

Global Material Technologies, Inc. v. Dahzeng Metal Fibre Co., Ltd.
Clean Order (Citations, Headnotes, Footnotes Removed)

ROBERT M. DOW, JR., United States District Judge.

ORDER

For the reasons stated below, the Court concludes that Illinois law is applicable to all claims and issues in this case. This matter is set for status on August 6, 2013 at 9:00 a.m.

STATEMENT

Plaintiff Global Material Technologies, Inc., an Illinois-based company, alleges that China-based defendants Dahzeng Metal Fibre Co., Ltd., Zhuhai Trugroup International Co., Ltd., and Dong Jue Min conspired to intentionally interfere with its business relations, and that Dahzeng Metal Fibre Co., Ltd. violated trade secret law and the United Nations Convention for the International Sale of Goods.

Plaintiff originally filed this action in the Middle District of Tennessee, but the case was transferred to this Court on defendants' motion.

After the action arrived in this Court, defendants moved to dismiss plaintiff's conspiracy, intentional interference, and trade secret claims. Despite the transnational nature of the case and its transfer from Tennessee, defendants asserted that Illinois choice-of-law rules applied and relied exclusively on Illinois law to argue that plaintiff failed to state a claim.

Plaintiff did not substantively respond to the motion or its choice-of-law assertions, but instead moved to strike the motion to dismiss. The Court denied the motion without prejudice and directed the parties to submit supplemental briefs addressing the potential choice-of-law issues presented by the case.

The Court has reviewed the parties' supplemental briefs and concludes that there is little dispute as to most of the choice-of-law questions potentially relevant here.

First, the parties agree that Tennessee choice-of-law rules apply, and the Court concurs.

Second, the parties agree that Tennessee follows the "most significant relationship" approach set forth in the Restatement (Second) of Conflict of Laws to resolve choice-of-law questions pertaining to torts. The Court also concurs and notes that Illinois applies the same approach.

Third, and most importantly, the parties generally agree that Illinois substantive law should apply to plaintiff's claims, although they arrive at that conclusion by different paths.

Plaintiff asserts that Illinois and Tennessee law are substantially similar, obviating the need for a formal choice-of-law analysis. Defendants contend that conflicts exist among Illinois, Tennessee, and Chinese law, but that Illinois has the most significant relationship to the issues of liability and compensatory damages.

Any asserted conflicts largely appear illusory given the circumstances of this case. Regardless of the analytical path taken, both sides ultimately agree that Illinois substantive law should apply, and the Court accepts that stipulation.

Although defendants agree that Illinois law governs liability and compensatory damages, they contend that Chinese law should govern punitive or exemplary damages. They argue that Chinese law disallows punitive damages and that China has the most significant interest because the alleged wrongful conduct occurred there.

In making this argument, defendants invoke the principle of *dépeçage*, which permits different issues within a single case to be governed by the laws of different jurisdictions. The Restatement (Second) of Conflict of Laws follows this principle, and Tennessee courts permit its application.

As with any choice-of-law analysis, the Court must first determine whether a true conflict exists. If the relevant laws would produce the same result, the Court should avoid the choice-of-law question.

Both Illinois and Tennessee permit exemplary damages for willful and malicious misappropriation of trade secrets. Defendants assert that Chinese law prohibits punitive damages. The Court disagrees.

Although Chinese law expressly addresses compensatory damages, it also authorizes punitive sanctions, including fines, for trade secret misappropriation. Such sanctions serve deterrent purposes similar to punitive damages.

Chinese law further allows private parties to challenge punishment decisions in court. Accordingly, punitive sanctions are available under Chinese law, and China, like Illinois and Tennessee, has determined that alleged wrongful conduct of this nature may be punished.

Because the parties have not demonstrated a material conflict between Illinois and Chinese law on the issue of punitive damages, and because choice-of-law principles

permit consideration of the ease of determination and application of the governing law, the Court concludes that Illinois law applies to all issues in this case.

The parties are directed to appear for a status hearing on August 6, 2013 at 9:00 a.m.