UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

ELI LILLY AND COMPANY,

Plaintiff,

v.

SENSORRX,

Defendant.

No. 1:19-cv-04550-RLY-DML

SENSORRX,

Counter Claimant,

v.

ELI LILLY AND COMPANY,

Counter Defendant.

ENTRY ON DEFENDANT'S MOTION TO DISMISS, OR IN THE ALTERNATIVE, TO TRANSFER

Plaintiff, Eli Lilly and Company, and Defendant, SensorRx, both developed a digital program to help migraine sufferers manage their symptoms. SensorRx alleges Lilly misappropriated trade secrets in the course of negotiations over whether to embark on a partnership. On November 13, 2019, Lilly filed the present lawsuit seeking various declaratory judgments. (Filing No. 1). On November 22, 2019, SensorRx filed a lawsuit in the Western District of North Carolina seeking injunctive relief and monetary damages. SensorRx then filed this Motion to Dismiss, or in the Alternative, to Transfer Lilly's declaratory action. The court finds Lilly's declaratory action to be an improper

anticipatory filing. According to the court's transfer analysis under 28 U.S.C. § 1404(a), Defendant's Motion to Transfer (Filing No. 26) is **GRANTED**. Defendant's Motion to Dismiss is **DENIED as MOOT**.

I. Factual and Procedural Background

Lilly is incorporated and headquartered in Indianapolis, Indiana. (Filing No. 1, Eli Lilly and Company Compl. ("Lilly Compl.") ¶ 4). SensorRx is a Delaware corporation with its principal place of business in Charlotte, North Carolina. (Filing No. 27-8, SensorRx Compl. ¶ 9).

Lilly and SensorRx began independently developing digital migraine management systems. SensorRx's system, known as MigrnX, includes a phone application ("app") that helps migraine sufferers record and track information to help them manage their symptoms. (*Id.* ¶ 16). In early 2018, Lilly began developing Vega Migraine, its own version of an app to help migraine sufferers manage their symptoms. (Filing No. 34-2, Declaration of Charles Haddad ¶ 9).

Lilly and SensorRx began discussing a possible partnership in the fall of 2018, though the dialogue began in earnest in January 2019. The parties met in Indianapolis, Indiana on January 31, 2019 and executed a Mutual Confidentiality Agreement ("MCA"). (Lilly Compl. ¶ 19). The parties continued discussing the partnership in February and March 2019, which included an in-person meeting in North Carolina. (*Id.* ¶ 21). At the meeting, Lilly representatives provided a demo and screen shots of Vega Migraine. This version of Vega Migraine differed significantly from MigrnX. (SensorRx Compl. ¶ 57). Due diligence began in April 2019, which included two more in-person meetings in

Indianapolis. (Lilly Compl. ¶ 22; SensorRx Compl. ¶ 73). At the third meeting, which took place on or about May 22, 2019, Lilly demonstrated a new version of Vega Migraine, which looked and functioned similarly to MigrnX. (SensorRx Compl. ¶ 78). During the due diligence period, several Lilly employees who were not part of the due diligence team accessed MigrnX. (*Id.* ¶ 103). On May 28, 2019, Lilly announced it was terminating due diligence and would forego further discussions with SensorRx. (Lilly Compl. ¶ 26).

On the day Lilly terminated due diligence, Dr. George McLendon, SensorRx's Chairman and co-founder, sent an email to a Katie Hewitt, Lilly's Vice President of Transactions, informing her that he would provide Lilly with a partial list of specific learnings that he believed were communicated to Lilly during the discussions. (Filing No. 42-3, Declaration of Katie Hewitt, ¶ 8). He also stated SensorRx's intention to monitor any ultimate product released by Lilly to ensure SensorRx's propriety information is protected. (*Id.*). Two days later, McLendon sent an email describing three specific learnings.[1] (Filing No. 42-4, May 30, 2019 Email).

[1] According to McLendon, the first learning was SensorRx's development of an Android version of MigrnX. McLendon claimed that part of MigrnX's appeal was its availability on different platforms because most patients use the less expensive Android devices. At the time McLendon sent this email, Lilly was not planning to develop an Android version of Vega Migraine. McLendon stated that if Lilly later developed an Android version of Vega Migraine, SensorRx would consider that as a use of protected trade secrets. The second learning related to mechanisms for electronic medical record integration. SensorRx applied a unique approach by using an "HIE interface" to integrate electronic medical records. If Lilly subsequently used an HIE interface, SensorRx would consider that a misappropriation of proprietary trade secrets. The third learning was MigrnX's three-step interface which SensorRx claims is critical to patients' continued use of the app. The interface on Lilly's app is "complicated by a barrage of use questions," and if Lilly's final design incorporated a step-based approach, SensorRx would consider that a misappropriated trade secret.

Communication between the parties dropped off until counsel for SensorRx, Martha Geer, sent a letter to Lilly on September 15, 2019 outlining claims against Lilly for misappropriation of trade secrets and deceptive practices. (Filing No. 27-1, September 15, 2019 Letter). The letter also sought resolution of the matter without resorting to litigation. On September 24, Lilly's counsel, Averie Hason, acknowledged receipt of the letter and stated Lilly would like the opportunity to discuss the matter. (Filing No. 27-2, Email Correspondence). On October 11, Hason notified SensorRx that she was still reviewing the matter, but Lilly remained very interested in the offer to discuss. (*Id.*). During a phone conversation on October 24, Geer stated that SensorRx was prepared to initiate litigation if Lilly did not provide an acceptable proposal by October 29. (Filing No. 27-3, October 29, 2019 Email). In response to the deadline, Lilly stated that it "ha[d] no interest in litigating a dispute with SensorRx," and proposed an in-person meeting be held before the end of November to try to reach a "business resolution." (*Id.*). SensorRx asked that the meeting be held in Charlotte, North Carolina within the next two weeks. (Filing No. 27-4, November 3, 2019 Email). SensorRx noted it did not want to extend the timeframe for the meeting through the end of November because it did not want the holidays to delay litigation should the parties fail to make "reasonable progress" at the meeting. (*Id.*). The parties exchanged several emails over the following days as they finalized the logistics of the November 14 meeting, including a final email from Lilly's counsel on November 11 requesting an 11:30 a.m. start time. (Filing No. 27-5, November Emails).

On November 4, 2019, as the parties were finalizing the details of the meeting, SensorRx's counsel sent a letter to one of Lilly's business partners, Pricewaterhouse Coopers ("PwC"), making the same claims of misappropriation of trade secrets. (Filing No. 34-3, Pricewaterhouse Coopers letter). The letter stated SensorRx's "inten[t] to file suit against Eli Lilly and PwC," but counsel offered to spend "a short period of time – and I mean short – exploring whether mutually agreeable resolution" could be reached. (*Id.*). The next day, November 5, Lilly released Vega Migraine on a limited basis.

It is not clear from the record when Lilly learned of the letter to PwC, but Lilly's outside counsel sent a correspondence to Geer approximately two hours before the November 14 settlement meeting was to begin and cancelled the meeting. (Filing No. 27-6, November 14, 2019 email). According to the correspondence, Lilly decided to cancel the meeting after learning of the PwC letter and SensorRx's threat of litigation against PwC. Combined with what Lilly perceived to be the escalating nature of prior communications from SensorRx, Lilly did not believe settlement discussions would be productive. Lilly's counsel also attached a copy of the Complaint filed by Lilly in the Southern District of Indiana on November 13, 2019 seeking a declaratory judgment that Lilly did not misappropriate trade secrets under federal, Indiana, or North Carolina laws and that it did not breach the MCA.

SensorRx filed a separate lawsuit for monetary damages and injunctive relief on November 22, 2019 in the Western District of North Carolina. The Complaint stated claims for unfair and deceptive practices, fraud/fraudulent concealment, fraudulent inducement, unjust enrichment, and misappropriation of trade secrets under North

Carolina and federal laws. SensorRx then moved for a preliminary injunction on November 27 seeking to enjoin Lilly from marketing or distributing Vega Migraine. (Filing No. 27-9, SensorRx Motion for Preliminary Injunction). On December 5, Lilly filed a motion to dismiss SensorRx's lawsuit in the Western District of North Carolina based on the first-to-file rule. The Western District of North Carolina stayed all proceedings in that court pending resolution of Lilly's declaratory action in this court. (Filing No. 42, Stay Order). SensorRx now seeks dismissal or transfer of Lilly's declaratory action to the Western District of North Carolina.

II. Analysis

A. First-to-File Rule

A federal court may, at its discretion, decline to hear a declaratory judgment action, even though it is within the court's jurisdiction. *Tempco Elec. Heater Corp. v. Omega Eng'g, Inc.*, 819 F.2d 746, 747 (1987). The question before the court is whether it should exercise that discretion and decline to hear a declaratory judgment action filed approximately ten days before a parallel, coercive action was filed in the Western District of North Carolina.

Where two similar cases are pending in different courts, the general rule favors the forum of the first-filed suit. *Schwartz v. Nat'l Van Lines, Inc.*, 317 F.Supp.2d 829, 832 (N.D. Ill. 2004). "Under this 'first to file' rule, district courts normally stay or transfer a federal suit 'for reasons of wise judicial administration . . . whenever it is duplicative of a parallel action already pending in another federal court.'" *Id.* (quoting *Serlin v. Arthur Andersen & Co.*, 3 F.3d 221, 223 (7th Cir.1993)).

But the Seventh Circuit does not rigidly adhere to a first-to-file rule. *Research Automation, Inc. v. Schrader-Bridgeport Int'l, Inc.*, 626 F.3d 973, 980 (7th Cir. 2010). Courts may decline to follow the first-to-file rule where one party files the declaratory action in anticipation of impending litigation by the opposing party. *Id.* "The Declaratory Judgment Act is not a tool with which potential litigants may secure a delay or choose the forum." *Schwarz*, 317 F.Supp.2d at 833. Courts must closely scrutinize declaratory actions "brought in the face of clear threats of suit and seeking determinations that no liability exists," as such actions may qualify as "improper anticipatory filings" if the opposing party later files suit. *Id.* To sanction such anticipatory filings would result in a rule "which will encourage an unseemly race to the courthouse and, quite likely, numerous unnecessary suits." *Tempco*, 819 F.2d at 750.

Here, SensorRx provided two deadlines. First, SensorRx stated it was prepared to file suit if Lilly did not provide an acceptable settlement proposal by October 29, 2019. On October 29, Lilly proposed the parties meet in person sometime before the end of November. SensorRx agreed to extend the deadline for reaching a settlement to November 14 but stated its intention to proceed with litigation if no reasonable progress was made at the meeting. SensorRx specified its desire to hold the meeting early enough in November to avoid the litigation being delayed by the holidays. Lilly filed its lawsuit the day before the November 14 meeting, in the face of a clear deadline for resolving the matter without litigation.

Lilly claims it did not "race to the courthouse," and argues the facts of this case provide a prime example of why the Declaratory Judgment Act exists. Declaratory

judgments serve to "'clarify[] and settl[e] the legal relations at issue' and to 'terminate and afford relief from the uncertainty, insecurity, and controversy giving rise to the proceeding.'" *Tempco*, 819 F.2d at 749 (quoting Borchard, *Declaratory Judgments* 299 (2d ed. 1941)). In circumstances where "[t]he controversy has ripened to a point where one of the parties could invoke a coercive remedy . . . but has not done so," such as those presented here, "a federal court may grant a declaratory judgment to prevent one party from continually accusing the other, to his detriment, without allowing the other to secure an adjudication of his rights by bringing suit." *Tempco*, 819 F.2d at 749. According to Lilly, SensorRx subjected it to six months of unsubstantiated and hollow threats of litigation. If this were a true "race to the courthouse," Lilly would have filed suit in May upon receiving SensorRx's initial threats and allegations, rather than offer to negotiate a business resolution to the dispute.

But a fair reading of the communications between the parties demonstrates that SensorRx did not continually accuse Lilly without allowing Lilly to adjudicate its rights. SensorRx made an initial assertion of its rights in May by stating it would monitor any ultimate product released by Lilly to ensure its proprietary information is protected. Upon learning of Lilly's decision to continue developing Vega Migraine, SensorRx asserted its rights and sought a business resolution. The parties did not speak about the dispute until October 24, 2019. It was at that time that SensorRx gave Lilly the deadline of October 29, 2019.

The court is also mindful of the Seventh Circuit's guidance that "where . . . parallel cases involve a declaratory judgment action and a mirror-image action seeking coercive

relief – we ordinarily give priority to the coercive action, regardless of which case was filed first." *Research Automation*, 626 F.3d at 980. Such is the case here. The North Carolina action involves claims for unfair and deceptive practices, fraudulent concealment, fraudulent inducement, unjust enrichment, and misappropriation of trade secrets under North Carolina and federal laws. The present declaratory action seeks judgment that Lilly did not misappropriate trade secrets under federal, Indiana, or North Carolina laws and that it did not breach the MCA.

The court is not convinced by Lilly's argument that the omission of the breach of contract claim in the North Carolina action renders the two actions sufficiently dissimilar that the Seventh Circuit's direction does not apply. "As long as the underlying facts are the same, as is the case here, the fact that the two complaints allege violations of different state laws is not enough to render them substantially dissimilar for purposes of the first-to-file analysis." *Askin v. Quaker Oats Co.*, No. 11-cv-111, 2020 WL 517491, * 4 (N.D. Ill. Feb. 15, 2012). Both actions are predicated on the same facts, the same transactions, the same parties, and involve generally the same claims: misappropriation of trade secrets under state and federal laws.

B. SensorRx's Motion to Transfer

A district court may, "for the convenience of parties and witnesses," and "in the interest of justice," transfer a civil action to any other district where the action may have originally been brought. 28 U.S.C. §1404(a). Transfer is appropriate where the moving party establishes: "(1) venue is proper in the transferor district, (2) venue and jurisdiction are proper in the transferee district, and (3) the transfer will serve the convenience of the

parties, the convenience of the witnesses, and the interest of justice." *State Farm Mut. Auto. Ins. Co. v. Estate of Bussell*, 939 F. Supp. 646, 651 (S.D. Ind. 1996). District court judges may exercise their discretion in determining how much weight to give these factors. *Coffey v. Van Dorn Iron Works*, 796 F.2d 217, 219 (7th Cir. 1986). "Section 1404(a) is intended to place discretion in the district court to adjudicate motions for transfer according to an 'individualized, case-by-case consideration of convenience and fairness.'" *Stewart Organization, Inc. v. Ricoh Corpo.*, 487 U.S. 22, 29 (1988) (quoting *Van Dusen v. Barrack*, 376 U.S. 612, 622 (1964)). Under the facts of this case, the balance of factors weighs in favor of transfer.

1. Venue Is Proper in the Transferor and Transferee Districts

Venue is proper in "a judicial district in which a substantial part of the events or omissions giving rise to the claim occurred[.]" 28 U.S.C. § 1391(b). This rule "does not require a venue to be the location of the 'most substantial' or even the 'more substantial' part of the events." *Eli Lilly and Co. v. Crabtree*, No. 1:03-cv-0520-LJM-WTL, 2004 WL 828247, *8 (S.D. Ind. Mar. 19, 2004) (citing 28 U.S.C. § 1391 cmt. ("The fact that substantial activities took place in district B does not disqualify district A as proper venue as long as 'substantial' activities took place in A, too.")). "To be 'substantial,' the events that occurred in the forum district must be a part of the historical predicate of the claim." *Schwarz*, 317 F.Supp.2d at 834.

The parties do not dispute that venue is proper in the Southern District of Indiana. It is certainly where a substantial part of the events took place: Lilly is headquartered in Indianapolis, three meetings occurred in Indianapolis, and the MCA was

signed in Indianapolis. But the court concludes venue is also proper in the Western District of North Carolina. SensorRx is headquartered in Charlotte, North Carolina. Lilly directed communications to that district throughout the negotiations. *See Engineered Med. Sys., Ing. V. Despostis*, No. 1:05-cv-0170-DFH-TAB, 2005 WL 2922448, at *7 (S.D. Ind. Nov. 4, 2005) (finding venue may be appropriate if a party has communicated with someone in a district, especially over an extended period of time, and the communications are part of the events giving rise to the claim); *see also Schwartz*, 317 F.Supp.2d at 834 ("Even when the defendant never personally enters the forum district, venue can nonetheless be appropriate in that district."). The communications here involved details of MigrnX, including information alleged to be SensorRx's trade secrets. Importantly, the parties met in North Carolina to discuss the partnership and Lilly demonstrated the initial version of Vega Migraine at that meeting. Lilly is correct that more in-person meetings took place in Indianapolis—three meetings, as opposed to one—but proper venue is not required to be the location of the "'most substantial' or even the 'more substantial' part of the events." *Eli Lilly*, 2004 WL 828247 at *8. Because venue is proper in both the transferee and transferor districts, these factors weigh in favor of granting transfer.

2. Convenience Weighs Slightly Against Transfer

The convenience analysis requires courts to consider: (1) the plaintiff's choice of forum; (2) the location of material events; (3) the relative ease of access to sources of proof; and (4) the availability of the parties and witnesses. *Research Automation*, 626

F.3d at 978. On balance, this factor does weigh slightly against transfer, though not enough to overcome the first two factors.

i. Plaintiff's Choice of Forum

While "[a] plaintiff's choice of forum is entitled to substantial weight under 1404(a), particularly when it is the plaintiff's home forum," *Schwartz*, 317 F. Supp. 2d at 835, "the mere fact that [a party] filed its declaratory judgment action first does not give it a 'right' to choose a forum." *Tempco*, 819 F.2d at 749-50; *see also Eli's Chicago Finest, Inc. v. Cheesecake Factory, Inc.*, 23 F.Supp.2d 906, 909 (N.D. Ill. 1998) (stating that regardless of whether venue is proper in an action, "it is inappropriate for Plaintiff to file for a declaratory judgment for the purposes of securing [a particular] venue.").

As described above, the court finds that Lilly's choice of forum was made in the context of an improper anticipatory filing in the face of a clear threat of litigation. Lilly's reliance on the Seventh Circuit's guidance in *Research Automation* that district courts are to "apply the same standard to a section 1404(a) motion regardless of whether there is a second-filed case" is misplaced. 626 F.3d at 982. Unlike that case, which involved parallel coercive actions, *id.* at 976, this case presents the issue of a declaratory action filed in the face of impending litigation. Section 1404(a) permits a "'flexible and individualized analysis' and affords district courts the opportunity to look beyond a narrow or rigid set of considerations in their determinations." *Id.* at 979 (quoting *Stewart Organization, Inc. v. Ricoh Corp.*, 487 U.S. 22, 29 (1988)). Accordingly, the court discounts this factor in the analysis.

ii. Location of material events, access to sources of proof, and availability of parties and witnesses.

The sum of these factors does weigh slightly in favor of Indiana. Many, though not all, of the material events took place in Indianapolis: the MCA was executed there, Lilly employees allegedly gained unauthorized access to MigrnX and developed Vega Migraine at Lilly's facilities there, and the alleged breach of contract occurred there. The issue of access to sources of proof and the availability of parties and witnesses is not particularly significant in this case: both parties will need to travel; witnesses reside in Indiana and North Carolina, as well as other states; and any documents are surely available remotely.

3. The Interest of Justice Weighs in Favor of Transfer

"The 'interest of justice' is a separate element of the transfer analysis that relates to the efficient administration of the court system." *Research Automation*, 626 F.3d at 978. This element requires courts to consider: (1) docket congestion; (2) each court's relative familiarity with the relevant law; (3) the desirability of resolving controversies in each locale; and (4) the relationship of each community to the controversy. *Id.*

Regarding docket congestion, "[t]wo statistics bear significant relevance when analyzing the likelihood of a speedy trial. The first is the median number of months from filing to disposition, and the second is the median number of months from filing to trial." *Schwartz*, 317 F.Supp.2d at 837. To these, the court would also add the total caseload of the respective districts, which the court finds particularly compelling. According to the report for the 12-month period ending March 31, 2020, the Western District of North

Carolina had 1,130 cases pending, with a median of nine months from filing to disposition. (https://www.uscourts.gov/statistics-reports/caseload-statistics-data-tables, Table C-1, "U.S. District Courts – Civil Cases Filed, Terminated, and Pending, by Jurisdiction." (Last visited: June 11, 2020); Table C-5, "U.S. District Courts – Median Time From Filing to Disposition of Civil Cases" (Last visited: June 11, 2020). The Southern District of Indiana had 10,064 cases pending with a median of 8.8 months from filing to disposition.[2] (Table C-1; Table C-5). The median number of months from filing to trial during that same period is 22.2 in the Western District of North Carolina, but 36.9 months in the Southern District of Indiana. (Table C-5). This factor, given the total case load in each district and the length of time from filing to trial in the Southern District of Indiana, weighs in favor of transfer.

The remaining factors to be considered are on balance neutral. Both courts will need to apply Indiana, North Carolina, and federal laws. Both districts have an interest in adjudicating disputes involving its corporate citizens, and the relationship of each community to the controversy is equally relevant.

III. Conclusion

Because Lilly's declaratory action is an improper anticipatory filing, the court declines to exercise its discretion to hear that action. The court concludes the balance of factors under § 1404(a) weighs in favor of transferring this action to the Western District

[2] The total number of cases pending includes cases that have been transferred under a Multidistrict Litigation order.

of North Carolina. For the forgoing reasons, SensorRx's Motion to Transfer (Filing No. 26) is **GRANTED**.

SO ORDERED this 19th day of June 2020.

RICHARD L. YOUNG, JUDGE
United States District Court
Southern District of Indiana

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