Choose Your Defendant(s) Carefully; Or, How to Keep Your International Litigation in a U.S. Court

Insights
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In a case that provides guidance to multi-national companies bringing lawsuits based on trade secret misappropriation or other actions, the U. S. District Court for the Western District of Virginia, Charlottesville Division, denied the Motion of Arthrex, Inc., to dismiss several state trade secret appropriation claims made by MicroAire Surgical Instruments, LLC. Arthrex had based its Motion on the theory of forums non conveniens, claiming that German courts would offer a more convenient forum for this lawsuit, a claim rejected by the Court. The lesson learned in this case is that multi-national and other companies must carefully strategize where they bring a lawsuit, and against whom they bring it, if they want the case to remain in the court of their choice. MicroAire Surgical Instruments, LLC v. Arthrex, Inc., (W.D.Va., July 13, 2010, Case Number 3:09-cv-00078).

Background of Case. MicroAire and Arthrex are both medical device manufacturers based in the United States with global market presence. MicroAire is a Delaware limited liability company with its principal place of business in Charlottesville, Virginia. Arthrex is a Delaware corporation with its principal place of business in Florida, and with subsidiaries worldwide, including in Germany.

The dispute arose at a medical conference when a MicroAire representative met Thomas Aust, a former MicroAire employee who had: 1) been assigned in Germany prior to separating from MicroAire in 2008; 2) entered into an agreement restricting his use of proprietary MicroAire information following his separation of employment; and, 3) been a party to a Settlement Order ending a lawsuit he had brought against MicroAire in Germany stipulating he would not become employed with a competitor through the end of July 2008. At the San Francisco conference, Mr. Aust permitted a MicroAire engineer to inspect a medical device being marketed by Arthrex which was similar to device on which MicroAire had a patent. As a result of this inspection, in November 2009 MicroAire brought suit in the Virginia federal district alleging Arthrex had infringed MicroAire's patent. In addition to its federal patent claim, MicroAire raised several Virginia state-law claims: tortious interference with contract; misappropriation of trade secrets; and business conspiracy.

Court Opinion. In March 2010, Arthrex filed a Motion to Dismiss the state claims on the grounds of forums non conveniens, stating that those cases belonged in a court in Germany, and not Virginia. On July 13, 2010, Judge Norman K. Moon of the U.S. District Court for the Western District of Virginia, filed an Order and Memorandum denying Arthrex's Motion.

While the Court agreed with Arthrex that the German courts would provide an available and adequate forum for the adjudication of the state claims, it decided in MicroAire's favor to keep these claims in the Virginia federal court for a number of reasons, including: 1) great deference must be afforded to MicroAire's choice of bringing the lawsuit in its home forum; 2) the dispute was between only one plaintiff, a citizen of Delaware and Virginia, and only one defendant, a citizen of Delaware and Florida; 3) MicroAire's state claims concerned the same instruments, facts, and circumstances as those in the patent infringement claim; 4) MicroAire's suit was against neither Arthrex's German subsidiary nor Mr. Aust, who lived and worked in Germany; 5) the persons responsible for, and the documents and evidence relating to, Arthrex's device were located in the United States.; 6) there was no evidence that possible witnesses would testify only due to a compulsory process; 7) three of the potential seven witnesses resided in the United States; 8) the alleged misappropriation could have taken place in the United States; 9) the dispute was between MicroAire, a company with its principal place of business in Charlottesville, Virginia, and Arthrex, a company that regularly conducted and solicited business, and derived substantial revenues, in the Western District of Virginia; and, 10) the close, if not identical subject matter and relevance of the state claims to federal patent claims.

Lessons for Multi-National Companies. Trade secret misappropriation actions are usually prepared in an expeditious manner due to the time sensitivity and business urgency of these matters. It is common practice for all business entities to be sued, as well as all individuals alleged to have had personal involvement with the alleged misappropriation. However, multi-national companies and their attorneys need to step back and strategize before they bring such a lawsuit to examine any possible negative repercussions resulting from the country or location the suit is brought, as well as the individuals they include as named defendants. MicroAire's decision not to sue Arthex's German subsidiary, or Mr. Aust, who lived and worked in Germany, and instead to sue only the U. S. entity was instrumental in the Court finding in MicroAire's favor. This case is in keeping with established law that U. S. courts, when faced with a forum non conveniens Motion to Dismiss, will provide great deference to the forum chosen by the plaintiff, especially in circumstances where both parties have a principal place of business in the United States, and where the facts involved in the dispute occurred as well in the United States. The Court's Opinion is attached below.

MicroAire -- Memorandum Opinion.pdf (102.57 kb)