

A hospital's mere ownership interest in separate and distinct corporate entities does not amount to "conducting business" for the purpose of establishing venue under MCL 600.1621(a).

8. December 2011 By Kristina Araya

In *Hills and Dales General Hospital v Pantig*, Case No. 298237, the Court of Appeals concluded that a defendant corporation's partial ownership of two local medical clinics was insufficient to establish venue under MCL 600.1621(a). Accordingly, it reversed the circuit court's denial of the defendants' motion for change of venue.

Plaintiff Hills and Dales General Hospital (H&D) is located in Tuscola County. Co-defendant Huron Medical Center (Huron Medical) is located in nearby Huron County. Huron Medical operates no clinics of its own in Tuscola County, but it does have an ownership interest in two separate clinics there. The two clinics in Tuscola County are separate legal entities; one is a limited liability company, and the other is a nonprofit corporation.

In 2007, H&D hired two doctors, who signed noncompetition covenants. In 2009, H&D sued Huron Medical and the two doctors, alleging that Huron Medical had employed them in violation of their noncompetition covenants with H&D. H&D filed the claim in Tuscola County, and the defendants moved for a change of venue, because under MCL 600.1621(a), venue is only proper in "[t]he county in which a defendant resides, has a place of business, or conducts business, or in which the registered office of a defendant corporation is located." The trial court denied the motion, reasoning that within Tuscola County, Huron Medical "conducts business," advertises, and "provides medical care as part of" the two clinics. It also ruled that Defendants had waived their objection to venue, pursuant to MCR 2.221, because their objections were not timely.

The Court of Appeals reversed, holding that the circuit court clearly erred by denying Defendants' motion for change venue, because Huron Medical's activities in Tuscola County did not amount to

“conducting business” there. The Court explained that as a shareholder in the two clinics, Huron medical “is a separate and distinct corporate entity from both clinics.” The Court then found “no legal or factual basis for disregarding Huron Medical’s separate corporate form, and decline[ed] to impute to Huron Medical the business activities of the Tuscola County clinics.” It held, “[a]lthough Huron Medical holds stock in two health facilities situated in Tuscola County . . . it conducts no business in Tuscola County, and the circuit court clearly erred by finding otherwise.”

The Court of Appeals also reversed the circuit court’s ruling that Defendants’ motion was untimely, because Defendants filed their motion to change venue on the same day that they answered the complaint, which is allowed by the plain language of MCR 2.221(A).