

IN THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

No. 92-1478

STAR TECHNOLOGY, INC.,

Plaintiff-Appellee,

versus

TULTEX CORPORATION, ET AL.,

Defendants,

THE AUSTIN COMPANY,

Defendant-Appellant.

Appeal from the United States District Court for
the Northern District of Texas
CA3 91 1067 R

April 13, 1993

Before REAVLEY, SMITH and EMILIO M. GARZA, Circuit Judges.

PER CURIAM:¹

Star Technology, Inc. (Star) sued Tultex Corporation (Tultex) and The Austin Company (Austin) for copyright infringement and trade-secret misappropriation. Austin filed a motion to stay the entire proceeding pending the outcome of

¹ Local Rule 47.5 provides: "The publication of opinions that have no precedential value and merely decide particular cases on the basis of well-settled principles of law imposes needless expense on the public and burdens on the legal profession." Pursuant to that Rule, the court has determined that this opinion should not be published.

arbitration between Star and Austin. The district court denied the motion, and Austin appeals. We affirm.

I. BACKGROUND

Star's copyright infringement and trade-secret misappropriation claims concern a project to develop an automated warehouse for Tultex, a fleecewear manufacturer. Tultex hired Austin to design and equip the automated warehouse. Austin, as Tultex's general contractor, selected Star's bid to design and develop the Distribution Planning and Control System (DPCS) software, which was to be used to control warehouse operations. In response to Austin's concerns that Star was too small to handle the DPCS software job, Star offered to team up with CSX Commercial Services, Inc. (CSX).

Austin entered into a contract with CSX to develop the DPCS software ("the DPCS contract"). On appeal, Austin contends that Star is also a party to the DPCS contract. The DPCS contract contains an arbitration clause which states that "any dispute or disagreement between the parties arising out of th[e] Agreement" is subject to arbitration.

Star and CSX entered into separate agreements governing their relationship. Under those agreements, CSX and Star had equal ownership interest in the DPCS software.

The warehouse project did not go as planned. Unsatisfied with the DPCS software, Austin conditionally accepted the software, reserving its rights to pursue damages. Austin and Tultex then began developing a replacement software system, known

as the Central Distribution and Control System (CDCS) software, to run the automated warehouse. In Spring 1991, Tultex opened the automated warehouse using the new CDCS software. Star claims that Austin and Tultex improperly used and modified the DPCS software to create the CDCS software.

In June 1991, Star filed this lawsuit against Tultex, claiming that Tultex improperly appropriated Star's copyright and trade secrets. In February 1992, Star filed an amended complaint adding Austin as a defendant to this lawsuit. In March 1992, Austin filed a motion to stay the entire proceeding pending arbitration between Austin and Star. Austin asserted that Star was bound by the arbitration clause contained in the DPCS contract. The district court denied Austin's motion to stay. Austin appeals the court's order denying the motion to stay proceedings.

II. DISCUSSION

A party cannot be compelled to submit a dispute to arbitration unless there has been a contractual agreement to do so. *Neal v. Hardee's Food Sys., Inc.*, 918 F.2d 34, 37 (5th Cir. 1990). The issue here is whether Star is bound by the arbitration clause contained in the DPCS contract. Austin provides three alternative grounds for holding Star bound by that arbitration clause: (1) Star is a party to the DPCS contract; (2) Star is a third-party beneficiary of the DPCS contract; and (3) Star is the assignee of CSX, a party to the DPCS contract.

A. PARTY TO THE DPCS CONTRACT

We disagree with Austin's contention that Star is a party to the DPCS contract. The DPCS contract identifies only CSX and Austin as contracting parties, not Star. The opening paragraph of the contract provides: "This Agreement is made and entered into . . . by and between The Austin Company (the "Austin") and CSX Commercial Services, Inc. doing business as CSX Technology ("CSX")" Furthermore, Paragraph 8 of the DPCS contract specifically identifies Star as a "subcontractor" of CSX. It is true that Star signed the contract, but only as a third party that consented to the contract. Star's full signature appears only under the caption "consented to."

B. THIRD-PARTY BENEFICIARY

Alternatively, Austin argues that Star is bound by the arbitration clause as a third-party beneficiary of the DPCS contract. Even if arbitration agreements could obligate third-party beneficiaries to arbitrate, *but see In re Talbott Big Foot, Inc.*, 887 F.2d 611, 614 (5th Cir. 1989) (noting that both parties must agree to arbitrate), Austin has failed to show that Star is a third-party beneficiary of the DPCS contract. *See Professional Realty Corp., v. Bender*, 222 S.E.2d 810, 812 (Va. 1976) (third-party beneficiary status is available only when the parties to the contract clearly and definitely intended the contract to confer a benefit upon the third party); *see also Cunningham v. Healthco, Inc.*, 824 F.2d 1448, 1457-58 (5th Cir. 1987) (applying Texas law). At most, Star is an incidental beneficiary.

C. ASSIGNEE OF CSX

Lastly, Austin asserts that Star is bound by the arbitration clause as an assignee of CSX. In January 1992, CSX assigned to Star all of its rights in the DPCS software, including "[a]ll contract rights, royalties and other rights arising out of, or attributable to CSX's partial ownership of the DPCS Software." CSX conveyed to Star its rights in the DPCS *software*, not the DPCS *contract*.² Nevertheless, Austin contends that CSX's assignment of the DPCS software includes CSX's obligation to arbitrate disputes concerning the DPCS software. However, the cases cited by Austin in its supplemental brief do not convince us that CSX's duty to arbitrate, which arises only out of the DPCS contract, necessarily accompanies CSX's assignment of the DPCS software.

Because Star is not bound by the arbitration clause in the DPCS contract, Star cannot be compelled to arbitrate its claims concerning the DPCS software.

AFFIRMED.

² Star is not relying on an assignment of the DPCS *contract* as a basis of its claims against Austin.