

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

JAMES A. WHELAN, et al.

v.

UNITED PACIFIC INDUSTRIES, INC.

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CIVIL ACTION
No. 02-2519

O'Neill, J.

November , 2002

MEMORANDUM

Defendant United Pacific Industries, Inc. (“UPI”) commenced a declaratory judgment action in the United States District Court for the Central District of California on April 4, 2002, seeking a judgment that plaintiffs’ patent, number 5,846,617 (“the ‘617 patent”), was invalid and not infringed. See United Pacific Industries, Inc. v. Whelan Brothers, Inc., No.02-2802 (C.D. Ca. filed Apr. 4, 2002). Plaintiffs, James and Robert Whelan and Whelan Brothers, Inc. subsequently sued defendant in this Court for patent infringement, common law unfair competition, and violation of Pennsylvania’s Unfair Trade Practices Consumer Protection Law, 73 Pa. Stat. Ann. § 201, et seq. on April 26, 2002. Defendant now moves to dismiss the instant case because the central issue of patent validity and infringement is duplicative of the first-filed declaratory judgment action pending in California. Plaintiffs argue that special circumstances require that the this suit proceed or, in the alternative, that the proper relief for defendant is a stay until the California litigation is resolved. I will stay the present case and place it in the suspense docket pending the outcome of the California action.¹

¹ Stay of the state law claims as well as the federal claim is appropriate because federal jurisdiction over the state law claims in this case is dependant on plaintiffs maintaining a viable

The individual plaintiffs are the owners of the corporate plaintiff, Whelan Brothers, Inc., and the inventors of the '617 patent, which consists of a vanity shift knob assembly and a method of replacement for truck transmissions.² The '617 patent was issued on December 8, 1998. Plaintiffs are headquartered in New Hope, Pennsylvania and conduct business nationally with various distributors. Plaintiffs recently appeared before me and recovered a default judgment for infringement of the '617 patent. See Whelan v. A. Ward Enterprises, Inc., No. CIV.A. 01-2874, 2002 WL 1745614 (E.D. Pa. July 23, 2002).

The present complaint alleges that defendant UPI has engaged in the importation and selling of replacement shifter knobs that infringe the '617 patent. On February 8, 2002, plaintiffs' counsel sent a cease and desist letter to UPI accusing the company of patent infringement. The letter provided in relevant part:

If your company does not immediately cease and desist from infringement and provide the needed assurances, your company and all of your distributors that sell

patent claim.

² The '617 patent summarizes the invention as follows:

Many truck transmissions have shift knob assemblies that contain a removable knob element with a specific bottom configuration and at least one manual switch that relies upon the specific bottom configuration of the knob element to function. The present invention replacement shift knob assembly includes a knob element made from an aesthetically pleasing material such as wood, stone, ceramic or [sic] the like. A base plate is attached to the bottom of the knob element. The base plate has a first side and an opposite second side, wherein the second side of the base plate is configured to generally physically mimic the specific bottom configuration of the original shift knob being replaced. The base plate is made from a material that differs from the replacement knob element in order to provide the base plate with greater material strength and wear resistance. As a result, a replacement shift knob assembly is provided that is aesthetically pleasing yet contains the same strength and functional elements as does the original knob element that is being replaced.

the “Wood Eaton Fuller Gear Shift Knob” shifter knob may be subject to liability for patent infringement. The Whelan Brothers have already successfully sued other manufacturers and distributors of wooden Eaton Fuller gear shift knobs.

In response to this letter, defendant investigated the ‘617 patent, concluded that it was invalid, and filed the declaratory judgment action now pending in California.

Defendants contend that the present action should be dismissed because “the general rule favors the forum of the first-filed action, whether or not it is a declaratory action.” Genentech, Inc. v. Eli Lilly & Co., 998 F.2d 931, 937 (Fed. Cir. 1993), overruled on other grounds by Wilton v. Seven Falls Co., 515 U.S. 277, 281-82 (1995). The Court of Appeals for the Federal Circuit has determined, “When the declaratory action can resolve the various legal relations in dispute and afford relief from the controversy that gave rise to the proceeding, and absent sound reason for a change of forum, a first-filed declaratory action is entitled to precedence as against a later-filed patent infringement action.” Id. at 938. Similarly, the Supreme Court has recognized that first-filed declaratory actions may enjoin subsequently filed suits for infringement:

The manufacturer who is charged with infringing a patent cannot stretch the Federal Declaratory Judgments Act to give him a paramount right to choose the forum for trying out questions of infringement and validity. He is given an equal start in the race to the courthouse, not a headstart. If he is forehanded, subsequent suits against him by the patentee can within the trial court's discretion be enjoined pending determination of the declaratory judgment suit, and a judgment in his favor bars suits against his customers. If he is anticipated, the court's discretion is broad enough to protect him from harassment of his customers. If the patentee's suit against a customer is brought in a district where the manufacturer cannot be joined as a defendant, the manufacturer may be permitted simultaneously to prosecute a declaratory action against the patentee elsewhere.

Kerotest Mfg. Co. v. C-O-Two Fire Equipment Co., 342 U.S. 180, 185-86 (1952).

Plaintiffs respond by noting that special circumstances exist in the instant situation, which

militate for allowing the present case to proceed in Pennsylvania. See Genentech, 998 F.2d at 937 (“Exceptions, however, are not rare, and are made when justice or expediency requires, as in any issue of choice of forum.”), citing Kahn v. General Motors Corp., 889 F.2d 1078, 1081-83 (Fed.Cir.1989). Specifically, plaintiffs argue that 1) the defendants’ declaratory judgment action is fatally flawed because the California complaint failed to name necessary parties; 2) a stay of the present case will deny plaintiffs immediate equitable relief, required to keep plaintiffs’ company in business; and 3) the California action and the present case are not truly parallel suits.

The special circumstances which plaintiffs cite are not sufficient to depart from the general rule that duplicative issues should be resolved in the first-filed action. In Genentech, the Court of Appeals for the Federal Circuit determined that there must be a sound reason for not allowing the duplicative issues to be adjudicated in the original suit: “Such reason may be the convenience and availability of witnesses, or absence of jurisdiction over all necessary or desirable parties, or the possibility of consolidation with related litigation, or considerations relating to the real party in interest.” Id. at 938. Plaintiffs cite none of these reasons for allowing the present action to proceed.

Although plaintiffs argue that the California complaint failed to name the patent owners as parties to the declaratory judgment action,³ such an easily correctable oversight does not prevent this Court from deferring to the first-filed suit. See National Foam, Inc. v. Williams Fire & Hazard Control, Inc., No. CIV. A. 97-3105, 1997 WL 700496, at *5 (E.D. Pa. Oct. 29, 1997)

³ The California declaratory judgment complaint names Whelan Brothers, Inc. and Does 1 through 10 as defendants. Plaintiffs argue that because the complaint does not name the patent owners, James and Robert Whelan, as defendants, it is fatally flawed and the present action has priority over the California case.

(Hutton, J.). In National Foam, the District Court had to determine priority between a first-filed declaratory judgment patent action that did not name a necessary defendant and an infringement suit subsequently filed in another district court by the defendants in the first suit. Id. at *2. The National Foam Court determined that amendment of the original declaratory judgment complaint gave the first-filed suit priority under Federal Rule of Civil Procedure 15(c).⁴ Id. at *5. The National Foam Court focused on whether the failure to name all the appropriate defendants in the original complaint deprived the subsequently joined defendant of fair notice of the claims in the first-filed suit. Id. There, the court determined that the close association between the defendants originally named in the complaint and the subsequently named defendant was fatal to the claim of lack of notice. See id. (“Before Williams and CCAI filed in the Southern District of Texas, it is highly probable if not certain that Williams, as CCAI’s licensee, told CCAI about the complaint before this Court. Thus, this Court finds that CCAI ‘should have known that but for a mistake concerning the identity of the proper party, the initial complaint would have been brought against it.’”).

⁴ Federal Rule of Civil Procedure 15(c) provides in part:

An amendment of a pleading relates back to the date of the original pleading when

- (1) relation back is permitted by the law that provides the statute of limitations applicable to the action, or
- (2) the claim or defense asserted in the amended pleading arose out of the conduct, transaction, or occurrence set forth or attempted to be set forth in the original pleading, or
- (3) the amendment changes the party or the naming of the party against whom a claim is asserted if the foregoing provision (2) is satisfied and, within the period provided by Rule 4(m) for service of the summons and complaint, the party to be brought in by amendment (A) has received such notice of the institution of the action that the party will not be prejudiced in maintaining a defense on the merits, and (B) knew or should have known that, but for a mistake concerning the identity of the proper party, the action would have been brought against the party.

The instant case presents a similar situation. The California complaint names Whelan Brothers, Inc. as the defendant. Although Whelan Brothers, Inc. is a licensee under the '617 patent, James and Robert Whelan, who own the closely-held corporation, are the patentees. Given this fact, I conclude that in the likely event that defendant amends its California complaint to name James and Robert Whelan as defendants, the declaratory judgment action will have priority over the present case.

Next, plaintiffs contend that a stay of the present case will deny them necessary injunctive relief. Plaintiffs', however, do not suggest any reason why they could not assert a counter-claim for injunctive relief in the California declaratory judgment action under Federal Rule of Civil Procedure 13.

Plaintiffs also assert that the California suit for declaratory judgment and the present action are not parallel and should therefore proceed separately. "A suit is only duplicative if it involves the 'same claims, parties, and available relief.'" Chrysler Credit Corp. v. Marino, 63 F.3d 574, 578 (7th Cir. 1995), quoting Serlin v. Arthur Andersen & Co., 3 F.3d 221, 223 (7th Cir.1993). However, the parties in the present case are nearly identical to the California action. Moreover, except for the state law claims in the present case, the issues in both suits are the same: Is the '617 patent valid and is it infringed? The fact that the California suit seeks a declaratory judgment and the present action seeks damages and injunctive relief is immaterial.

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ORDER

AND NOW, this day of November, 2002, upon consideration of defendant's motion to dismiss and plaintiffs' response thereto and for the reasons set forth in the accompanying memorandum it is hereby ORDERED that defendant's motion to dismiss is DENIED, but that the present action is STAYED and placed in the suspense docket, pending a final decision by the District Court in United Pacific Industries, Inc. v. Whelan Brothers, Inc., No.02-2802 (C.D. Ca. filed Apr. 4, 2002).

THOMAS N. O'NEILL, JR., J.