

NOT FOR PUBLICATION IN WEST'S HAWAI'I REPORTS AND PACIFIC REPORTER

NO. 26226

IN THE INTERMEDIATE COURT OF APPEALS
OF THE STATE OF HAWAI'I

STEVE WELCK and GRAND MIRAGE CORPORATION, Plaintiffs-Appellants, v. SPM CORPORATION and DIMENSIONAL MEDIA ASSOCIATES, INC., Defendants-Appellees, and JOHN DOES 1-10; JANE DOES 1-10; DOE ENTITIES 1-10, Defendants

APPEAL FROM THE CIRCUIT COURT OF THE FIRST CIRCUIT
(Civ. No. 02-1-3030-12)

MEMORANDUM OPINION

(By: Burns, C.J., Watanabe and Fujise, JJ.)

NORMA T. YARA
CLERK, APPELLATE COURTS
STATE OF HAWAII

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Plaintiffs-Appellants Steve Welck (Welck) and Grand Mirage Corporation (Grand Mirage) (collectively Appellants) appeal from the Order Granting Defendants SPM Corporation and Dimensional Media Associates, Inc.'s Motion to Dismiss Complaint for Lack of Personal Jurisdiction (Order), and the Judgment in favor of Defendants-Appellees SPM Corporation (SPM) and Dimensional Media Associates (DMA) (collectively Appellees), both filed on October 23, 2003 in the Circuit Court of the First Circuit (circuit court).¹

I.

On December 30, 2002, Appellants filed a complaint for breach of contract and fraud in the inducement against Appellees. The Complaint alleged (1) Welck, Grand Mirage, and SPM executed a Letter Agreement on August 13, 1993, wherein Welck and Grand Mirage "agreed to transfer their interests in the Intellectual

¹ The Honorable Dexter D. Del Rosario presided.

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Property to Defendant SPM, in return for certain payments to be made by Defendant SPM[;]" (2) SPM assigned to DMA as successor corporation to SPM, its rights to the intellectual property under the Letter Agreement between Welck, Grand Mirage, and SPM; (3) based on the foregoing Letter Agreement, Appellees failed to "account for amounts realized from their exploitation of the Intellectual Property" and have failed to pay the "amounts owed under the Letter Agreement[,]" thereby committing a breach of contract; (4) Appellees "fraudulently induced . . . [Appellants] to enter into the Letter Agreement and transfer the Intellectual Property to" Appellees with no intention to pay their obligations under the Letter Agreement; and (5) Appellants are entitled to punitive damages as a result of Appellees' "intentional, wilful, wanton," and reckless disregard of their civil obligations.

When the Letter Agreement was signed, the parties lived or operated in different states. Welck was a resident of Hawai'i. Grand Mirage was a California corporation with its principal place of business in California. SPM was a New York corporation with its principal place of business in New York. DMA was a Delaware corporation with its principal place of business in New York until April 2002, and thereafter in Connecticut.

In response to Appellants' Complaint, Appellees specially appeared to file a Motion to Dismiss Complaint for Lack of Personal Jurisdiction (Motion). In their Memorandum in Support of Motion, Appellees argued, *inter alia*, that (1) "the

allegations in the Complaint relate exclusively to the Letter Agreement entered into by" Appellants and Appellees; (2) "[t]he execution of a contract with [Appellants] in California, which contract contemplated and actually resulted in the performance of all obligations in New York, does not constitute the transaction of business in the state under Hawaii's long-arm statute[;]" and (3) "traditional notions of fair play and substantial justice" would be violated if "Defendants [were compelled] . . . to defend against Plaintiffs' suit in . . . Hawaii based on the fact that Defendant SPM entered into a contract with one of the Plaintiffs who happened to be a resident of Hawaii."

To their Motion, Appellees attached, a Submittal of Original Declaration of W. James Cousins² in Support of Defendant SPM Corporation and Dimensional Media Associates, Inc.'s Motion to Dismiss Complaint for Lack of Personal Jurisdiction. W. James Cousins (Cousins) averred SPM employed Welck in New York under the Employment Agreement mentioned in the Letter Agreement until 1994, at which time SPM "assigned the patents and contracts at issue to Defendant Dimensional Media[.]" DMA then employed Welck until Welck resigned in 1997.

In Appellants' Memorandum in Opposition to Defendants' Motion, they argued in pertinent part (1) "[u]nder Hawaii's long-arm statute [Hawaii Revised Statutes (HRS) § 634-35], Defendants submitted themselves to jurisdiction within the State of Hawaii

² W. James Cousins was the Chief Executive Officer and former Vice President and General Counsel of Vizta 3D, Inc., previously known as Dimensional Media Associates.

by transacting substantial business within the State of Hawaii[;]" (2) "Defendants approved of Plaintiff Welck's relocation from New York to Hawaii in 1994, and voluntarily employed Plaintiff . . . while he lived in Hawaii[;]" (3) DMA, through its employee Welck maintained an office in Hawai'i and transacted "business with third parties through" this office; and (4) Appellees "did in fact transact business in the State of Hawaii by performing the Letter Agreement with Plaintiff Welck[.]"

After a hearing on the Motion, the circuit court issued the Order and entered Judgment thereon. On November 20, 2003, Appellants noted their appeal from the October 23, 2003 Order and Judgment in favor of Appellees.³

II.

Appellants raise one point of error on appeal: "[t]he trial court erred in dismissing the Complaint for lack of personal jurisdiction." Appellants contend that (1) Appellees transacted business in Hawai'i, thereby subjecting themselves to personal jurisdiction pursuant to Hawai'i's long-arm statute, HRS §§ 634-35(a)(1) & (c) (1993 and Supp. 2005);⁴ and (2) Appellees

³ Appellees filed no answering brief. Pursuant to Hawai'i Rules of Appellate Procedure (HRAP) Rule 30, the appellate court may accept as true the statement of facts in the appellant's opening brief as a result of this failure. Costa v. Sunn, 5 Haw. App. 419, 430, 697 P.2d 43, 51 (1985).

⁴ Hawaii Revised Statutes (HRS) § 634-35 (1993 and Supp. 2005) states in pertinent part:

(a) Any person, whether or not a citizen or resident of this State, who in person or through an agent does any of the acts hereinafter enumerated, thereby submits such person, and, if an individual, the person's personal representative,
(continued...)

transacted business "through performance of the obligations under the Letter of Agreement in Hawaii."

Rule 12(b)(2)⁵ of the Hawai'i Rules of Civil Procedure (HRCPP) "governs dismissal for lack of personal jurisdiction."⁶ Doe v. Unocal Corp., 248 F.3d 915, 922 (9th Cir. 2001). The circuit court's dismissal for lack of personal jurisdiction is reviewed de novo. Panavision Int'l, L.P. v. Toeppen, 141 F.3d 1316, 1319-20 (9th Cir. 1998). The plaintiff has the burden to establish the court's personal jurisdiction over a defendant. Younging Jin v. Ministry of State Sec., 335 F. Supp. 2d 72, 77 (D.C. Cir. 2004).

⁴(...continued)

to the jurisdiction of the courts of this State as to any cause of action arising from the doing of any of the acts:

- (1) The transaction of any business within this State;
- (2) The commission of a tortious act within this State;
- (3) The ownership, use, or possession of any real estate situated in this State;
- (4) Contracting to insure any person, property, or risk located within this State at the time of contracting.

. . . .

(c) Only causes of action arising from acts enumerated herein may be asserted against a defendant in an action in which jurisdiction over the defendant is based upon this section.

⁵ Hawai'i Rules of Civil Procedure (HRCPP) Rule 12(b)(2) states,

[e]very defense, in law or fact, to a claim for relief in any pleading, whether a claim, counterclaim, cross-claim, or third-party claim, shall be asserted in the responsive pleading thereto if one is required, except that the following defenses may at the option of the pleader be made by motion: . . . (2) lack of jurisdiction over the person[.]

⁶ Since "HRCPP 12(b)(2) is identical to Rule 12(b)(2) of the Federal Rules of Civil Procedure (FRCP), the interpretation of this rule by federal courts is highly persuasive." Shaw v. North Am. Title Co., 76 Hawai'i 323, 326, 876 P.2d 1291, 1294 (1994) (citations omitted).

Under Shaw v. North Am. Title Co., 76 Hawai'i 323, 876 P.2d 1291 (1994), "the trial court has discretion to . . . [determine personal jurisdiction] either upon written submissions or through a full evidentiary hearing," and if no evidentiary hearing is held, the "plaintiff need make only a prima facie showing of jurisdiction through its own affidavits and supporting materials[.]" Id. 76 Hawai'i at 327, 876 P.2d at 1295 (block formatting and citation omitted).

While the circuit court held a hearing on the Motion, it is unclear from the record, as Appellants failed to include a transcript of this proceeding in the record,⁷ whether there was a "full-blown evidentiary hearing." Shaw, 76 Hawai'i at 327, 876 P.2d at 1295. Nonetheless, this court can reasonably infer from the circuit court's Order, which stated "having considered the memoranda, exhibits and all other papers submitted by the parties, the arguments of counsel and the records and files herein" that no evidence was presented at the hearing, and thus the prima facie showing standard applies.

A court can exercise personal jurisdiction over a nonresident defendant if the court first determines that (1) the nonresident defendant's "activities in Hawai'i fall into a category specified by Hawai'i's long-arm statute, . . . (HRS) § 634-35; and (2) the application of HRS § 634-35 comports with due

⁷ Despite having a duty as the appellants "to include the relevant transcripts of proceedings as a part of the record on appeal[.]" Lepere v. United Public Workers, Local 646, AFL-CIO, 77 Hawai'i 471, 474 n.4, 887 P.2d 1029, 1032 n.4 (1995) Appellants failed to make the transcript of the Motion to Dismiss Complaint for Lack of Personal Jurisdiction a part of the record on appeal. HRAP Rule 10(b)(1)(A).

process." Shaw, 76 Hawai'i at 327, 876 P.2d at 1295 (citations omitted). "Due process requires that a nonresident defendant have sufficient 'minimum contacts' with the forum state 'such that the maintenance of the suit'" is fair and does not impinge upon substantial justice. Id. at 329-30, 876 P.2d at 1297-98 (internal citation omitted). Accordingly, the pertinent inquiry is whether Appellees could have foreseen being sued in Hawai'i as a result of their conduct in connection with Hawai'i. Id. Thus, this court must examine whether Appellees' activities in Hawai'i constitute the transaction of business, which comprises "all of the defendants' activities within the forum related to the present cause of action." Cowan v. First Ins. Co. of Hawaii, Ltd., 61 Haw. 644, 652, 608 P.2d 394, 400 (1980). "Where one alleges jurisdiction over a nonresident defendant, pursuant to Hawaii's long-arm statute, HRS § 634-35(c) requires that the cause of action relate to the defendant's contacts in Hawaii." Id. at 652 n.7, 608 P.2d at 401 n.7 (citations omitted). If the answer is in the affirmative, this court must then determine whether Appellees could have foreseen being sued in Hawai'i as a result of such transaction of business. Shaw, 76 Hawai'i at 330, 876 P.2d at 1298 (internal citation omitted).

Appellants maintain that they established a prima facie case demonstrating that Appellees transacted business in Hawai'i through the employment of Welck under the Letter Agreement. A review of the record demonstrates that, pursuant to the Letter

Agreement,⁸ Appellants assigned all rights to the intellectual property⁹ to SPM. As consideration for such assignment, SPM agreed to, *inter alia*, pay a percentage of all net sales from SPM's exploitation of the patents and to offer Welck employment to exploit these patents as Vice President & Director of Research and Development for a term of three years, effective upon execution of the Letter Agreement.

Welck's employment began August 13, 1993. Pursuant to the Letter Agreement, Welck was to move from Hawai'i to New York by September 10, 1993. Welck did relocate and lived in New York for approximately 11 months. However, in July 1994, Welck requested, and DMA (as successor to SPM) agreed, that he be allowed to relocate from New York to Hawai'i. Welck did so in August 1994 and Welck and DMA continued their relationship under the Letter Agreement.

It is undisputed that Welck engaged in the following activities after he relocated to Hawai'i: (1) conducted research on DMA's behalf; (2) incurred telephone and medical expenses for which Welck sought reimbursement from DMA; (3) contracted on DMA's behalf with a Hawai'i business, Digital Resource Corporation, for production services in preparation for a trade fair; and (4) engaged in sales activities with potential

⁸ The parties to the Letter Agreement include Steve Welck (Welck), Grand Mirage Corporation (Grand Mirage) and SPM Corporation and "its successors or assigns."

⁹ Welck was the owner of two patents, which are the subject of the Letter Agreement and this lawsuit. Welck was also president of Grand Mirage, which held a license to exploit Welck's patents.

purchasers located in Hawai'i on DMA's behalf. Based on these facts Appellants made a prima facie showing that Appellees transacted business in Hawai'i through Welck as their employee under the Letter Agreement and subsequent modification and extension of the terms of his employment, subjecting them to the jurisdiction of the circuit court under Hawai'i's long-arm statute, HRS § 634-35.

Appellees also had the requisite minimum contacts necessary to satisfy due process. Appellees could foresee being sued in Hawai'i as a result of the activities engaged in pursuant to the Letter Agreement. They (1) knew of and acquiesced to Welck's relocation to Hawai'i and continued employment; (2) renewed Welck's contract when it expired as of September 16, 1995 after he had relocated to Hawai'i; and (3) accepted the benefits and obligations resulting from Welck's activities in Hawai'i on their behalf for approximately three years. The nature and duration of such activities establish the transaction of business in Hawai'i by Appellees pursuant to HRS § 634-35(c) and provided sufficient minimum contacts for the circuit court's exercise of jurisdiction over them.

As a result, the circuit court erred in concluding it had no jurisdiction over Appellees and in granting Appellees' Motion and entering judgment in their favor.

III.

CONCLUSION

The Order and the Judgment both filed on October 23, 2003 by the Circuit Court of the First Circuit, are vacated and the case is remanded for further proceedings not inconsistent with this opinion.

DATED: Honolulu, Hawai'i, August 15, 2006.

On the brief:

Steven J. Kim,
(Lynch Ichida Thompson Kim &
Hirota)
for Plaintiffs-Appellants.


Chief Judge


Associate Judge


Associate Judge