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Hughes Hubbard Wins Appellate Victory for Dutch Firm in Fraud Case

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May 18, 2021 – HHR secured an appellate victory for Dutch hedge fund Palladyne International Asset Management when the U.S. Court of Appeals for the Second Circuit affirmed the dismissal of a fraudulent inducement lawsuit brought by one of its former executives.

On May 7, a three-judge panel upheld a lower court's decision to dismiss Daniel Friedman's suit under the doctrine of forum non conveniens, finding that U.S. District Judge Alvin Thompson of Connecticut did not abuse his discretion when he ruled that the Netherlands was an adequate alternative forum and that the case should be brought there.

Friedman filed suit against Palladyne and London-based recruitment agency STthree Plc in March 2014, two years after he was fired as head of risk at the hedge fund for gross misconduct. Friedman, who moved from Connecticut to Amsterdam to accept the position he held from November 2011 until February 2012, claimed he was fired for raising concerns about the company's investment activities and its purported connections with Libya.

In his lawsuit, which sought nearly \$500 million in actual and punitive damages, Friedman alleged that he had been induced to join Palladyne based on misrepresentations about the nature of its business. He alleged that the fund was engaged in a massive money laundering and bribery scheme for the regime of former Libyan dictator Muammar Gadhafi, and that he couldn't find work after he was fired because his reputation had been harmed by being associated with the firm.

HHR initially moved for dismissal in July 2014, but the court granted Friedman's request to take jurisdictional discovery. Discovery showed that Friedman had elected to remain in Amsterdam indefinitely after his termination from Palladyne. He continued to live in Amsterdam until several months after he had filed his complaint, which falsely alleged that he resided in Connecticut, and only hurriedly returned to Connecticut after HHR challenged his alleged residence.

In September 2018, Judge Thompson granted HHR's motion to dismiss Friedman's suit under the doctrine of forum non conveniens, finding that Friedman chose Connecticut for a tactical advantage in claiming damages under the state's consumer-protection law and to force defendants based in the Netherlands to deal with the inconvenience and expense of litigating in Connecticut.

Friedman appealed the decision in November 2019, arguing that Judge Thompson failed to properly weigh the fact that he returned to Connecticut roughly five months after filing his lawsuit. But the Second Circuit panel found no error in Judge Thompson's decision not to afford deference to Friedman's choice of forum given the factors showing that Friedman was forum shopping.

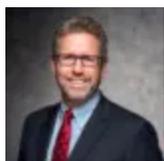
The panel held that Judge Thompson's conclusions were well supported and fell "within the bounds of the district court's 'broad' discretion with respect to forum non conveniens and thus supports our conclusion that the district court's dismissal of Friedman's claims should be affirmed."

The Second Circuit also affirmed the district court's imposition of sanctions against the plaintiff and his counsel, jointly and severally, for discovery abuse.

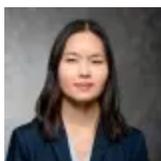
HHR previously helped Palladyne defeat Friedman in a related case. In March 2016, HHR won dismissal of Friedman's defamation suit over a Bloomberg News story in which Palladyne characterized his lawsuit as "extortion." The Second Circuit upheld the dismissal in September 2017.

Derek Adler, recent HHR alumna Caroline Parker-Beaudrias and Grace Ha represented Palladyne on the appeal.

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