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District Court

AUG 1 3 2003

For The Newhern Mariana Islands

By (Deputy Clerk)

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IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN MARIANA ISLANDS

BALBINA K. WABOL, et al.,) Civil Action No. 03-0005
Plaintiffs,) ORDER GRANTING DEFENDANT WYETH'S
v.) MOTION TO DISMISS FOR LACK OF PERSONAL
WYETH, PACIFIC MEDICAL CENTER, INC., and DR. AHMAD AL-ALOU,	JURISDICTION AND GRANTING PLAINTIFFS' MOTION TO REMAND
Defendants.	ý))

THIS MATTER came before the court on July 17, 2003 for hearing on defendant Wyeth's Motion to Dismiss for Lack of Personal Jurisdiction and plaintiffs' Motion to Remand.

Attorney Joseph Horey appeared on behalf of plaintiffs. Attorneys Richard W. Pierce, Mark J. Spooner (via telephone) and Ruth Holt (via telephone) appeared on behalf of defendant Wyeth.

Upon consideration of the written and oral arguments of counsel, defendant
Wyeth's Motion to Dismiss for Lack of Personal Jurisdiction is GRANTED without
prejudice and plaintiffs' Motion to Remand is GRANTED as set forth below:

FACTUAL BACKGROUND

Plaintiffs Balbina K. Wabol and Francisco T. Wabol (hereinafter "plaintiffs") are a residents of Saipan, Commonwealth of the Northern Mariana Islands (hereinafter "CNMI"). First Amended Complaint ¶¶ 3, 4 (Jan. 10, 2003). On January 6, 2003, plaintiffs filed a lawsuit against defendants Wyeth, Dr. Ahmad Al-Alou¹ and Pacific Medical Center Inc.,² alleging various causes of action, including negligence, design and marketing defect, inadequate and improper warnings, and misrepresentation, due to the alleged injuries plaintiff Balbina Wabol sustained as a result of the use of the weight loss medications fenfluramine and/or dexfenfluramine. Id. at ¶¶ 11, 49-100.

Defendant Dr. Ahmad Al-Alou is a resident of Saipan, CNMI. <u>Id</u>. at ¶ 6.

Defendant Pacific Medical Center, Inc. is incorporated in the CNMI. $\underline{\text{Id}}$. at \P 7.

Defendant Wyeth is incorporated in the State of Delaware and its principal place of business is in New Jersey. See Wyeth's Memorandum in Support of its Motion to Dismiss for Lack of Personal Jurisdiction Ex. 2 (Declaration of Frank J. Cirone) ¶ 5 (Apr. 24, 2003). Wyeth is a publicly traded corporation that manufactures and distributes a variety of health care products, including prescription pharmaceuticals and consumer health care products. Id. at ¶ 7. Prior to September 15, 1997, one of Wyeth's prescription drugs was Pondimin, which was Wyeth's brand name for a compound known as fenfluramine hydrochloride. Id. In 2002, Wyeth had annual sales of nearly \$14.6 billion dollars and its products sold in more than 140 countries. See Opposition to Wyeth's Motion to Dismiss for Lack of Personal Jurisdiction Ex. B p. 10 (Jun. 12, 2003). Wyeth markets itself as a "global health care leader" having a "strong global presence." Id. at Ex. B pp. 10, 26.

On or about, March 6, 1997, plaintiff Balbina Wabol was prescribed fenfluramine (Pondimin) by Dr. Ahmad Al-Alou. *See* Wyeth's Memo. in Support of its Mot. to Dismiss for Lack of Personal Juris. Ex. 4 (Declaration of Dr. Ahmad Al-Alou) ¶2 (Apr. 24, 2003). Dr. Al-Alou continued to prescribe Pondimin for plaintiff Balbina Wabol until August 1997. <u>Id</u>. Dr. Al-Alou first learned about Pondimin from a patient who had initially been prescribed this drug in the mainland United States and who had reported successful weight loss while on this medication. <u>Id</u>. at ¶

3. Dr. Al-Alou contacted Major Pharmaceuticals in San Diego, California and placed an order for Pondimin. Id. at ¶ 4. Dr. Al-Alou was never contacted by a Wyeth or American Home Products Corporation³ sales agent or pharmaceuticals representative. Id. at ¶ 5. Nor did he receive any brochures or other advertisements from Wyeth or American Home Products Corporation. Id. The Pondimin that Dr. Al-Alou provided the plaintiff was purchased from Major Pharmaceuticals in San Diego, California. Id. at ¶ 4.

Wyeth's sales records from 1993 through 1997 show that there were no sales or shipments of Pondimin and other Wyeth products to customers in the CNMI. Decl. of Frank J. Cirone at ¶¶ 9, 11. Wyeth sells some products to distributors and wholesalers located outside the CNMI, and those entities might resell some products to customers in the CNMI. Id. at ¶ 10. However, Wyeth does not have any contracts or understanding with any distributor or wholesaler directing the distributor or wholesaler to resell Pondimin or other Wyeth products in the CNMI.⁴

Wygeth was formerly kr

Wyeth was formerly known as American Home Products Corporation. See Wyeth's Memo. in Support of its Mot. to Dismiss for Lack of Personal Juris. Ex. 3 (Declaration of John M. Alivernini) ¶ 1 (Apr. 24, 2003). In March 2002, American Home Products Corp. changed its name to Wyeth. Id. at ¶ 2.

Wyeth's records do not show sales or shipping activity to Major Pharmaceuticals in San Diego, California. <u>Id</u>. at ¶ 13. Major Pharmaceuticals may have some affiliation with Harvard Drugs. <u>Id</u>. Wyeth has sold its products (continued...)

Id. at ¶¶ 10, 12. Wyeth has not engaged a distributor or wholesaler to serve as Wyeth's sales agent for Pondimin or its other products in the CNMI. Id. at ¶¶ 10, 12. However, some of Wyeth's products are found in the CNMI. See Opposition to Wyeth's Mot. to Dismiss for Lack of Personal Juris. Ex. B p. 6. The following is a list of some of Wyeth's over the counter consumer health care products that are sold in the CNMI: Advil, Anacin, Aleve, Robitussin, Dimetapp, Centrum, Preparation H, and Chap Stick. 5 Id.

Wyeth does not maintain an office, station any employees or sales agents, or keep any company files in the CNMI. Decl. of Frank J. Cirone at ¶ 8. Wyeth does not own or lease any real property, hold shareholder or director meetings, maintain telephone listings or bank records, or file or pay taxes in the CNMI. <u>Id</u>. Nor has Wyeth designated an agent for service of process in the CNMI. <u>Id</u>.

⁴(...continued) to Harvard Drugs in Florida and Michigan. <u>Id</u>. However, Wyeth has no agreement with Harvard Drugs whereby it would distribute Pondimin in the CNMI or whereby it would resell Pondimin to Major Pharmaceuticals or any other entity for resale in the CNMI. <u>Id</u>.

The following is a list of pharmaceutical and veterinary products, whose names are registered trademarks of Wyeth, that have been sold in the CNMI: Alesse, ALTACE Capsules, Cordarone, Diamox, Effexor XR Extended-Release Capsules, Minocin, Norplant System, Dicural, EtoGesic, Ketaset, Nolvasan, Polyflex, ProHeart 6, and Torbugesic-SA. <u>Id</u>. at Ex. C ¶ 2, D ¶ 2.

DISCUSSION

I. Motion to Dismiss for Lack of Personal Jurisdiction

Defendant Wyeth moved the court to dismiss plaintiff's claims pursuant to FED. R. CIV. P. 12(b)(2) arguing that the court lacks personal jurisdiction over it.

When a defendant "moves to dismiss a complaint for lack of personal jurisdiction, the plaintiff bears the burden of demonstrating that jurisdiction is appropriate." Dole Food Company v. Watts, 303 F.3d 1104, 1108 (9th Cir. 2002). When the motion is based on written material rather than an evidentiary hearing, the court inquires into whether the plaintiff's pleadings and affidavits make a prima facie showing of personal jurisdiction. Id. The plaintiff cannot solely rely on the bare allegations of his or her complaint. Id. However, uncontroverted allegations in the plaintiff's complaint must be taken as true. Id.

Due process requires that, for a court to exercise personal jurisdiction over a nonresident defendant, that defendant must have at least "minimum contacts" with the forum state so that the exercise of personal jurisdiction does not offend "traditional notions of fair play and substantial justice." <u>International Shoe Co. v. Washington</u>, 326 U.S. 310, 316 (1945). A court's exercise of personal jurisdiction over a defendant may be either general or specific. *See Helicopteros Nacionales de Columbia v. Hall*, 466 U.S. 408, 414 (1984). These same principals apply in the

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A. General Jurisdiction

A court may exercise general jurisdiction over a defendant whose contacts with a forum state are "substantial" or "continuous and systematic." <u>Bancroft & Masters, Inc. v. Augusta National Inc.</u>, 223 F.3d 1082, 1086 (9th Cir. 2000). General jurisdiction is a high standard in practice, "...and requires that the defendant's contacts be of the sort that approximate physical presence." <u>Id</u>. In determining whether it has general jurisdiction, the court "examine[s] all of the defendant's activities that impact the state, including whether the defendant makes sales, solicits or engages in business, serves the state's markets, designates an agent for service of process, holds a license, has employees, or is incorporated there." <u>Hirsch v. Blue Cross, Blue Shield of Kansas City</u>, 800 F.2d 1474, 1478 (9th Cir. 1986).

Plaintiffs argued that general jurisdiction is proper over defendant Wyeth because it produces a wide array of prescription medicines, veterinary products and over the counter consumer healthcare products, some of which are sold in the

A district court sitting in diversity applies the long-arm statute of the state in which the court sits, if no federal statute governing personal jurisdiction is applicable. Dole Food Co., 303 F.3d at 1108. The Commonwealth's long-arm statute, 7 N. Mar. I. Code § 1101 et seq. (1999), "subjects both residents and non-residents to the Court's jurisdiction to the fullest extent allowable under the due process standards of the United States Constitution." Monticello v. Di-All Chemical Co., App. No. 97-020 (N. Mar. I. Nov. 23, 1998).

CNMI. Plaintiffs argued that the sales of these products are substantial, continuous and systematic contacts, and give rise to general jurisdiction. The court disagrees.

While some of the defendant's products are present in the CNMI, the defendant itself has no physical presence in the CNMI. Defendant Wyeth has no sales agents in the CNMI. It did not directly sell or ship any of its products to the CNMI. Defendant Wyeth is incorporated in the State of Delaware and its principal place of business is in New Jersey. It does not own, lease or maintain an office in the CNMI. Furthermore, the defendant does not hold shareholder or director meetings, maintain company files or bank accounts, or pay taxes in the CNMI. Defendant Wyeth's contacts with the CNMI are not the "substantial, continuous and systematic" contacts required to give rise to general jurisdiction. Accordingly, the court does not have general jurisdiction over defendant Wyeth.

B. Specific Jurisdiction

If a defendant's contacts with the forum do not give rise to general jurisdiction, then a court may assert "specific jurisdiction," if the cause of action arises out of or is related to a defendant's forum related activities. Helicopteros Nacionales, 466 U.S. at 414. The Ninth Circuit applies a three-part test to determine whether specific jurisdiction may be applied to a defendant:

(1) The non-resident defendant must purposefully direct his activities or consummate some transaction with the forum or resident thereof; *or* perform

 some act by which he purposefully avails himself of the privileges of conducting activities in the forum, thereby invoking the benefits and protections of its laws;

- (2) The claim must be one which arises out of or relates to the defendant's forum-related activities; and
- (3) The exercise of jurisdiction must comport with fair play and substantial justice, i.e. it must be reasonable.

Dole Food Co., 303 F.3d at 1111 (emphasis added). Each of the tests must be satisfied to permit a court to exercise specific jurisdiction over a non-resident defendant.

Peterson v. Kennedy, 771 F.2d 1244, 1261 (9th Cir. 1985), cert. denied, 475 U.S. 1122 (1986). Specific jurisdiction may be exercised when the nature and quality of the defendant's contacts with the forum state are significant in relation to the specific claim for relief. Decker Coal Co. v. Commonwealth Edison Co., 805 F.2d 834, 839 (9th Cir. 1986).

1. Purposeful Availment

Plaintiffs argued that the court's exercise of specific jurisdiction over the defendant is proper because defendant Wyeth placed Pondimin within the "stream of commerce" and knew or should have known that it would flow into the CNMI.⁷

The United States Supreme Court discussed the applicability of the "stream of commerce" theory in World-Wide Volkswagen Corp. v. Woodson, 444 U.S. 286, 297-98 (1980). The Court held that manufacturers or distributors who directly or indirectly place their goods into the stream of commerce with the (continued...)

Plaintiffs argued that personal jurisdiction over defendant Wyeth is also appropriate under the "stream of commerce plus" theory because Wyeth is a large company with world-wide operations that markets its products globally.⁸ Plaintiffs argued that

⁷(...continued) expectation that they will reach the forum state can be subject to suit in the forum state. Id. The Court stated:

[I]f the sale of a product of a manufacturer or distributor... is not simply an isolated occurrence, but arises from the efforts of the manufacturer or distributor to serve directly or indirectly, the market for its product in other States, it is not unreasonable to subject it to suit in one of those States if its allegedly defective merchandise has been the source of injury to its owner or to others. The forum State does not exceed its powers under the Due Process Clause if it asserts personal jurisdiction over a corporation that delivers its products into the stream of commerce with the expectation that they will be purchased by consumers in the forum State.

<u>Id</u>. (emphasis added).

The United States Supreme Court revisited the "stream of commerce" theory in Asahi Metal Industry Co. v. Superior Court of California, 480 U.S. 102 (1987). In Asahi, with regard to the "stream of commerce" theory, two principal views were expressed in two separate opinions, one authored by Justice Brennan and the other by Justice O'Connor. Justice Brennan reaffirmed the "stream of commerce" theory of World-Wide Volkswagen that, the forum State does not exceed its powers under the Due Process Clause if it asserts personal jurisdiction over a corporation that delivers its products into the stream of commerce with the expectation that they will be purchased in the forum state." World-Wide Volkswagon, 444 U.S. at 293-294; see also Asahi, 480 U.S. at 116-17. Justice O'Connor concluded that merely placing a product into the stream of commerce and having it being swept into the forum state does not establish the minimum contacts needed for personal jurisdiction. Asahi, 480 U.S. at 112. Justice (continued...)

Pondimin did not wander into the CNMI by accident, but arrived as part of some purposeful marketing plan,⁹ as evidenced by the presence of so many Wyeth products in the CNMI. Defendant argued that it did not purposefully avail itself of the privilege of selling Pondimin in the CNMI. Rather, the entry of Pondimin into the CNMI was the result of the unilateral activity of a single physician who reached out of the CNMI and obtained Wyeth's product from a wholesaler or distributor in California, which did not obtain the product directly from Wyeth. The court agrees.

"Purposeful availment requires that the defendant engage in some form of affirmative conduct allowing or promoting the transaction of business within the

The placement of a product into the stream of commerce, without more, is not an act of the defendant purposefully directed toward the forum State. Additional conduct of the defendant may indicate an intent or purpose to serve the market of the forum state....

<u>Id</u>. (emphasis added). Examples of the "additional conduct" discussed by Justice O'Connor include, but are not limited to, "advertising in the forum state, establishing channels for providing regular advice to customers in the forum State, or marketing the product through a distributor who has agreed to serve as the sales agent in the forum State." <u>Id</u>.

^{8(...}continued) O'Connor stated:

See Opposition to Wyeth's Mot. to Dismiss for Lack of Personal Juris. Ex. B p. 26 (Wyeth's Internet website states that, "Wyeth brings products to the people who need them around the world. We are proud of our global presence.").

forum state." <u>Doe v. American National Red Cross</u>, 112 F.3d 1048, 1051 (9th Cir. 1997) (quoting <u>Shute v. Carnival Cruise Lines</u>, 897 F.2d 377, 381 (9th Cir. 1990), *rev'd on other grounds*, 499 U.S. 585 (1991)). "This requirement ensures that a defendant will not be haled into a jurisdiction solely as a result of random, fortuitous, or attenuated contacts, or of the unilateral activity of another party or third person." <u>Id</u>. (citing <u>Burger King v. Rudzewicz</u>, 471 U.S. 462, 475 (1985)).

In this case, defendant Wyeth did not directly sell Pondimin in the CNMI. Nor did it appoint a distributor to sell Pondimin in the CNMI. The record before the Court establishes that plaintiff's doctor, Dr. Al-Alou, first learned about Pondimin from another patient. Dr. Al-Alou was never called on by any Wyeth sales representatives, and he never received any brochures or other advertisements from Wyeth. Dr. Al-Alou obtained the Pondimin by contacting Major Pharmaceuticals in San Diego, California, a wholesaler or distributor that Wyeth has no record of doing business with. Defendant Wyeth represented that Major Pharmaceuticals may be affiliated with Harvard Drugs, a company which Wyeth has sold and shipped products to in Michigan and Florida. However, Wyeth has no agreement with Harvard Drugs whereby it would distribute Pondimin in the CNMI or would resell Pondimin to Major Pharmaceuticals or any other entity for resale in the CNMI.

The court finds that the purposeful availment requirement cannot be satisfied based on these facts. Whatever contacts defendant Wyeth has with the CNMI are too random and attenuated. ¹⁰ It would be unreasonable for the court to assume that by shipping Pondimim to Harvard Drugs in Michigan and Florida, defendant Wyeth could expect or was aware that the Pondimin would be shipped to another distributor (Major Pharmaceuticals) in California, who in turn, would sell the Pondimin to a customer in the CNMI (Dr. Al-Alou), after that customer contacted the distributor in the mainland United States to obtain the product.

Accordingly, plaintiffs have not properly shown that the defendant purposefully availed itself of the CNMI.

2. Claims Arising Out of Defendant's Activities

The Ninth Circuit has adopted a "but for" test to determine if claims asserted by plaintiffs arise out of the defendant's contacts with the forum state. <u>Glencore</u>

<u>Grain</u>, 284 F.3d at 1123; <u>Shute</u>, 897 F.2d at 385. To satisfy the "but for" test, the

See Glencore Grain Rotterdam B.V. v. Shivnath Rai Harnarain Co., 284 F.3d 1114, 1123 (9th Cir. 2002) (emphasis in original) (citing <u>Burger King</u>, 471 U.S. at 475) ("Whether dealing with specific or general jurisdiction, the touchstone remains purposeful availment. By requiring that contacts proximately result from actions by the defendant *himself* that create a substantial connection with the forum State, the Constitution ensures that a defendant will not be haled into a jurisdiction solely as a result of random, fortuitous, or attenuated contacts.")).

plaintiff "...must show that it would not have been injured "but for" [Wyeth's] contacts with [the CNMI]." Glencore Grain, 284 F.3d at 1123.

Plaintiffs argued that their claim would not have arisen but for Wyeth's marketing of Pondimin. Defendant argued that it does not engage in forum-related activities, and the fact that some of its products are sold in the CNMI does not make the exercise of jurisdiction proper because plaintiff's cause of action relates to Pondimin, not to the other Wyeth products sold in the CNMI.

The court acknowledges that some of defendant's pharmaceutical, veterinary, and over the counter consumer health care products are sold in the CNMI. However, plaintiff's claims relate to defendant's product, Pondimin, which is not advertised, marketed, distributed or sold in the CNMI. Defendant Wyeth's sales records from 1993 through 1997 show that there were no sales or shipments of Pondimin or other Wyeth products to customers in the CNMI. Defendant Wyeth does not have any contracts or understanding with any wholesaler or distributor to resell Pondimin or other Wyeth products in the CNMI. Plaintiffs have failed to show that defendant Wyeth directed sales or shipments of any of its products, including Pondimin, to the CNMI. See id. at 1124 (holding that specific jurisdiction is not proper over defendant because plaintiff's claim did not arise out of defendant's conduct "directed at or related to" the forum).

Plaintiffs cite this court's Order in Brasuell v. Fiskars Brands, Inc., Civ. No. 02-0036 (D.N.M.I.) Order Denying Defendant's Motion to Dismiss for Lack of Personal Jurisdiction (Dec. 3, 2002), for the proposition that plaintiffs' claims would not have arisen "but for" the defendant's contacts with the forum. Plaintiffs' reliance on the <u>Brasuell</u> case is misplaced. In <u>Brasuell</u>, this court found that personal jurisdiction was proper because defendant Fiskars Brands knew or should have known that its product would end up in the CNMI because Fiskars Brands placed its product into the worldwide marketing and distribution system of AAFES, which has an outlet in Saipan. In contrast, there are no allegations that the Pondimin arrived into the CNMI through defendant's regular and anticipated distribution channels. Rather, the record reflects that the Pondimin dispensed by Dr. Al-Alou did not arrive in the CNMI through "regular and anticipated" channels, but rather as a result of "unpredictable currents or eddies" caused by the "unilateral activity of another party or third person," i.e. Dr. Al-Alou reaching out of the CNMI to Major Pharmaceuticals in California to obtain the Pondimin. See Asahi, 480 U.S. at 117 ("The stream of commerce refers not to unpredictable currents or eddies, but to the regular and anticipated flow of products from manufacture to distribution to retail sale...."); Burger King, 471 U.S. at 475.

In sum, plaintiffs have failed to show that they would not have been injured

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"but for" defendant Wyeth's contacts with the CNMI. Accordingly, plaintiffs have not properly alleged that their claims arise out of defendant's forum-related activities.

3. Reasonableness

"Once purposeful availment has been established, the forum's exercise of jurisdiction is presumptively reasonable. To rebut that presumption, a defendant must present a compelling case that the exercise of jurisdiction would, in fact, be unreasonable." Ziegler v. Indian River County, 64 F.3d 470, 476 (9th Cir. 1995).

Because the court previously found that plaintiffs have not properly alleged defendant's purposeful availment of the forum or that their claims arise out of or relate to defendant's forum-related activities, the court will not address the third test for reasonableness. See supra Peterson, 771 F.2d at 1261 (noting that each element of the three-part test must be satisfied to permit a court to exercise specific jurisdiction over a non-resident defendant).

Accordingly and for the above mentioned reasons, defendant Wyeth's Motion to Dismiss for Lack of Personal Jurisdiction is GRANTED without prejudice.

II. Motion to Remand

On February 20, 2003, defendant Wyeth removed this action from the Commonwealth Superior Court to this court. *See* Notice of Removal of Action Under 28 U.S.C. §§ 1332, 1441 (Diversity) (Feb. 20, 2003). Removal was based on

diversity of citizenship. <u>Id</u>. at ¶1. Defendant Wyeth contends that complete diversity exists between the plaintiffs and all properly joined defendants. <u>Id</u>. at ¶7. Wyeth alleged that plaintiffs have no intention of pursuing their claims against defendants Dr. Ahmad Al-Alou and Pacific Medical Center, Inc. (hereinafter "PMC"), and that they have failed to state a valid cause of action against either Dr. Al-Alou or PMC. <u>Id</u>. at ¶¶7-31. As a result, Wyeth alleged that defendants Dr. Ahmad Al-Alou and PMC are fraudulently joined defendants. <u>Id</u>. at ¶7.

On March 20, 2003, plaintiffs moved the court to remand this matter to the Commonwealth Superior Court arguing that there was no fraudulent joinder. Plaintiffs also argued that, despite defendant Wyeth's contention that any claims against it are barred by the statute of limitations, local law is not clear as to the "accrual date" for the CNMI statute of limitations. Plaintiffs argued that remand is proper because a novel issue of local law is present in this matter. On April 10, 2003, defendant Wyeth opposed the motion arguing that the plaintiffs do not intend to pursue their claims against the local defendants, and that the plaintiffs fail to state a valid cause of action against defendants Dr. Al-Alou and PMC.¹¹

The court finds plaintiffs' motion well taken. However, because the court

On April 11, 2003, defendants Dr. Ahmad Al-Alou and Pacific Medical Center, Inc. joined in defendant Wyeth's Opposition to Plaintiff's Motion to Remand.

previously dismissed Wyeth for lack of personal jurisdiction, this court no longer has diversity jurisdiction over the subject matter of this lawsuit. See 28 U.S.C. § 1332(a)(1) (common citizenship of plaintiff and defendant destroy court's subject matter jurisdiction for lack of diversity of citizenship between the adverse parties). Accordingly, as the court lacks subject matter jurisdiction, remand is mandated. Plaintiff's Motion to Remand is GRANTED. This matter is REMANDED back to the Commonwealth Superior Court.

IT IS SO ORDERED.

DATED this 13th day of August, 2003.

ALEX R. MUNSON Chief Judge