable harm if the Court does not issue a temporary restraining order.

PFC also faces a sufficient threat of imminent and irreparable harm to support both the issuance of a temporary restraining order and expedited proceedings. To make such a showing, PFC must demonstrate harm for which it has no adequate remedy at law and that refusal to issue an injunction would be a denial of justice. *Trilogy Portfolio Co., LLC v. Brookfield Real Estate Fin. Partners, LLC*, 2012 WL 120201, at **4-5 (Del. Ch. Jan. 13, 2012). The alleged harm must be imminent and genuine, as opposed to speculative. *Id.* This Court has found a threat of irreparable harm, for example, "in cases where an after-the-fact attempt to quantify damages would "involve [a] costly exercise[] in imprecision' and would not provide full, fair, and complete relief for the alleged wrong." *Id.* Potential harm that may occur in the future, however, does not constitute imminent and irreparable injury for the purposes of a TRO or preliminary injunction. *Id.*

If UKG is not enjoined from further destructive efforts, including deletion, destruction or decommissioning PFC's data platform hosted on UltiPro, PFC will suffer irreparable harm in the denial of their rights under the Agreement. These breaches are not capable of being remedied by money damages. For instance, PFC will suffer the irreparable harm of losing some of its data and information which could be, and would be, used by PFC to form a defense or partial defense to any claim or claims.

Absent intervention by this Court, PFC faces the imminent loss of its data and information. A "price" cannot be placed on such a critical loss. UKG has continuously promised PFC that it would somehow be able to retrieve PFC's missing data and information using an extraction tool. They have been unsuccessful, and instead, threaten to decommission PFC's data platform on UltiPro prior to resolving this issue or retrieving the missing data and information. The irreparable harm could thus occur at any moment, warranting issuance of a temporary restraining order.

C. The balance of equities weighs in favor of granting PFC's injunctive relief.

In reviewing a motion for TRO, the Court is more likely to grant the requested equitable relief if the immediate and irreparable harm to be averted by the issuance of a temporary restraining order outweighs the burden to be suffered

by the non-moving party through maintenance of the status quo, then the Court is more likely to grant such an equitable remedy. *CBOT Holdings, Inc. v. Chi. Bd. Options Exch.*, 2007 WL 2396356, at *5 (Del. Ch. Aug. 3, 2007). The balance of harms here supports the issuance of a TRO to maintain the status quo until the parties have had an opportunity to complete discovery, present arguments in connection with Plaintiffs' motion seeking a preliminary injunction, and enforce the parties' promises under the Agreement to ensure that all of PFC's data and information is transferred successfully, and verified as such, to FUSE.

The irreparable harm that PFC would suffer without a temporary restraining order—further loss or destruction of PFC's data and information—far outweighs the harm that granting the temporary restraining order will cause UKG. In contrast, UKG will suffer little to no harm by the requested injunction. The only possible "harm" would be a short delay in the decommissioning of PFC's data platform from UltiPro. The balance of equities favors the Court granting a temporary restraining order.

D. No bond should be required.

PFC respectfully requests that the Court exercise its discretion to waive the bond requirement under Court of Chancery Rule 65(c).

Any "harm or damage" to UKG is *de minimus*—PFC seeks merely a short delay in the decommission of PFC's data platform until PFC can retrieve all of its 19

data and information and verify its successful retrieval. See Petty v. Penntech Papers, Inc., 1975 WL 7481, at *1 (Del. Ch. Sept. 24, 1975) (explaining that "for a substantial bond to be required it should be supported either by facts of record or by some realistic as opposed to a yet-unproven legal theory from which damages could flow to the party enjoined" and declining to increase nominal bond). Accordingly, no bond should be required.

CONCLUSION

For the foregoing reasons, PFC respectfully requests that the Court issue a temporary restraining order, order expedited proceedings, and grant any such other relief as it deems just and appropriate under the circumstances.

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