IN THE UNITED STATES DISTRICT COURT

FOR THE WESTERN DISTRICT OF WISCONSIN

- -

THIRD WAVE TECHNOLOGIES, INC.,

Plaintiff,

v.

ALAN B. MACK,

Defendant.

OPINION AND ORDER

04-C-0079-C

- -

This is a civil action in which plaintiff Third Wave Technologies, Inc. contends that a former employee, defendant Alan Mack, (1) misappropriated plaintiff's trade secrets in violation of the Wisconsin and Illinois Trade Secrets Acts when he e-mailed technical information to his home computer and failed to return certain documents and other property to plaintiff at the conclusion of his employment; (2) breached the parties' employment agreement under which he had agreed to keep plaintiff's technical and business information confidential and return all documents and other equipment at the end of his employment; (3) breached the employment agreement by soliciting two of plaintiff's then employees to join him at a new employer; (4) breached his fiduciary duty to plaintiff; and (5) converted plaintiff's documents and property.

It appears that jurisdiction is present under 28 U.S.C. § 1332. The amount in controversy, excluding interest and costs, exceeds $75,000. However, plaintiff has alleged only that it is a "resident" of Wisconsin and that defendant is a "resident" of Illinois. Diversity jurisdiction requires diversity of *citizenship*, not diversity of *residency*. Before this case proceeds further, plaintiff must submit evidence that the parties are of diverse citizenship.

Presently before the court is defendant's motion to dismiss or, alternatively, to stay the proceedings. Defendant argues that the mandatory arbitration clause contained in the employment agreement bars plaintiff from seeking relief in district court without first submitting its claims to arbitration. Because I conclude that the arbitration provision applies to plaintiff's claims, I will grant defendant's motion.

A motion to dismiss will be granted only if "it is clear that no relief could be granted under any set of facts that could be proved consistent with the allegations" of the complaint. Cook v. Winfrey, 141 F.3d 322, 327 (7th Cir.1998) (citing Hishon v. King & Spalding, 467 U.S. 69, 73 (1984)). For the purpose of deciding defendant's motion, I accept as true the factual allegations in plaintiff's complaint.

ALLEGATIONS OF FACT

Defendant Alan Mack is a resident of Illinois. He began his employment with plaintiff

Third Wave Technologies on or about March 17, 2003. Plaintiff was instrumental in the management of defendant's field sales and key accounts. His responsibilities included acting as the primary liaison between plaintiff and its customers for new product and business development opportunities, maintaining contacts with key accounts, enhancing relationships with customers, managing all territory sales representatives directly and coordinating all sales efforts in conjunction with existing corporate strategies and targets. Because of these responsibilities, defendant had access to confidential technical and business information, including product specifications, new product and technological developments, emerging market analysis, product launch plans, customer contacts, pricing and sales leads.

At the beginning of defendant's employment with plaintiff, the parties entered into a written employment agreement. Defendant agreed, among other things, to maintain the confidentiality of plaintiff's technical and business information both during and following his employment and, at the conclusion of his employment, to return all company documents and equipment and refrain from soliciting plaintiff's employees for a period of twelve months.

The employment agreement also contains an arbitration provision. It reads:

> 10. **Arbitration and Equitable Relief**
>
> (a) **Arbitration**. I agree that *any and all past or present* disputes with any one (including the Company and any employee, officer director shareholder or benefit plan of the company in their capacity or

otherwise) *arising out of, relating to, or resulting from my employment with the company or the termination of my employment with the company* shall be subject to binding arbitration held in Dane County, Wisconsin, under the Employment Arbitration Rules of the American Arbitration Association ("AAA") then in effect (the "Rules").

(b) **Disputes**. Disputes which I agree to arbitrate include any potential claims of harassment, discrimination or wrongful termination and any statutory claims. I understand that this Agreement to arbitrate, the rules and Wisconsin law also apply to any dispute which the Company may have with me.

. . .

(f) **Equitable Remedies**. In addition to the right under the rules to petition the court for provisional relief, I agree that any party may petition the court for injunctive relief, in lieu of or in addition to arbitration proceedings, under any circumstances where an equitable remedies (including an injunction or temporary restraining order) would be appropriate under state or federal law.

. . .

(g) **Exceptions**. I understand that this agreement does not prohibit me from pursuing an administrative claim with a local, state or federal administrative body such as the Department of Workforce Development, or the Equal Employment Opportunity Commission or the worker's compensation board.

(Emphasis added.)

During December 2003 and January 2004, after deciding to accept a job with one of plaintiff's competitors, TM Bioscience, but before telling plaintiff of his plans to resign, defendant sent various business e-mails to his home computer from the laptop that plaintiff

had provided him. On or about January 16, 2004, defendant tendered a letter of resignation. Since resigning, defendant has not returned to plaintiff the material that he sent to his home computer or other materials that plaintiff has labeled "confidential technical information" and "confidential business information." Plaintiff believes that defendant continues to possess or control these materials. In addition, before and after voluntarily terminating his employment with plaintiff, defendant solicited some of plaintiff's employees in violation of the employment agreement. On February 13, 2004, plaintiff filed this suit.

OPINION

A. Sections 10(a) and 10(b)

The Federal Arbitration Act requires courts to stay an action so long as "any issue" is referable to arbitration:

> If any suit or proceeding be brought in any of the courts of the United States upon *any issue* referable to arbitration under an agreement in writing for such arbitration, the court in which such suit is pending, upon being satisfied that the issue involves in such suit or proceeding is referable to arbitration under such an agreement, *shall* on application of one of the parties *stay the trial of the action* until such arbitration has been had in accordance with the terms of the agreement, providing the applicant for the stay is not in default in proceeding with such arbitration.

9 U.S.C. § 3 (emphasis added). The parties' first dispute centers on the nature of plaintiff's claims and whether they are of the type contemplated by §§ 10(a) and 10(b) of the

employment agreement. Section 10(a) requires the parties to arbitrate any dispute arising out of or related to defendant's employment with plaintiff. Section 10(b) defines arbitrable disputes to include "claims of harassment, discrimination, and wrongful termination or any statutory claim."

Agreements to arbitrate are construed according to the ordinary rules of contract interpretation, but courts must also consider the federal policy of resolving ambiguities in favor of arbitration. First Options of Chicago, Inc. v. Kaplan, 514 U.S. 938, 944-45 (1995). An arbitration provision that extends to "any and all past or present disputes . . . arising out of, relating to or resulting from" the employment relationship is a broad one. "[A]ny dispute between contracting parties that is in any way connected with their contract could be said to 'arise out of' their agreement and thus be subject to arbitration under a provision employing this language. At the very least, an 'arising out of' arbitration clause would 'arguably cover[]' such disputes and that is all that is needed to trigger arbitration." Sweet Dreams Unlimited, Inc. v. Dial-A-Mattress International, 1 F.3d 639, 642 (7th Cir. 1993) (citing Schacht v. Beacon Ins. Co., 742 F.2d 386, 391 (7th Cir. 1984)).

Plaintiff attempts to cast § 10(b) as a provision that limits the broad reach of § 10(a). It argues that 10(b) requires arbitration for disputes involving harassment, discrimination and wrongful termination only, not the contract and tort claims plaintiff raises in its complaint. See Plt.'s Br., dkt. #9, at 5 ("Section 10(b) sets forth the scope of

the employment disputes that must be arbitrated and shows that arbitration is meant for claims of discrimination."). In addition, plaintiff argues that "the phrase 'any statutory claims' when read in conjunction with 'harassment', 'discrimination' and 'wrongful termination' shows that employment discrimination related statutory claims, not [plaintiff's] statutory trade secrets [claims], are the statutory claims contemplated in § 10(b)." Id.

Plaintiff's interpretation of § 10(b) runs counter to the provision's plain meaning. According to the provision, the term arbitrable disputes *includes* harassment, discrimination and wrongful termination or any statutory claims; it is not *limited* to these claims. In addition, "any statutory claim" cannot be interpreted as meaning anything other than what it plainly says. Any statutory claim is an arbitrable claim. Plaintiff reminds the court that the agreement must be construed so that none of the language is discarded as superfluous or meaningless, D'Angelo v. Cornell Paperboard Prods. Co., 59 Wis. 2d 46, 50-51 (1973), but its interpretation does just that. By limiting "any statutory claims" to mean only employment discrimination-related claims, plaintiff guts the meaning of the word "any" and makes its inclusion superfluous.

In seeking relief from this court on its statutory claims for breach of state trade secrets law, and its contract and tort claims, plaintiff is attempting to litigate disputes "arising out of" the employment relationship. Each of plaintiff's claims is covered by the broad language of the arbitration provision and, therefore, each is subject to arbitration. If plaintiff intended

to limit the types of disputes subject to mandatory arbitration, it should have been more precise when it drafted the employment agreement. See, e.g., Hunzinger Construction Co. v. Granite Resources Corp., 196 Wis. 2d 327, 339, 538 N.W. 2d 804, 809 (Ct. App. 1995) (fundamental rule of contract construction is that contract ambiguities are to be construed most strongly against party drafting agreement).

B. Section 10(f)

The fact that the arbitration clause covers the grievance on its face does not end the inquiry; if another provision of the contract specifically excludes arbitration of the relevant dispute, then arbitration is unavailable. City of Madison v. Wisconsin Employment Relations Comm., 2003 WI 52, ¶ 21, 261 Wis. 2d 423, 436, 662 N.W.2d 318, 324. The parties' second dispute is whether § 10(f) exempts plaintiff's claims from the arbitration requirement of 10(a) and 10(b) because plaintiff seeks injunctive relief on each. Section 10(f) allows either party to "petition the court for injunctive relief, in lieu of or in addition to arbitration proceedings, under any circumstances where an equitable remedies [sic] (including an injunction or temporary restraining order) would be appropriate under state or federal law." Plaintiff argues that it should be excused from arbitrating its claims pursuant to § 10(f) because it has asked this court for injunctive relief on each.

Parties to an arbitration agreement may use "general language to authorize arbitration

together with specific language to identify the types of disputes that are not subject to arbitration, thereby limiting the reach of phrases such as 'arising out of[.]'" Sweet Dreams, 1 F.3d at 643 (citing S.A. Mineracao Da Trindade-Samitri v. Utah International, Inc., 745 F.2d 190, 194 (2d Cir. 1984)). However, I cannot read § 10(f) as limiting the scope of those *disputes* subject to mandatory arbitration under § 10(a); by its terms, § 10(f) simply preserves a party's right to seek injunctive *relief*. Cf. Knorr Brake Corp. v. Harbil, Inc., 556 F. Supp. 489, 494 (D.C. Ill. 1983) (distinguishing equitable claim from equitable relief; contract claim is not made equitable merely because claimant seeks equitable as well as legal relief). The entry of a stay will not divest plaintiff of its right to petition the court for injunctive relief pursuant to § 10(f); a stay does not deprive courts of their equitable power to issue injunctions when necessary to maintain the status quo pending resolution of arbitration. Merrill Lynch, Pierce, Fenner & Smith, Inc. v. Salvano, 999 F.2d 211, 214 (7th Cir. 1993).

Moreover, when dealing with a general rule and an exception, courts should interpret the exception narrowly, to prevent it from overwhelming the rule. Commissioner v. Clark, 489 U.S. 726, 739 (1989). Even if I were to read § 10(f) as creating an exception to § 10(a), plaintiff's interpretation of its scope is too broad. By arguing that its claims are not subject to arbitration because it is seeking injunctive relief under each, plaintiff is advocating the position that a party can avoid arbitration simply by requesting injunctive relief. Section 10(a) would be of little consequence if it could be circumvented so easily. See Seats Inc. v.

Nutmeg Ins. Co., 178 Wis. 2d 219, 227 , 504 N.W.2d 613, 617 (Ct. App. 1993) (courts should disfavor contract constructions that would render provision meaningless). Section 10(f) cannot be read either literally or logically to support plaintiff's argument that its disputes should not be subject to arbitration simply because it seeks injunctive relief in conjunction with them.

C. Dismissal

Several courts have noted that although § 3 of the Federal Arbitration Act requires a court to stay an action in which at least one issue is subject to arbitration, it does not limit a court's discretion to dismiss the action where appropriate. Fedmet Corp. v, M/V Buyalyk, 194 F.3d 674, 678 (5th Cir.1999); Tupper v. Bally Total Fitness Holding Corp., 186 F. Supp. 2d 981, 992 (E.D. Wis. 2002); Bloxom v. Landmark Publishing Corp., 184 F. Supp. 2d 578 (E.D. Tex. 2002); Emeronye v. CACI Intern., Inc., 141 F. Supp. 2d 82, 88 (D.C. 2001). These courts have dismissed actions when all issues are subject to arbitration and maintaining jurisdiction would serve no purpose. Id. Although I conclude that all of plaintiff's claims arise out of the employment relationship and therefore are subject to mandatory arbitration provision, a dismissal would bar plaintiff from petitioning the court for any injunctive relief that may be needed in order to maintain the status quo. In the interest of insuring that plaintiff is afforded adequate opportunity to protect against any

dissemination of its trade secrets while arbitration is pending, I will decline to exercise my discretion to dismiss this action.

ORDER

IT IS ORDERED that defendant Alan Mack's motion to stay this action pending arbitration is GRANTED. Because arbitration may resolve all of the parties' disputes, the clerk of court is directed to close this action administratively. In the event that either party wishes to seek injunctive relief pending the resolution of arbitration or arbitration does not resolve all the issues, either party can move for reopening of the case.

No later than May 17, 2004, plaintiff is to file and serve proof of the parties' citizenship as set out in 28 U.S.C. § 1332(a) and (c).

Entered this 28th day of April, 2004.

BY THE COURT:

BARBARA B. CRABB
District Judge