

*U.S. Weinberg*

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA

Richmond Division

LIFE INSURANCE COMPANY OF	)	
VIRGINIA	)	
Plaintiff,	)	
	)	
v.	)	Civil Action 88-0155-R
	)	
THE CONTINUUM COMPANY, INC.	)	
	)	
Defendant.	)	

ORDER

This matter is before the Court on Continuum's motion to transfer this case to the Northern District of Texas, Dallas Division, pursuant to 28 U.S.C. § 1404(a).

For the reasons stated in the accompanying memorandum opinion, the defendant's motion is GRANTED.

Let the Clerk send a copy of this order to all counsel of record.

\_\_\_\_\_  
DATE

*Richard L. Williams*  
\_\_\_\_\_  
UNITED STATES DISTRICT JUDGE

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA

Richmond Division

LIFE INSURANCE COMPANY OF )  
VIRGINIA )  
Plaintiff, )  
v. ) Civil Action 88-0155-R  
THE CONTINUUM COMPANY, INC. )  
Defendant. )

MEMORANDUM OPINION

This matter is before the Court on Continuum's motion to transfer this case to the Northern District of Texas, Dallas Division, pursuant to 28 U.S.C. § 1404(a).

In Piper Aircraft v. Reyno, 454 U.S. 235, 241, n.6 (1981), citing Gulf Oil Co. v. Gilbert, 330 U.S. 501 (1947), the Supreme Court set out the considerations for transfer under § 1404(a). The Supreme Court identified private concerns: (1) relative ease of access to sources of proof; (2) availability of compulsory process for attendance of unwilling, and the cost of obtaining willing, witnesses; (3) the possibility of viewing the premises (which is irrelevant here); and (4) all other practical problems. The Court also identified public considerations: (1) administrative difficulty flowing from court congestion; (2) the local interest in having localized controversies decided at home; (3) the interest in having diversity actions in forums familiar with the law that must govern the case; (4) the avoidance of unnecessary problems in conflicts of laws, or in the application

of foreign laws (irrelevant here); and (5) the unfairness of burdening citizens in an unrelated forum with jury duty.

Although courts in the Fourth Circuit abide by the rule that the plaintiff's choice of forum should rarely be disturbed, Collins v. Straight, 748 F.2d 916, 921 (4th Cir. 1984), citing Gulf Oil Co., 330 U.S. at 508, in this instance the balance of these factors weighs strongly in favor of the defendant, and the case shall be transferred to the Northern District of Texas, Dallas Division.

This is a declaratory judgment action filed by the Life Insurance Company of Virginia ("LOV") concerning its licensing rights to computer software entitled LIFE-COMM III. LOV entered a licensing agreement with Informatics for LIFE-COMM III on February 13, 1979 to run for 20 years. The Continuum Corp. ("TCC") purchased LIFE-COMM III from Informatics on December 21, 1984. In early March TCC counsel threatened suit and revocation of LIFE-COMM III unless LOV entered into negotiations by March 4, 1988. In light of this threat, LOV filed this suit.

TCC claims that LOV and host of other insurance companies revealed trade secrets about LIFE-COMM III to a competitor of TCC, Inceptis, formed by Informatic's former employees. Inceptis subsequently helped upgrade and maintain TCC's clients copies' of LIFE-COMM III and developed inTIME from this allegedly purloined information. TCC sued Inceptis in Texas state court in April 1987. It conducted extensive discovery at LOV, and LOV was named as non-party co-conspirator in that suit with several other insurance companies. On March 4, 1988, TCC filed suit in Texas

state court against LOV and later State Mutual. On March 21, 1988, Incepts sought bankruptcy protection in the Bankruptcy Court for the Northern District of Texas. State Mutual has since removed TCC's case against it and LOV to that court pursuant to 28 U.S.C. § 1452. TCC seeks to have that case remanded to Texas state court.

In its counterclaim before this court, TCC alleges breach of contract, breach of confidential relationship, misappropriation of trade secrets, tortious interference with contractual relations, and conspiracy to do each of the above. LOV's complaint raises a narrow issue: can TCC revoke the use of LIFE-COMM III for a reason other than those listed in § 14 of the licensing agreement between Informatics and LOV. (Those reasons are an assignment for benefit of creditors, bankruptcy, or insolvency.) LOV does not contest, however, that the claims raised by TCC would be tried in the same suit. Therefore, consideration of claims raised in both the complaint and compulsory counterclaims is proper in assessing the appropriateness of transfer.

The majority of sources of proof are in Dallas. Documents held by Incepts in its Dallas office are critical to TCC's claims, argues TCC. LOV and other insurance companies were purportedly development partners in Incepts creation of inTIME, and corporate records and development partners' correspondence are in its Dallas office. Incepts is not a party to this action, and TCC has limited control over these documents. TCC would have difficulty in moving these documents to Richmond from Dallas.

Although LOV also has a great number of relevant documents, video tapes and computer software, LOV has already shipped a number of pertinent documents to Dallas in connection with TCC's on-going litigation with Incepts. Furthermore, other relevant non-parties have accumulated documents in Dallas.

Dallas is also the most convenient place for witnesses. TCC claims that there are 23 witnesses in Texas who have personal knowledge of the facts in this case and are vital to the success of their claims. The witnesses will be uncooperative, for the most part, since they are members of the development team for inTIME and will not appear unless subpoenaed. These witnesses are not subject to the subpoena power of this Court and would be unavailable to testify.

LOV notes that there are many non-party witnesses who are neither in Texas nor Virginia. LOV claims it will need these witnesses to defend itself. Since these witnesses are not subject to the subpoena power of either this Court or the Dallas Court, this point does not advance LOV's argument against transfer.

The public concerns identified in Piper Aircraft also weigh in favor of transfer. The interests of judicial economy are best served by transferring this case to Dallas. Litigation in matters related to this case has begun in Dallas. Also a petition is currently pending before the Judicial Panel for Multi-District Litigation pursuant to 28 U.S.C. § 1407 to consolidate discovery with identical declaratory judgment actions

pending in North Carolina and Massachusetts filed by other insurance companies.

Both forums have an interest in having the matter tried there. LOV's home is Richmond. TCC, a Delaware corporation with its principal place of business in Austin, has a large office in Dallas. Hence, consideration of this criteria is of little aid in resolving the motion to transfer.

Although neither this Court nor the Dallas Court has greater knowledge of California law which controls some claims arising in this action, a Dallas federal court will be more comfortable with the law that controls the tort claims in this action. Under Virginia's choice of law rules, the parties' choice of law clause governs. Here, the licensing agreement, which is the focus of the breach of contract claims, provides for California law to control.

The tort claims--tortious interferences with contractual relations and misappropriation of trade secrets--are governed by Virginia's lex loci delicti rule. The controlling law is that of the state where the last event necessary to make the actor liable for the alleged tort occurs. The relations interfered with are those between TCC, Inceptis and some key former employees as incorporated in a 1979 settlement agreement. The acts alleged in TCC's counterclaim to support its tort claims are that LOV permitted the use and copying of LIFE-COMM III for the development of inTIME; transported confidential LIFE-COMM III documents from Richmond to Dallas; disclosed to non-licensees LIFE-COMM III confidential information; and permitted Inceptis

unrestricted access to LOV's LIFE-COMM III via a direct telephone line from Dallas. TCC alleges most, if not all, of these acts occurred in Dallas at meetings of the development partners.

The evidence developed at this point suggests that most of the purported actionable acts took place in Dallas, either across phone lines or at the meetings of the development partners. The torts complained of relate not to LOV's copying of the confidential information but to disclosing it to Incepts' personnel.

According to the factors identified in Piper Aircraft, this case should be transferred to the Northern District of Texas, Dallas Division. The bulk of the documentary evidence and non-party documents are in Dallas. The non-party witnesses are in Dallas and would otherwise not be subject to the Court's subpoena power. Judicial economy favors the transfer of the case to Dallas. And it appears at this preliminary stage that Texas and California law will apply to the claims. Therefore, the defendant's motion to transfer is granted.

Let the Clerk send a copy of this memorandum opinion to all counsel of record.

\_\_\_\_\_  
DATE

  
\_\_\_\_\_  
UNITED STATES DISTRICT JUDGE

Call Mass., & N.C. judges.

Matty District Panel -  
Monday - response  
Cherry date  
incentive -  
time.

BENCHMEMO: LIFE INSURANCE CO. OF VA. v. THE CONTINUUM CO. INC.,  
88-0155-R; motion to transfer

ATTORNEYS: LOV-- Ford Stevens; William Etherington (Christian,  
Barton)

Continuum-- Aubrey Ford (Browder, Russel), William  
Brewer, Gary Sarles, (Bickel and Brewer  
of Texas)

Judge, this matter is before you on Continuum's motion to transfer this case to the Northern District of Texas, Dallas Division, pursuant to 28 U.S.C. § 1404(a). I believe you should grant the motion for transfer.

The considerations for transfer under § 1404(a) are set out in Piper Aircraft v. Reyno, 454 U.S. 235, 241, n.6 (1981), citing Gulf Oil Co. v. Gilbert, 330 U.S. 501 (1947). The Supreme Court identified private concerns: (1) relative ease of access to sources of proof; (2) availability of compulsory process for attendance of unwilling, and the cost of obtaining willing, witnesses; (3) the possibility of viewing the premises (which is irrelevant here); and (4) all other practical problems. And the Court identified public considerations: (1) administrative difficulty flowing from court congestion; (2) the local interest in having localized controversies decided at home; (3) the interest in having diversity actions in forums familiar with the law that must govern the case; (4) the avoidance of unnecessary problems in conflicts of laws, or in the application of foreign laws (irrelevant here); and (5) the unfairness of burdening citizens in an unrelated forum with jury duty.

Although the Fourth Circuit clings to the rule that the plaintiff's choice of forum should rarely be disturbed, Collins

Will ask for abstention in N.D. of TX. on state ct. action.  
How state ct. action preclusive? <sub>1</sub> why not remove? - b/c  
in bankruptcy.



v. Straight, 748 F.2d 916, 921 (4th Cir. 1984), citing Gulf Oil Co., 330 U.S. at 508, I believe that the balance of these factors weighs strongly in favor of the defendant and the case should be transferred in this rare instance.

#### Facts

This is a declaratory judgment action filed by the Life Insurance Company of Virginia ("LOV") concerning its licensing rights to computer software entitled LIFE-COMM III.

LOV entered a licensing agreement with Informatics for LIFE-COMM III on Feb. 13, 1979 to run for 20 years. The Continuum Corp. ("TCC") purchased LIFE-COMM III from Informatics on Dec. 21, 1984. LOV has invested over a million dollars for the licensing and maintenance of LIFE-COMM III.

In early March TCC counsel threatened suit and revocation of LIFE-COMM III unless LOV entered into negotiations by March 4, 1988. Instead of negotiating, LOV filed this suit.

TCC claims that LOV and host of other insurance companies revealed trade secrets about LIFE-COMM III to a competitor of TCC, Incepts, formed by Informatic's former employees. Incepts subsequently helped upgrade and maintain TCC's clients copies' of LIFE-COMM III and developed inTIME from this allegedly purloined information.

TCC sued Incepts in Texas state court in April 1987. It conducted extensive discovery at LOV. LOV was named as non-party co-conspirator in that suit along with numerous other insurance companies.

On March 4, 1988, TCC filed suit in Texas state court against LOV and later State Mutual. On March 21, 1988, Incepts sought bankruptcy protection in the Bankruptcy court for the Northern District of Texas. State Mutual has since removed TCC's case against it and LOV to that court pursuant to 28 U.S.C. § 1452. TCC seeks to have that case remanded to Texas state court.

In its counterclaim before this court, TCC alleges breach of contract; breach of confidential relationship; misappropriation of trade secrets; tortious interference with contractual relations; and conspiracy to do each of the above. LOV in its complaint seeks declaratory judgment that it has done nothing wrong and is entitled to the unfettered use of LIFE-COMM III

#### The Piper Aircraft Factors

LOV's complaint defines a very narrow issue: can TCC revoke the use of LIFE-COMM III for a reason other than those listed in ¶ 14 of the licensing agreement between Informatics and LOV. (Those reasons are an assignment for benefit of creditors; bankruptcy; or insolvency.) LOV does not contest, however, that the claims raised by TCC would be tried in the same suit. Therefore, I believe it is proper to consider claims raised in both the complaint and compulsory counterclaims in assessing the appropriateness of transfer.

#### Private Concerns

##### 1. Access to sources of proof

Documents held by Incepts in its Dallas office are critical to TCC's claims, argues TCC. LOV and other insurance companies were Development Partners in Incepts creation of inTIME.

Corporate records and Development partners' correspondence are in the Dallas office.

LOV asserts that it is incumbent upon TCC to demonstrate that moving these documents to Richmond would be inconvenient. Since Incepts is not a party to this action and TCC has limited control over these documents, TCC argues that it has shown the requisite degree of difficulty in moving these documents to Richmond.

LOV argues that it also has a great number of relevant documents, video tapes and computer software, and that it would be extremely difficult to move these materials to Dallas. LOV's claim is undermined some what by its shipment of a number of relevant documents to Dallas in connection with TCC's on-going litigation with Incepts.

I believe the fact that non-party documents will be needed in this matter and that in addition to Incepts' documents, it appears that other relevant non-parties have accumulated relevant documents in Dallas, the balance tips in TCC's favor in this category.

## 2. Convenience and availability of witnesses

This is one of the most important of the factors to be considered in a transfer motion. Alabama Great Southern Railroad Co. v. Allied Chemical Co., 312 F. Supp. 3, 9 (E.D. Va. 1970).

TCC claims that there are 23 witnesses in Texas who have personal knowledge of the facts in this case and are vital to the success of their claims (accounting for the culmulative evidence rule I'm sure). The witnesses will be uncooperative, for the

most part, since they are members of the development team for inTIME and will not appear unless subpoenaed. Since they are in Texas, the witnesses are not subject to the subpoena power of this court. LOV argues that TCC has not set forth their testimony with sufficient specificity to carry their burden of proof. TCC notes that many of these witnesses were deposed in connection with the Texas state court litigation and a protective order governs the content of their testimony.

LOV points out that there are many non-party witnesses who are not in Texas (nor Virginia). LOV claims it will need these witnesses to defend itself. Since these witnesses are not subject to either Texas or Virginia subpoena powers, this point does not advance their argument against transfer. LOV also argues that having its employees go to Texas for litigation will be expensive.

However, when this expense is compared with forcing TCC to rely on deposition testimony instead of critical live witnesses, I believe the balance tips in favor of TCC. This is especially true in this instance where it appears credibility will be an issue--what was independently discovered and what was misappropriated.

#### Public concerns

##### 1. Judicial economy

There are two other identical declaratory judgment actions pending in Boston and North Carolina. These cases involve other Development Partners--State Mutual and Jefferson-Pilot. TCC has moved or plans to move for transfer of these cases to Dallas and

has filed the same counterclaims against these plaintiffs. It would make sense to transfer all three to Dallas and consolidate the action.

LOV argues that transfer of the other two cases is speculative, and that if TCC wanted all three cases tried together it should have petitioned the Judicial Panel for Multi-District Litigation pursuant to 28 U.S.C. § 1407. If you do decide to transfer the motion and the others don't, at worst the matters will be tried in three different courts just as they would be if you don't transfer. If you do transfer and the other judges transfer as well, then there will be one action where all the issues are settled. Secondly, the Multi-District Panel handles pre-trial matters and remands the cases back to the districts for trial. Apparently TCC has begun the Multi-District pre-trial drill.

IC - Prelim. LOV also claims that the fact that TCC faces litigation in three states is its own fault for suing Inceptis and the Development Partners in a piecemeal fashion. TCC replies that all the litigation would be in Texas if LOV, State Mutual and Jefferson-Pilot had negotiated with it instead of running to the courthouse. I don't think this argument advances either position.

However, overall, judicial economy cuts in favor of TCC's motion to transfer.

## 2. Localized interests tried at home

This criteria doesn't cut in anyone's favor. LOV's home is Richmond. TCC, a Delaware corporation with its principal place

of business in Austin, has a large office in Dallas. I believe the matter is of interest to both communities.

3. Forum most comfortable with the controlling law

Virginia's choice of law statute governs applicable law in this case. LOV's action and the first count of the counterclaim are breach of contract claims under the licensing agreement entered between Informatics and LOV which I assume TCC was assigned by Informatics. Virginia usually honors choice of law clauses. The choice of law claim in the licensing agreement provides for California law to control.

The tort claims--tortious interferences with contractual relations and misappropriation of trade secrets--are govern by Virginia's lex loci delicti rule. Hence the law of the state where the last event necessary to make the actor liable for the alleged tort occurs controls. The relations interfered with are those between TCC, Incepts and some key former employees as incorporated in a 1979 settlement agreement. The acts alleged in TCC's counterclaim to support its tort claims are that LOV (1) permitted the use and copying of LIFE-COMM III for the development of inTIME; (2) transported confidential LIFE-COMM III documents from Richmond to Dallas; (3) disclosed to non-licensees LIFE-COMM III confidential information; and (4) permitted Incepts unrestricted access to LOV's LIFE-COMM III via a direct telephone line from Dallas. TCC alleges most, if not all, of these acts occurred in Dallas at meetings of the Development Partners.

LOV argues that the tortious acts, if done at all, were done in Virginia by misusing LIFE-COMM III software. Hence, Virginia law applies.

The record is undeveloped at this point. The safest course would be to hold an evidentiary hearing on this limited point in order to determine which law would apply. The parties, however, seem intent on moving the matter along as quickly as possible and may not wish the delay. Second, such a hearing may degenerate into a mini-trial where the parties swap accusations and denials.

From the face of the pleadings, it appears that most of the purported actionable acts took place in Dallas, either across phone lines or at the meetings of the Development Partners. The torts complained of relate not to LOV's copying of the confidential information but of disclosing it to Incept's personnel. The evidence to date suggests that these disclosures were made in Dallas. TCC has not suggested that information was disclosed on Incept's personnel's visits to LOV, if indeed such visits took place.

Therefore, on the record as made, it appears Texas law will apply to the tort claims, and this factor weighs in favor of transferring the case.

Other than LOV's choice of Richmond as the forum to bring its suit, there is no other reason not to transfer this case. The bulk of the documentary evidence and non-party documents are in Dallas. The non-party witnesses are in Dallas and would otherwise not be subject to the subpoena power. Judicial

economy favors the transfer of the case to Dallas. And it appears at this preliminary stage that Texas and California law will apply to the claims. Therefore, I believe you should GRANT the motion to transfer the case.