

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

SAP AMERICA, INC. : CIVIL ACTION  
 :  
 v. :  
 :  
 ANDREW ZOLDAN and :  
 NARINA SIPPY : NO. 99-3923

**MEMORANDUM**

Giles, C.J.

October \_\_, 1999

This is a diversity action brought by SAP America, Inc. (“SAP”) against Andrew Zoldan (“Zoldan”) and Narina Sippy (“Sippy”), two former SAP senior executives, in which SAP seeks compensatory and injunctive relief relating to the alleged breach of Confidentiality Agreements by Zoldan and Sippy. Before the court are the Defendants’ Joint Motion to Transfer Under U.S.C. § 1404(a) and Defendants’ Joint Motion to Sever the Plaintiff’s claims against them. For the reasons which follow, Defendants’ Motion to Transfer under U.S.C. § 1404(a) is DENIED, and Defendants’ Motion to Sever is also DENIED.

**BACKGROUND**

Zoldan and Sippy were formerly senior executives at SAP, a computer software manufacturer. Zoldan was Senior Vice President for New Dimension Products, and was responsible for product marketing at the time that he resigned from SAP. (Compl. ¶¶ 3, 7, 14 & 22). His immediate supervisor was the company’s United States-based CEO. (Zoldan Decl. ¶ 2.). Sippy’s last position at SAP was as Vice President of Corporate Communications where she was responsible for public relations. (Sippy Decl. ¶ 2.). She reported to the Senior Vice President of Worldwide Marketing, who is based in Germany. Id. Both Zoldan and Sippy

worked out of SAP's Massachusetts office. (Zoldan Decl. ¶ 1; Sippy Decl. ¶ 1). Upon being hired by SAP in 1995, Sippy signed a Confidentiality Agreement in which she agreed not to disclose any of SAP's "highly valuable [t]rade secrets." (Sippy Confidentiality Agreement ¶ 1.). Upon commencing his employment with SAP in 1997, Zoldan signed a similar agreement. (Zoldan Confidentiality Agreement at 1.).

On July 15, 1999, Zoldan resigned from SAP to accept a position with Siebel Systems, Inc. ("Siebel"), a software company that competes directly with SAP. On July 29, 1999, Sippy also resigned from her position at SAP, also came to work for Siebel. SAP filed a single complaint against both Zoldan and Sippy alleging that the two had access to and acquired SAP's trade secrets and confidential information and that the Defendants' employment with Siebel will "inevitably result in" the disclosure of that sensitive material and the breach of the Defendants' respective Confidentiality Agreements. (Compl. ¶ 14-44.).

Because they now work and reside in Northern California and assert that any "inevitable disclosure" of SAP trade secrets to Siebel would necessarily have to take place in California, the Defendants have filed a Joint Motion to Transfer Venue to the Northern District of California pursuant to 28 U.S.C. § 1404. Additionally, because the Defendants have allegedly never worked together, and allegedly possess distinctly dissimilar trade secret information, they have jointly filed a Motion to Sever the Plaintiff's claims asserted against them.

## **DISCUSSION**

### **Statement of Jurisdiction**

This court has subject matter jurisdiction over this matter on the basis of diversity

of citizenship, pursuant to 28 U.S.C. § 1332(a)(1). SAP is a Delaware corporation that maintains its principal place of business in Newtown Square, Pennsylvania. Zoldan and Sippy are both residents of California.

### **Motion to Transfer Venue**

In a joint motion, Defendants contend that because: (a) they both work and reside in Northern California; (b) the alleged “inevitable disclosure” will occur in California; (c) the Defendants worked for SAP in Massachusetts; and (d) their respective Confidentiality Agreements were executed under the laws of Delaware, this action should be transferred from the Eastern District of Pennsylvania to the Northern District of California pursuant to 28 U.S.C. § 1404(a).

Section 1404(a) provides that “[f]or 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.” 28 U.S.C. § 1404(a). An action based solely on diversity of citizenship may be brought in any “judicial district where any defendant resides, if all defendants reside in the same State,” 28 U.S.C. § 1391(a)(1), or in any district “in which a substantial part of the events or omissions giving rise to the claim, or a substantial part of the property that is the subject of the action is situated.” 28 U.S.C. § 1391(a)(2). Since both of the Defendants in the present case reside in Northern California, and the alleged “inevitable disclosure” of SAP’s trade secret would necessarily occur in California as well, this diversity action “might have been brought” in Northern California, and therefore, venue may properly be laid in the Northern District of California. However, there is no question that venue is also properly laid in this

district. The issue before this court thus becomes, whether transfer of venue is warranted.

Although a district court has broad discretion in deciding whether to transfer an action under § 1404(a), transfers should not be liberally granted. Elbeco Inc. v. Estrella de Plato, Corp., 989 F. Supp. 669, 679 (E.D. Pa. 1997). The party requesting the venue transfer has “the burden of establishing its propriety.” Id. (quoting Tranor v. Brown, 913 F. Supp. 388, 391 (E.D. Pa.1996)). Moreover, “[t]he transfer is not warranted if the effect is merely to shift the inconvenience from one party to the other.” Elbeco, 989 F. Supp. at 679. Finally, the court must keep in mind that the plaintiff’s choice of forum “should not be lightly disturbed.” Id.

In resolving whether the movant has established the appropriateness of the transfer, the court must consider “all relevant factors to determine whether on balance the litigation would more conveniently proceed and the interests of justice be better served by transfer to a different forum.” Jumara v. State Farm Ins. Co., 55 F.3d 873, 879 (3d Cir. 1995) (quoting 15 Wright, Miller & Cooper, Federal Practice and Procedure, § 3847) (internal quotation marks omitted). “While there is no definitive formula or list of the factors to consider, courts have considered many variants of the private and public interests protected by the language of § 1404(a).” Id.

The “private interests” considered include: (1) the plaintiff’s forum preference as manifested in the original choice; (2) the defendant’s preference; (3) whether the claim arose elsewhere; (4) the convenience of the parties as indicated by their relative physical and financial conditions; (5) the convenience of witnesses, only to the extent that a witness may be unavailable for trial in one of the fora; and (6) the location of books and records, again only to the extent they may be unavailable in one of the fora. Id. at 879 (citations omitted). Relevant “public interests”

include: (1) the enforceability of any judgment; (2) practical considerations that could make the trial easy, expeditious, or inexpensive; (3) the relative administrative difficulties in the two fora resulting from court congestion; (4) local interest in deciding local controversies at home; (5) public policies of the fora; and (6) the familiarity of the trial judge with the applicable state law in diversity cases. Id. at 879-80 (citations omitted).

The Defendants have not established the propriety of the requested transfer.

Although the Defendants now live in Northern California, and the alleged “inevitable disclosure” will occur in California (*i.e.*, the claim will “arise” there), this is not enough to warrant transfer. Because Pennsylvania is the location of Plaintiff’s principal place of business, any disclosure of confidential information -- no matter where it is actually disclosed -- will necessarily affect Plaintiff, as a corporate entity, in Pennsylvania. Further, in considering the relative ease of access to sources of proof, although Zoldan and Sippy state that any documentation and witnesses necessary to exonerated themselves is located in California, as the plaintiff bears the burden of proving breach of the Confidentiality Agreements, see Mellon Bank, N.A. vs. Aetna Bus. Credit, 619 F.2d 1001, 1007-08, the burden of obtaining relevant documents and testimony weighs more heavily on SAP than it does on the Defendants. Likewise, whereas the Defendants mention the possible difficulty of compelling non-party witnesses to testify in the Eastern District of Pennsylvania, they have failed to make any of the “necessary statements concerning what their testimony w[ould] cover or [to] demonstrate the materiality of such evidence such that this [c]ourt may properly balance the parties’ interest.” PPG Indus., Inc. v. Systonetics, Inc., 614, F. Supp. 1161, 1164 (W.D. Pa. 1985). Moreover, although California may be a more convenient venue for the Defendants, this court will not grant a transfer that acts solely as a means to shift

inconvenience from the Defendants to the Plaintiff, whose choice of venue, as evidenced by where it chose to file suit, “should not be lightly disturbed.” Jumara, 55 F.3d at 879. Finally, although Delaware law may well control with regards to the Confidentiality Agreements, as many of America’s largest corporations are incorporated in Delaware, any district court sitting in diversity should be equally competent to find and apply Delaware corporate law. The Defendants have not carried their burden of establishing the need for transfer, therefore, their motion is denied.

### **Motion to Sever**

The Defendants have also jointly moved to have the Plaintiff’s claims against them severed because they assert that: (a) there are no allegations of concert of action; and (b) joinder of the claims against them will result in undue prejudice at trial.

Rule 20(a) of the Federal Rules of Civil Procedure provides that:

[a]ll persons . . . may be joined in one action as defendants if there is asserted against them jointly, severally, or in the alternative, any right to relief in respect of or arising out of the same transactions or occurrences, or series of transactions and occurrences and if any question of law or fact common to all defendants will arise in the action.

Fed. R. Civ. P. 20(a). Although the joinder provision of Rule 20 should be construed liberally, both parts of the “test” must be satisfied to permit joinder. Gruening v. Sucic, 89 F.R.D. 573, 574 (E.D. Pa. 1981). Determining the correctness of joinder is a two step analysis: (1) did the claims arise from the same transaction or occurrence, or series of transactions and occurrences; and (2) is there at least one common question of law or fact. See, e.g., Poff v. General Elec. Co., No. CIV.A.89-3320, 1990 WL 69106, at \*1 (E.D. Pa. May 21, 1990) (analyzing joinder

requirements).

There were two “transactions or occurrences” in the present case -- Zoldan’s resignation from SAP and hiring by Siebel, and Sippy’s SAP resignation and hiring by Siebel. Thus, the issue is whether these events constitute a “series of transactions or occurrences” for purposes of proper joinder. Fed. R. Civ. P. 20(a); accord Gruening, 89 F.R.D. at 574. In order to qualify as the requisite “series of transactions or occurrences,” there must be a “systematic pattern” or “logical relation” between the injurious conduct. Gruening, 89 F.R.D. at 574. There is such a “logical relationship” present in this case.

Zoldan and Sippy are two individuals who never worked together at SAP, nor do they currently work together at Siebel. This court also agrees with the Defendants that, based on their different areas of employment, the alleged trade secret information possessed by Zoldan is necessarily different from that possessed by Sippy. (Defs.’ Mot. to Sever at 1-2.). Further, the only common factor between these two separate “occurrences” is that Zoldan and Sippy were both wooed away from SAP to work at Siebel. However, even though there are no allegations that the two Defendants acted in concert with each other -- or with Siebel -- against SAP, if both Defendants do indeed reveal their distinct trade secrets to Siebel, without question, such information would be used in conjunction to harm SAP. Indeed, when viewed from the Plaintiff SAP’s point point of view, these discreet “occurrences” will have an impact in the aggregate that will be utterly indistinguishable with regards to trade secret source. Therefore, this court finds that the claims against Zoldan and Sippy do arise from the same “series of transactions or occurrences” and the first prong of the joinder test is satisfied.

Furthermore, because an employee may be held jointly liable for the profits earned

by the employer as a result of the employee's misappropriation of a trade secret, see Tan-Line Studios, Inc. v. Bradley, No. CIV.A.84-5925, 1986 WL 3764, at \*11 (E.D. Pa. Mar. 25, 1986) (holding ex-employee and new principals jointly and severally liable for misappropriation), there is a common issue of fact or law. The second prong of the joinder test is also satisfied. Therefore, joinder is proper.

Pursuant to Fed. R. Civ. P. 20(b), a court may order separate trials for joined defendants in order to prevent prejudice, even if the two-part joinder test is satisfied. Fed. R. Civ. P. 20(b); Gruening, 89 F.R.D. at 574. Although joinder here would expose the jury to the alleged misconduct of both Defendants, the case is not so complex or convoluted as to conclude that the jury could not, with proper legal instruction, determine the evidence separately as to each Defendant. The anticipated central question to the jury will be: “Did the Defendant breach his or her Confidentiality Agreement?” Such a fact-specific inquiry is not readily susceptible to undue prejudice. Therefore Defendants’ Motion to Sever is denied.

An appropriate order follows.

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**JUDGMENT**

AND NOW, this \_\_\_ day of October, 1999, upon consideration of the Defendants' Joint Motion to Transfer under 28 U.S.C. § 1404(a) and the Defendants' Joint Motion to Sever, it hereby is ORDERED that the Motion to Transfer under 28 U.S.C. § 1404(a) is DENIED. It is further ORDERED that Defendants' Joint Motion to Sever is also DENIED.

BY THE COURT:

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JAMES T. GILES C.J.

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