IN THE UNITED STATES DISTRICT COURT

FOR THE WESTERN DISTRICT OF WISCONSIN

JEFFREY R. JACOBS and
GF HEALTH PRODUCTS, INC.,

Plaintiffs,

v.

MEMORANDUM AND ORDER
06-C-286-S

SUNRISE MEDICAL HHG INC.,

Defendant.

Plaintiffs Jeffrey R. Jacobs ("plaintiff") and his current employer GF Health Prodcuts, Inc., commenced this declaratory judgment action seeking a determination that a competition agreement between plaintiff and his former employer, defendant Sunrise Medical HHG Inc., is unenforceable. Jurisdiction is based on diversity of citizenship, 28 U.S.C. § 1332. The matter is presently before the Court on defendant's motion to dismiss or alternatively to transfer venue to the United States District Court for the Eastern District of Michigan. The following facts are not disputed.

BACKGROUND

In 1992 plaintiff was hired as a sales agent by Joerns Healthcare, Inc., a Wisconsin corporation with its principal place of business and factory in Stevens Point, Wisconsin. Plaintiff lives in Michigan and his sales territory was at all relevant times

in Michigan, Ohio and Indiana. He had ongoing contacts with Joerns' home office in Stevens Point and traveled there to conduct business. At the time his employment began with Joerns, plaintiff signed a "Conflict of Interest, Trade Secret and Competition Agreement" (the "Agreement") wherein he agreed, among other things, not to compete with Joerns for a period of one year after termination of his employment in sales territory he served in the preceding year.

Joerns changed its name several times and, in June 2001, merged into Defendant. Defendant is a California Company with its principal place of business in Colorado. Defendant continued to operate the Stevens Point factory and maintain an office in Stevens Point where it conducted business with plaintiff. Plaintiff's supervisors lived in Pennsylvania and North Carolina. On March 30, 2006 plaintiff resigned, asking that his last day of employment be April 13, 2006. After plaintiff declined to disclose whether he was working for a competitor, defendant terminated his employment on March 31, 2006. Plaintiff was hired by plaintiff GF Health as a sales agent in Michigan.

On April 6, 2006 defendant sent plaintiff a letter reminding him of the Agreement and stating: "Please be aware that any violation of the restrictions contained in the Agreement could result in Sunrise pursuing all of its available legal remedies, including injunctive relief and claims for damages, costs and

attorneys' fees." On April 25, 2006 defendant sent plaintiff a second letter indicating that defendant knew plaintiff was working for a competitor and seeking assurances that he was complying with the Agreement. Defendant threatened litigation if it did not receive the assurances. On May 17, 2006 defendant wrote a letter to plaintiff GF Health Products again seeking assurance of compliance with the agreement terms and threatening litigation "in the State of Michigan."

On May 23, 2006 plaintiffs filed this action. On May 30, 2006 defendant filed a complaint in the United States District Court for the Eastern District of Michigan alleging that plaintiff violated the Agreement and also alleging claims for misappropriation of trade secrets and tortious interference with contract. In the Michigan action plaintiffs have counterclaimed for declaratory relief that the Agreement is unenforceable.

MEMORANDUM

Defendant argues that the action should be dismissed as an attempt to manipulate the judicial process, or that it should be transferred to Michigan pursuant to 28 U.S.C. § 1404(a). Defendants contend that the relevant contacts with Wisconsin make this Court a more appropriate forum.

The Declaratory Judgment Act makes the exercise of jurisdiction discretionary in the district court. North Shore Gas

Co. v. Salomom Inc., 152 F.3d 642, 647 (7th Cir. 1998). Generally, the Court should decline to exercise this discretion to hear a declaratory judgment action where it has been filed in anticipation of an imminent direct action in an attempt to secure a forum. Id.; Tempco Elec. Heater Corp. v. Omega Engineering, Inc., 819 F.2d 746, 749-50 (7th Cir. 1987). The similarity of the present circumstances to those in Tempco suggest that this would be an appropriate case to decline jurisdiction. This case was filed just six days after defendant advised plaintiff of its intent to sue in Michigan unless it received assurances of compliance with the agreement. The filing seems clearly designed to thwart defendant's avowed choice of forum. Furthermore, defendant's threat of suit was not mere bluster but a genuine expression of an intent to file the action, as evidenced by its actual filing less than two weeks after the threat. Accordingly, the facts amply support the inference that this action was a procedural maneuver undertaken to deprive defendant of its preferred forum.

It is equally apparent that a transfer of this action to the District Court for the Eastern District of Michigan is appropriate. A motion for change of venue is governed by 28 U.S.C. § 1404(a), which provides:

> For the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought.

There is no question that this action might have been brought in the United States District Court for the Eastern District of Michigan. Accordingly, the Court's inquiry focuses solely on "the convenience of parties and witnesses, in the interest of justice." In ruling on this transfer motion the Court must consider all circumstances of the case, using the three statutory factors as place holders in its analysis. Coffey v. Van Dorn Iron Works, 796 F.2d 217, 219 (7th Cir. 1986).

Michigan is a more convenient forum for the parties. It is particularly apparent that the forum is more convenient to the plaintiff who has at all times resided there. Whatever plaintiffs' motivation for filing this action in Wisconsin, it is certainly not because it is more convenient.

The most compelling basis for transfer is the convenience of potential non-party witnesses. The key factual issues in actions for trade secret misappropriation and breach of a covenant not to compete are whether the former employee used confidential information and solicited former customers. It is apparent that evidence which might demonstrate these facts will come from Michigan - not Wisconsin - witnesses because plaintiff's primary sales territory has always been Michigan and has never included Wisconsin. Furthermore, these witnesses are not controlled by either party and therefore their appearance at trial in Wisconsin cannot be compelled. The potential greater availability of such

witnesses for live testimony is a persuasive factor in favor of transfer. Gulf Oil Corp. v. Gilbert, 330 U.S. 501, 511 (1947).

Plaintiffs identify numerous witnesses who are employees of defendant suggesting that this supports trial in Wisconsin. It is entirely unclear, however, what factual dispute will require their testimony. Generally, the enforceability of a covenant not to compete is a question of law which would not require witness testimony, a circumstance illustrated by the pending motion for summary judgment on the issue. It seems unlikely that these witnesses would provide testimony of significance on an issue in dispute. Additionally, as these witnesses are controlled by the defendant, their appearance at trial is likely to the extent they have important testimony to offer.

The interest of justice factor weighs heavily in favor of transfer. There is no dispute that the pending Michigan and Wisconsin actions are mirror images of one another. The interest of justice is undermined by the duplication and waste that occurs in such a situation.

> To permit a situation in which two cases involving precisely the same issues are simultaneously pending in different District Courts leads to wastefulness of time, energy and money that § 1404(a) was designed to prevent.

Ferens v. John Deere Co., 494 U.S. 516, 531 (1990). Accordingly, the interest of justice requires that one case or the other be

transferred or dismissed. The Tempco concerns that this matter was an anticipatory filing, and the advantage of greater access to relevant evidence and witnesses in Michigan makes transfer the obvious choice in the interest of justice.

Although the Court would be within its discretion to decline to exercise jurisdiction over this declaratory judgment action, the better course is to retain jurisdiction for the purpose of transferring the matter pursuant to § 1404(a). In this way the efforts of the parties, including the briefing of the pending motion for summary judgment are preserved so that duplication of effort will be avoided and the transferee Court will be in a position to rule promptly.

ORDER

IT IS ORDERED that this matter be transferred to the District Court for the Eastern District of Michigan pursuant to 28 U.S.C. § 1404(a).

Entered this 19th day of July, 2006.

BY THE COURT:
S/

JOHN C. SHABAZ
District Judge