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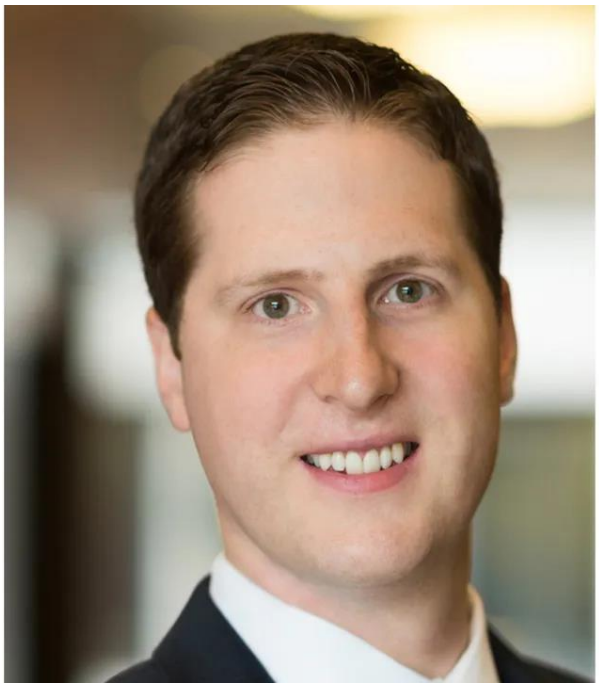

19 March 2024 I Features I Global Trade Secrets I Marko Zoretic, Nicholas Zovko

Exploring a powerful legal tool in trade secret clashes

Adopting a certain legal principle can narrow disputes and save significant costs in global litigation if the correct steps are taken, say Marko Zoretic and Nicholas Zovko of Knobbe Martens.

Forum non conveniens can be a powerful tool for defendants embroiled in global disputes, including those involving trade secret misappropriation claims.

The doctrine of forum non conveniens—not to be confused with a motion to transfer—allows a US court to dismiss a case before it where it would be more appropriate for a foreign court to resolve the dispute.

To prevail on a motion to dismiss based on forum non conveniens, a defendant must establish (1) the existence of an adequate alternative forum, and (2) that the balance of private and public interest factors favours dismissal, as shown in Ayco Farms v Ochoa (Ninth Circuit, 2017).

We focus on Ninth Circuit case law in this article.

Adequate alternative forum

An alternative forum is deemed adequate if: (1) the defendant is amenable to process there; and (2) the other jurisdiction offers a satisfactory remedy," as shown in Carijano v Occidental Petroleum (2011).

A defendant can establish the first element by willingly submitting to jurisdiction in the foreign foruM, eg, SPS Technologies v Briles Aerospace (2020); STM Grp v Gilat Satellite Networks (2011).

For the second element, it is necessary to look at whether a foreign court offers a satisfactory remedy is a low standard that is "easy to pass". Krish v. Balasubramaniam (2007).

Typically, it is irrelevant that the foreign court may apply substantive law less favourable to the plaintiff unless "the remedy provided . . . is so clearly inadequate or unsatisfactory that it is no remedy at all," as demonstrated in Piper Aircraft Co v.Reyno (1981).

A forum is adequate where it provides "some remedy," even if that remedy is less generous than under US law—see Ranza v Nike (2015).

Moreover, a plaintiff cannot avoid dismissal merely because the US and the alternative forum have different discovery procedures—Harp v. Airblue (2012); Vivendi v T-Mobile (2008)

SPS Technologies provides an example where the court concluded that a group of defendants in a multi-defendant action showed that Quebec, Canada was an adequate alternative forum.

In that case, in addition to other defendants, SPS Technologies sued Lisi Canada and related entities Lisi France, Lisi North America, and Hi-Shear (collectively, 'Lisi Defendants') for alleged trade secret misappropriation.

Before filing suit in California, however, SPS Technologies filed an action against Lisi Canada in Quebec making substantially similar allegations of trade secret misappropriation. The Lisi defendants moved to dismiss the claims SPS Technologies asserted against them.

The US district court held that the Lisi defendants were amenable to process in Canada because (1) Lisi Canada had already been litigating the claims in the Superior Court of Quebec, and (2) the other Lisi defendants asserted that they would agree to submit to jurisdiction in Quebec if SPS Technologies sought to join them in that action.

The Court also held that Canada law offered a sufficient remedy for plaintiff's trade secret misappropriation claims, which SPS Technologies did not dispute.

The court explained that the Lisi defendants need not show that Canada must be an adequate forum for all defendants, only that it was an adequate forum for the Lisi defendants.

Private interest factors

In applying the various private and public interest factors, "the district court should look to any or all … which are relevant to the case before it, giving appropriate weight to each,"according to Tuazon v RJ Reynolds Tobacco (2006).

The private interest factors include:

- the residence of the parties and witnesses;
- the forum's convenience to the litigants;
- access to physical evidence and other sources of proof;
- whether unwilling witnesses can be compelled to testify;
- the cost of bringing witnesses to trial;
- the enforceability of the judgment; and
- all other practical problems that make trial of a case easy, expeditious, and inexpensive, see *Lueck v Sunderstrand (2001)*.

The Ninth Circuit has cautioned that "a court's focus should not rest on the number of witnesses or quantity of evidence in each locality. Rather a court should evaluate the materiality and importance of the anticipated evidence and witnesses' testimony and then determine their accessibility and convenience to the forum."

Often, many of the factors will be neutral, or only slightly favour or disfavour dismissal.

In SPS Technologies, the court held that the risk of an unenforceable judgment and the duplicative work that Lisi Canada would have to conduct in the US action weighed in favour of dismissal, as per SPS Technologies.

Public interest factor

The public interest factors include:

- the local interest in the lawsuit;
- the court's familiarity with the governing law;
- the burden on the local courts and juries;
- court congestion; and
- the costs of resolving a dispute unrelated to a particular forum.

Regarding the third factor in Lueck, where the foreign forum's connection to the action is significant and the local forum's connection is minimal, courts have held that requiring the local forum's citizens to serve as jurors is an unfair burden.

This has been illustrated in Sinotrans Container Lines v N. China Cargo Serv (2008); SPS Technologies ; In re Air Crash Over Taiwan Straights on May 25, 2002 (2004).

In considering court congestion, "[t]he real issue is not whether a dismissal will reduce a court's congestion but whether a trial may be speedier in another court because of a less crowded docket," according to Gates Learjet v Jensen (1984).

Regarding the fifth factor, courts often consider whether the matter is already being litigated in the foreign forum, as per Payoda v Photon Infotech (2016) and SPS Technologies.

In SPS Technologies, the court held that the "local interest in the lawsuit" slightly favoured California "because more relevant activities appear to have occurred" there.

The court also held that "because neither forum will apply foreign law," the "court's familiarity with the governing law" factor was neutral. Importantly, the court determined that the fifth factor favoured dismissal because, among other things, "re-litigating the dispute in California will be substantial, and it would be inefficient and extremely prejudicial to the Lisi defendants to duplicate their work in California, particularly when the plaintiff chose to initiate a lawsuit in Canada first."

Deference to plaintiff's forum choice

Courts generally give plaintiffs deference to their choice of forum, but that deference is "far from absolute" (Ayco Farms).

For example, a US citizen is entitled to less deference if they do not reside in their chosen forum—-Gemini Capital v Yap Fishing (1998).

In another example, courts afford less deference when there is evidence of forum shopping, such as certain tactical reasons for choosing a particular US forum (Vivendi).

Moreover, "a court may reduce the deference it typically accords to a local plaintiff's forum choice based upon the unique circumstances of the case, such as the pendency of related litigation in the alternative forum or the plaintiff's presence in that forum" (SPS Technologies).

For example, in SPS Technologies, the court held that "[a]bsent plaintiff's pending lawsuit in Canada, this would be an easy case and plaintiff's choice to sue here would be accorded substantial, and likely controlling, deference."

Conclusion

In SPS Technologies, the district court in Los Angeles granted the Lisi defendants' motion to dismiss based on forum non conveniens.

The Lisi defendants saved significant time and expense by litigating their dispute in Canada only. If a court outside the US is adequate and the interest factors favour dismissal, consider a similar strategy to potentially narrow and streamline global disputes.

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