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8 **IN THE SUPERIOR COURT OF THE STATE OF ARIZONA**
9 **IN AND FOR THE COUNTY OF MARICOPA**

10 DATA SALES CO., INC., a Minnesota
11 corporation,

12 Plaintiff,

13 v.

14 PATH NETWORK, INC., a Delaware
15 corporation,

16 Defendant.

Case No. CV2025-027770

ANSWER AND COUNTERCLAIM

(Assigned to Hon. Joseph Kreamer)

17 Defendant Path Network, Inc. ("Path"), for its Answer to the Complaint filed by
18 Plaintiff Data Sales Co., Inc. ("Data Sales") and for its Counterclaim against Data Sales
19 hereby admits, denies, and affirmatively alleges as follows.

20 **I. ANSWER**

21 **ANSWER TO GENERAL ALLEGATIONS**

22 1. Paragraph 1 is Plaintiff's recitation of its characterization of the case and
23 requires no response. To the extent a response is required, Defendant denies the allegations in

24 ¶ 1.

25 2. Path is without knowledge or information to form a belief as to the truth of the
26 allegations in ¶ 2 of the Complaint and therefore deny the same.

27

ANSWER TO COUNT I
Conversion

1
2 42. With respect to the allegations of ¶ 42 of the Complaint, Path incorporates the
3 foregoing responses as though fully set forth herein.

4 43. Path admits the allegations of ¶ 43 of the Complaint.

5 44. Path denies the allegations of ¶ 44 of the Complaint.

6 45. Path lacks information or knowledge sufficient to admit or deny the allegations
7 of ¶ 45 of the Complaint and therefore denies the same.

8 46. Path denies the allegations of ¶ 46 of the Complaint.

9 47. Path denies the allegations of ¶ 47 of the Complaint.

10 48. Path denies the allegations of ¶ 48 of the Complaint.

ANSWER TO COUNT III
Replevin

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13 49. With respect to the allegations of ¶ 49 of the Complaint, Path incorporates the
14 foregoing responses as though fully set forth herein.

15 50. Path lacks information or knowledge sufficient to admit or deny the allegations
16 of ¶ 45 of the Complaint and therefore denies the same.

17 51. Path admits the allegations of ¶ 51 of the Complaint.

18 52. Path denies the allegations of ¶ 52 of the Complaint.

19 53. Path denies the allegations of ¶ 53 of the Complaint.

ANSWER TO COUNT IV
Specific Performance

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21
22 54. With respect to the allegations of ¶ 54 of the Complaint, Path incorporates the
23 foregoing responses as though fully set forth herein.

24 55. Path denies the allegations of ¶ 55 of the Complaint.

25 56. Path lacks information or knowledge sufficient to admit or deny the allegations
26 of ¶ 56 of the Complaint and therefore denies the same.

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1 5. Venue in Maricopa County is proper.

2 **GENERAL ALLEGATIONS**

3 6. Path is in the business of providing its customers with technological services to
4 defend against distributed denial of service (DDoS) attacks, as well as hosting customers on
5 its data servers.

6 7. Path deploys its servers throughout the United States and the entire world, as
7 can be seen from the Lease Schedules.

8 8. Path entered into the Master Lease #3986 (“Master Lease”) with Technology
9 Financing Corporation (“TFC”) on or about July 30, 2021.

10 9. Path leased additional equipment leases pursuant to the schedule of leases
11 identified in Data Sales’ Complaint Exhibits B–S (“Lease Schedules”).

12 10. The Master Lease and Lease Schedules were assigned to Data Sales.

13 11. All of the Lease Schedules contain a provision that permits Path to buyout that
14 certain Lease Schedule at “FMV.” FMV is not defined under the Master Lease or Lease
15 Schedules.

16 12. The Lease Schedules have a term of 36 months.

17 13. Around September of 2024, Path contacted Data Sales to obtain formal buyout
18 quotes on the expiring and expired Lease Schedules.

19 14. Path received no response to its September 2024 request to buyout multiple
20 Lease Schedules.

21 15. Data Sales never presented Path with a buyout quote in response to Path’s
22 September 2024 request.

23 16. In October of 2024, Path again contacted Data Sales and requested a formal
24 quote to buyout the certain Lease Schedules.

25 17. Data Sales never presented Path with a buyout quote in response to Path’s
26 October 2024 request.

27

1 18. On November 18, 2024 and November 19, 2024, Path again requested a formal
2 buyout quote for the expiring Lease Schedules.

3 19. Data Sales did not acknowledge Path’s attempts to buyout the Lease Schedules
4 until November 21, 2024.

5 20. On November 22, 2024, Data Sales emailed a buyout figure for Lease
6 Schedules 1-4 and 6 (“Group 1 Leases”), which stated the FMV at the time of all the Group 1
7 Leases was \$64,850.00.

8 21. Additionally, the email asserted that \$34,763.25 was owed for outstanding
9 payments on the Group 1 Leases.

10 22. The total preliminary quote to buyout the Group 1 Leases was \$99,613.25, with
11 an effective buyout date of December 31, 2024.

12 23. Data Sales demanded payment by December 1, 2024 (a Sunday after the
13 Thanksgiving Holiday).

14 24. In effect, Path had four business days to respond to this demand that it asked for
15 months prior.

16 25. In a separate email, on November 26, 2024, Data Sales told Path that it had
17 outstanding payments totaling \$285,396.46 through December 31, 2024.

18 26. Given these conflicting amounts owed and tight deadline, Path did not make the
19 payment by the arbitrarily demanded date on December 1, 2024.

20 27. On December 10, 2024, Path emailed Data Sales again requesting a call about
21 the buyout and return options under the Lease Schedules.

22 28. On December 18, 2024, Data Sales requested an all-hands call to discuss the
23 outstanding invoices.

24 29. Later that same day, Data Sales threatened to proceed with a formal default
25 notice.

26 30. Also on that same day, Path initiated a \$10,000 interim payment to appease
27 Data Sales and again requested a formal buyout schedule and a return of asset list.

1 31. On December 19, 2024, an employee of Path spoke to an employee of Data
2 Sales via phone. That employee agreed Path could return hardware and Data Sales would
3 remove that hardware from the billing statements.

4 32. Data Sales alleged that the asset list return had been sent on December 19, 2024,
5 but Path does not have a record of receiving the asset list return.

6 33. This back-and-forth misunderstanding about amounts owed, end-of-lease
7 options, and return of equipment between Data Sales and Path continued throughout January
8 of 2025.

9 34. Path continued to make interim payments on the Lease Schedules as Data Sales
10 demanded them.

11 35. Path informed Data Sales that it was attempting to raise equity capital to satisfy
12 the past due amounts.

13 36. On April 1, 2025, Data Sales emailed Path requesting an update on Path's
14 equity raise.

15 37. On April 2, 2025, Data Sales again demanded to know the timing of investor
16 funding.

17 38. In early April 2025, Path and Data Sales discussed interim \$10,000 payments,
18 pending the equity raise.

19 39. On April 10, 2025, Data Sales requested same-day payment, demanded investor
20 access, claimed more than \$3 million was outstanding, and threatened it would bankrupt Path.

21 40. Around April 15, 2025, Path notified Data Sales that it was hoping to get a
22 \$500,000 capital infusion from investors to satisfy the arrears.

23 41. Data Sales stated that the \$500,000 amount would not suffice and sent a Default
24 Notice on April 15, 2024.

25 42. Despite the fact that Data Sales said the \$500,000 amount was not sufficient, the
26 Default Notice was only for approximately \$410,381.91.
27

1 43. Over the course of their dealings, Data Sales’ employees became increasingly
2 hostile toward Path’s employees, calling and emailing Path’s employees outside of business
3 hours, and often gave conflicting information on amounts owed pursuant to the Lease
4 Schedules and Path’s end-of-lease options.

5 44. Path made interim payments to Data Sales in the total amount of \$157,991.36,
6 the following is a list of those interim payments, with the date and amount of each respective
7 payment.

Date	Transaction Number	Amount (USD)
Mar 21, 2025	12026913384	\$10,000.00
Feb 5, 2025	12024290981	\$10,000.00
Jan 24, 2025	12023605857	\$10,000.00
Jan 21, 2025	12023433146	\$5,000.00
Jan 14, 2025	12023093002	\$10,000.00
Dec 19, 2024	12021660970	\$10,000.00
Nov 19, 2024	12019904871	\$35,000.00
Oct 17, 2024	12018168856	\$67,991.36

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14 **COUNT ONE**
15 **(Breach of Contract)**

16 45. Path incorporates each of the preceding paragraphs of the Counterclaim in this
17 cause of action.

18 46. The Master Lease and Lease Schedules are a valid and legally enforceable
19 contractual agreement between Data Sales and Path.

20 47. In addition to the express terms of the Master Lease and Lease Schedules, those
21 agreements included a covenant of good faith and fair dealing that is implied as a matter of
22 law in every contract.

23 48. Pursuant to the implied covenant, Data Sales had the obligation not to impair
24 Path’s receipt of the benefits due under the Master Lease and Lease Schedules and to
25 otherwise act in good faith in its obligations due under the Master Lease and Lease Schedules.

26 49. In connection with its filing of this lawsuit and the application for replevin of
27 the equipment, Data Sales knowingly, recklessly, or negligently exposed sensitive data

1 concerning Path's employees and agents, including phone numbers and other personally
2 identifiable information, that subjected them to harassment.

3 50. Data Sales breached both express terms of the Master Lease and Lease
4 Schedules and the implied covenant of good faith and fair dealing through its actions and
5 omissions described above, including without limitation failing to timely provide a payoff
6 quote in response to Path's requests, refusing to permit Path to consummate its buyout of the
7 subject equipment or imposing unreasonable conditions to doing so, and making wildly
8 conflicting, inflated and inaccurate demands for payment of amounts that Path is not actually
9 liable for under the terms of the Master Lease and Lease Schedules, and its filing of the
10 instant lawsuit and its application for replevin of the equipment.

11 51. Path suffered damages as a result of Data Sales' breach in an amount to be
12 determined at trial. Such damages include, without limitation, the payments made by Path to
13 Data Sales that would not have been necessary had Data Sales cooperated with Path's request
14 to buyout the equipment, disruption of its business operations, disparagement of its business,
15 and harassment of its employees and agents.

16 52. This matter arises out of contract and Path is entitled to an award of its costs and
17 attorneys' fees pursuant to the terms of the Master Lease and/or A.R.S. §§ 12-341 and 12-
18 341.01.

19
20 **COUNT TWO**
(Specific Performance)

21 53. Path incorporates each of the preceding paragraphs of the Counterclaim in this
22 cause of action.

23 54. The Master Lease and Lease Schedules are a valid and legally enforceable
24 contractual agreement between Data Sales and Path.

25 55. Data Sales breached the Master Lease and Lease Schedules through its actions
26 and omissions described above.
27

1 C. For an order directing Data Sales to specifically perform its obligations under
2 the Master Lease and Lease Schedules, including permitting Path to exercise its buy-out rights
3 pursuant to the Master Lease and Lease Schedules;

4 D. For declaratory judgment: (i) declaring that Data Sales breached the Master
5 Lease and Lease Schedules, which excused Path's performance under the Master Lease and
6 Lease Schedules; (ii) determining the remaining debt obligations owed by Path, if any, in light
7 of Data Sales' breach; and (iii) determining the future obligations of the parties with respect
8 to the Master Lease and Lease Schedules.

9 E. For an award of Path's attorneys' fees and costs.

10 F. For such other and further relief as the Court deems just and proper.

11 **DATED** this 17th day of September, 2025.

12 **ENGELMAN BERGER PC**

13 By /s/ Andrew O'Keefe, SBA #038744

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17 **COPY** of the foregoing served
18 by TurboCourt electronic service and e-mail
this 17th day of September 2025 to:

19 Craig Morgan
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21 *Attorneys for Plaintiff*

22 /s/ Judy Callahan