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IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

ARDENT LABS, INC.,)	Case No. 26 C 591
d/b/a COMULATE,)	
)	
Plaintiff,)	
)	
v.)	
)	
APPLIED SYSTEMS, INC.,)	Chicago, Illinois
)	May 14, 2026
Defendant.)	10:04 a.m.

TRANSCRIPT OF PROCEEDINGS - MOTION HEARING/RULING
BEFORE THE HONORABLE MANISH S. SHAH

APPEARANCES (telephonically):

For the Plaintiff:	ELSBERG BAKER & MARURI, PLLC BY: MR. ROLLO C. BAKER, IV Empire State Building 350 Fifth Avenue, 38th Floor New York, New York 10118
For the Defendant:	QUINN EMANUEL URQUHART & SULLIVAN, LLP BY: MR. SALVADORE J. DIAZ 295 5th Avenue, Floor 9 New York, New York 10016
	QUINN EMANUEL URQUHART & SULLIVAN, LLP BY: MR. SAM STAKE 50 California Street, 22nd Floor San Francisco, California 94111
Also Present:	MR. RICH COHAN, General Counsel Applied Systems, Inc.
Court Reporter:	COLLEEN M. CONWAY, CSR, RMR, CRR Official Court Reporter 219 S. Dearborn Street, Room 1918 Chicago, Illinois 60604 (312) 435-5594

* * * * *

1 (Proceedings heard in open court:)

2 THE CLERK: 26 CV 591, Ardent Labs versus Applied
3 Systems.

4 THE COURT: Good morning. This is Judge Shah.
5 Do we have counsel for plaintiff on the line?

6 MR. BAKER: Good morning, Your Honor. You have Rollo
7 Baker.

8 THE COURT: And counsel for the defense?

9 MR. DIAZ: Good morning, Your Honor. This is
10 Salvadore Diaz. And on the line with me, I have Sam Stake.
11 And from Applied Systems, Richard Cohan.

12 THE COURT: Good morning.

13 I have the motion for reconsideration. I don't need
14 to brief it. I can give you a ruling on it now.

15 I don't agree that I misunderstood the existential
16 threat to Comulate in assessing the harm. The argument for
17 reconsideration amounts to a disagreement with how I weighed
18 the irreparable harm. That's not sufficient, in my view, to
19 warrant reconsideration.

20 The more substantial argument for reconsideration is
21 that I misunderstood the contractual relationships and failed
22 to recognize a duty Applied had not to cut off its own
23 customers from Comulate, as well as the argument that I didn't
24 walk through all of the elements of a California tortious
25 interference claim, as stated in the *hiQ Labs* case.

1 I still conclude that the at-will termination
2 provisions do give Applied the ability to withdraw its support
3 for Comulate.

4 I understand the point that Applied didn't terminate
5 its contracts in their entirety, but there is also the
6 competitor acknowledgment form issue. There is a provision
7 that allows Applied to revoke approval for a competitor's
8 access, and Applied didn't waive or forfeit that.

9 I continue to conclude Applied was not under a duty to
10 keep Comulate on board as an authorized integration.

11 I did not walk through the *hiQ Labs* elements when
12 assessing likelihood of success, but that omission does not
13 warrant reconsideration.

14 Although I didn't articulate this point, one of the
15 reasons likelihood of success on tortious interference is not
16 strong on the current record is that Applied's interests likely
17 outweigh the societal interest in contractual stability.

18 The justification for Applied's decision to withdraw
19 support for Comulate was that Comulate lied about the PBC
20 account. That justification is not likely pretextual. It's
21 likely true.

22 There is no dispute right now that Comulate lied about
23 who it was when it set up the PBC account. Although Applied
24 likely did want to eliminate Comulate's competitive threat, it
25 also did not want to be the victim of a deception or allow

1 Comulate to reap any advantage from its deception. Not wanting
2 to continue to authorize a competitor that resorts to fraud or
3 deception in its business practices is a legitimate
4 justification. Protecting Applied, and perhaps the market
5 generally, from an actor that engages in that kind of conduct
6 is likely of greater social value than the stability of
7 Comulate's contracts with its customers.

8 The fallout to Comulate's business, ultimately, at
9 least for now, looks to me to be a product of Comulate and
10 Mr. Katz's own misdeeds, such that, on balance, a preliminary
11 injunction in Comulate's favor would be contrary to the
12 equities here.

13 So for those reasons, the motion to reconsider is
14 denied.

15 I know we've got other things briefing and under
16 advisement. And I don't think there is anything else for us to
17 cover this morning. But, Mr. Baker, is there anything else
18 you'd like me to address this morning?

19 MR. BAKER: Yes. Yes, Your Honor.

20 I would like to make an oral application for an
21 injunction pending appeal, and I'd like to have the opportunity
22 to briefly support my basis.

23 The harm the original preliminary injunction motion
24 warned of has materialized. Twenty additional customers have
25 moved to terminate, 20% of Comulate's workforce has been laid

1 off, and the June 30 cutoff is less than seven weeks away. The
2 situation has worsened materially since April 21st.

3 Comulate has never asked Applied to affirmatively
4 support its product. Comulate has only asked the Court to
5 enjoin Applied from taking the extraordinary step of cutting
6 Comulate off on June 30 while the merits of this case are
7 heard.

8 The Court stated at the April 21 ruling that Comulate
9 could adapt to a non-Epic world. In a competitive market,
10 Comulate perhaps could pivot and serve non-Epic customers, or
11 even create a competing offering to Epic, but this is not a
12 normal market. Applied owns 92% of the hundred-million-dollar
13 revenue enterprise AMS market, which is Comulate's core revenue
14 base.

15 Customers using Epic have no ability to switch away
16 from Epic -- it would take years and millions of dollars -- nor
17 could Comulate build a competing AMS, even if it had the
18 resources to do so. Applied controls the SDK, which is
19 required to migrate customer data out of Epic to any
20 alternative. Applied owns Ivans, which is the intranet for
21 insurance brokers and carriers, to which every AMS must
22 operate. And Applied deploys its claimed rights to bar any
23 entity it deems a competitor from Ivans' access, despite having
24 acquired Ivans in 2014, but promises that Ivans would be
25 maintained in an open way, not to preference Applied's Epic.

1 Applied blocks all potential tasks to a pivot.

2 The customer contracts that Your Honor focuses on
3 during the April 21 ruling expressly recognized Comulate as an
4 authorized integration. What Applied is doing is it's reaching
5 into those agreements with its own customers and pulling
6 Comulate out. It has no contractual basis to do so. The
7 contracts provide formal procedures for terminating the
8 agreement.

9 Your Honor mentioned convenience upon 60 days' notice.
10 They have not done so, nor will they. It's hypothetical. They
11 would not do so because they would torch their business. It
12 would save liability from their own customers from breaching
13 their contracts.

14 Your April 21 ruling characterized Applied's conduct
15 as "authorized," but the ruling identified no contractual
16 provision for authorizing it, Applied has identified none, and
17 that's because the provision does not exist.

18 Applied's recent cutoff notices that we brought to
19 Your Honor's attention in the motion for reconsideration
20 described no theory of breach. They identify no particular
21 contractual provision that allows them to do what they're
22 trying to do.

23 And when customers have asked Applied to identify the
24 contractual basis for the cutoff, Applied has refused. Why?
25 Because there is none. Applied is using the threat of

1 breaching its own customer contracts to force those customers,
2 the so-called mutual customers, to breach their contracts with
3 Comulate.

4 Under California law, as explained upon the Ninth
5 Circuit in *hiQ Labs*, Applied has a duty not to interfere with
6 Comulate's customer contracts under the circumstances. That
7 duty applies here.

8 Your Honor, in this ruling, mentioned the PBC issue,
9 but the record evidence demonstrates that Applied had
10 determined well before October 2025 that they were going to
11 eliminate Comulate. They do not deny it. There is no evidence
12 that they have submitted before Your Honor that demonstrates
13 that there's anything other than a pretextual explanation for a
14 predetermined course of action consistent with historical
15 practice.

16 Comulate is one-hundredth Applied's size. Applied's
17 own documents before Your Honor describe Comulate as Applied's
18 principal independent threat in the accounting automation
19 market. The June 30 cutoff is what removes that threat.

20 The antitrust claims in this case are pending. If the
21 June 30 cutoff proceeds, Comulate will be forced to be wound
22 down before any court rules on those claims. The harm is
23 irreparable. Damages cannot remedy the destruction of a
24 business entity.

25 Applied's unlawful foreclosure of the accounting

1 automation market to monopolize control of the Epic platform is
2 what we are seeing in realtime. This destruction, this
3 tortious interference is precisely what preliminary injunctions
4 are meant to prevent. And this destruction is being inflicted
5 by a company whose conduct this Court has already described in
6 a prior ruling as "perhaps motivated by a desire to eliminate a
7 potential for existing competitive threat."

8 Comulate accepts that courts do not guarantee an
9 unchanging business environment. That is not what is happening
10 here. Here, a monopolist controls every input necessary to
11 compete in this market and is unlawfully using that control to
12 eliminate competitors.

13 Comulate is just the latest victim of the more than 15
14 described in Comulate's complaint. Applied has had the
15 opportunity to submit multiple evidentiary declarations. They
16 deny none of it.

17 *High Q* shows Your Honor that Applied has engaged in
18 tortious interference. This is precisely what the courts are
19 supposed to put a stop to.

20 The relief Comulate seeks is narrow: Applied changes
21 nothing about its business. It leaves in place Comulate's
22 integration with the fewer than 60 customers that remain.
23 Revenue from those customers is what keeps Comulate alive long
24 enough to reach the merits.

25 Without granting reconsideration or without granting

1 an injunction pending appeal, Applied achieves its
2 anticompetitive goal, which harms customers and eliminates
3 Comulate and competition on June 30 before the merits can be
4 decided.

5 So for those reasons, and the reasons set forth in the
6 prior briefing, we would respectfully request an injunction
7 pending appeal.

8 THE COURT: Thank you, Mr. Baker.

9 Mr. Bunge or counsel for defendant, do you want to
10 address the point that there is no contractual basis for
11 Applied to narrowly target Comulate for withdrawal from
12 authorized integrations?

13 MR. DIAZ: Yes, Your Honor. I'd be happy to. This is
14 Salvadore Diaz.

15 Of course, we oppose the motion for an injunction
16 pending appeal. This is Comulate's now *ex post* fourth request
17 for a preliminary injunction from this Court. It still
18 identifies no controlling authority the Court overlooked, no
19 newly discovered evidence, and no manifest error of fact or
20 law.

21 Of course, there's a lot that Mr. Baker said that we
22 would disagree with, but focusing in on the point that Your
23 Honor has directed us to.

24 Applied isn't required to terminate the entirety of
25 its contracts with its mutual customers. Mr. Baker is treating

1 these contracts as though they are all perfectly uniform, and
2 that's simply not true.

3 If you look at page 9 of their reconsideration brief,
4 he points out that certain contracts have, as an "authorized
5 integration," Comulate listed. However, that's not true of all
6 of the contracts. He ignores the record evidence that shows
7 that not all of these contracts contain that provision.

8 I direct Your Honor to docket entries 121-9 through
9 121-13.

10 So first and foremost, that characterization of the
11 contract is incorrect. And second, it's important that we
12 don't throw the baby out with the bath water here, as I think
13 Your Honor has recognized, that Applied is trying to narrowly
14 ensure that only the individuals that committed the fraud here
15 is the one that is having termination applied to it. It would
16 not be appropriate for us to punish all of the other
17 integrators with our systems because they have not engaged in
18 similar conduct to Comulate.

19 So what we're trying to do here is be precise and
20 target the issues that are actually at issue here. There's
21 absolutely no basis to claim that we have to terminate all
22 joint customer SDKs in their entirety. And it's questionable
23 whether Comulate even lacks standing to make that argument.

24 THE COURT: Have you heard from any customers accusing
25 Applied of threatening a breach?

1 And are there customers out there that are saying to
2 Applied, "You are about to breach these contracts, and so we
3 may be about to sue you for a pending breach that you're
4 threatening?"

5 Has that been happening in the landscape from
6 Applied's perspective?

7 MR. DIAZ: I'm certainly not aware of any.

8 To the best of my knowledge, we have received a
9 reach-out from certain joint customers asking what the basis
10 was for our termination, specifically because Comulate is
11 demanding it.

12 So my understanding is that several of the joint
13 customers have reached out to Comulate stating that their
14 access will be cut off on June 30th, and they intend to
15 terminate their contracts with Comulate. And then Comulate, as
16 a means of achieving back-door discovery, has demanded that
17 those joint customers provide a detailed analysis of Applied's
18 theory of termination in this case.

19 I am not aware of any joint customer asking Applied or
20 telling Applied that it is somehow in breach of its contract.

21 THE COURT: Thank you.

22 I understand and appreciate the arguments, Mr. Baker,
23 and the consequences that are flowing from the current
24 landscape, but the motion for an injunction pending appeal is
25 denied.

1 Your points are really just the same points you've
2 asserted in the motion for reconsideration, and I am not
3 persuaded that I should effectively reconsider my
4 reconsideration denial.

5 So for those reasons, the oral motion is denied.

6 Anything else --

7 MR. BAKER: Understood, Your Honor. And I understand
8 your ruling, Your Honor. And just for the record, yet again,
9 Applied has failed to identify any specific contractual
10 provision that allows it to do what it's purporting to do.

11 There was -- in direct response to Your Honor's
12 question, there was no answer, no specific provision.

13 But thank you, Your Honor, for your time.

14 THE COURT: On behalf of Applied, is there anything
15 else you'd like me to address this morning?

16 MR. DIAZ: Nothing else this morning, Your Honor.

17 I'll just flag for you that we have the
18 motion-to-dismiss reply coming up next week, and so that motion
19 will be fully briefed shortly.

20 THE COURT: Understood. Thank you. Thank you for
21 calling in.

22 MR. BAKER: Thank you, Your Honor.

23 MR. DIAZ: Thank you, Your Honor.

24 (Proceedings concluded at 10:20 a.m.)

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I certify that the foregoing is a correct transcript of the record of proceedings in the above-entitled matter.

/s/ Colleen M. Conway, CSR, RMR, CRR

05/14/2026

Official Court Reporter
United States District Court
Northern District of Illinois
Eastern Division

Date