

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF DELAWARE

GENFOOT, INC., )  
 )  
 Plaintiff, )  
 )  
 v. ) Civ. No. 03-398-SLR  
 )  
 PAYLESS SHOESOURCE, INC. )  
 )  
 Defendant. )

**MEMORANDUM ORDER**

**I. INTRODUCTION**

Plaintiff filed suit against defendant on April 17, 2003 alleging infringement of U.S. Patent No. 6,237,252 ("the '252 patent") pursuant to 35 U.S.C. §§ 271, 281, 283, 284 and 285. (D.I. 1) On July 9, 2003, defendant moved, pursuant to 28 U.S.C. § 1404(a),<sup>1</sup> to transfer venue to the District of Kansas, and to consolidate the case with Payless Shoesource, Inc. v. Genfoot, Civil Action No. 02-4160-SAR. (D.I. 6) The matter is fully briefed. (D.I. 7, 8) For the reasons that follow the motion to transfer will be granted.

**II. BACKGROUND**

Plaintiff is Canadian corporation with its principal place of business in Montreal, Quebec, Canada. (D.I. 1) Plaintiff is

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<sup>1</sup>Title 28, Section § 1404(a) provides:  
For the convenience of parties and witnesses,  
in the interest of justice, a district court  
may transfer any civil action to any other  
district or division where it might have been  
brought.

the owner of the '252 patent which, essentially, protects technology related to a draw cord closure on the upper part of a shoe boot. Plaintiff alleges defendant has sold and continues to sell a boot that includes technology protected by the '252 patent. In the complaint, plaintiff describes defendant as the operator of retail stores selling footwear in all fifty states. In the motion to transfer, however, defendant explains that there are two distinct entities denominated "Payless ShoeSource, Inc." (D.I. 7, Ex. B) Defendant, a Delaware corporation, "functions solely as a holding company" and "conducts no activities relating to creating, manufacturing, buying or selling footwear or other merchandise of any type." (D.I. 7, Ex. B) The second entity, Payless ShoeSource, Inc., is a Missouri corporation and "an indirect, wholly-owned subsidiary of the Delaware holding company whose sole function is to conduct retail sales of Payless merchandise in the United States, the Virgin Islands and Puerto Rico." (Id.) A third entity, Payless ShoeSource Worldwide, is a Kansas corporation and is an "indirect, wholly-owned subsidiary of Delaware Holding Company." (Id.)

On October 18, 2002, the second entity, Payless ShoeSource, Inc., filed a complaint for declaratory judgment against Genfoot, Inc. in the United States District Court for the District of Kansas. (D.I. 7, Ex. A) Payless seeks judgment of patent invalidity, unenforceability and noninfringement on the '252

patent. (Id.) On April 16, 2003, Genfoot moved to dismiss based on lack of personal jurisdiction. (D.I. 8) Genfoot's motion remains pending.

### **III. DISCUSSION**

More than fifty years ago, the Third Circuit Court of Appeals adopted the "first-filed rule" where "[i]n all cases of federal concurrent jurisdiction the court which first had possession of the subject must decide it." Crosley Corp. v. Hazeltine Corp., 122 F. 2d 925, 929 (3d Cir. 1941) (quoting Smith v. McIver, 22 U.S. (9 Wheat.) 532 (1824)). Consequently, the second filed action should be stayed or transferred to the court where the first filed action is pending. Peregrine Corp. v. Peregrine Indus., Inc., 769 F. Supp. 169, 171 (E.D. Pa 1991); Dippold-Harmon Enterprises, Inc. v. Lowe's Companies, Inc., Civil Action No. 01-532-GMS, 2001 WL 1414868 (D.Del. 2001). The rule "encourages sound judicial administration and promotes comity among federal courts of equal rank." E.E.O.C. v. University of Pennsylvania, 850 F. 2d 969, 971 (3d Cir. 1988). The decision to transfer or stay the second action is within the discretion of the trial court. Id., at 972, 977. However,

invocation of the rule will usually be the norm, not the exception. Courts must be presented with exceptional circumstances before exercising their discretion to depart from the first-filed rule.

Id. at 979.

The court finds this case involves the same parties, the

same patent and same legal theories as the first filed action in the District of Kansas. A transfer of the subsequently filed Delaware action will promote judicial administration and consistency of results.

**IV. CONCLUSION**

For the reasons stated, at Wilmington, this 2d day of December, 2003,

IT IS ORDERED that:

1. The motion to transfer is **granted**. (D.I. 6)
2. The above-captioned action shall be transferred to the United States District Court for the District of Kansas.

Sue L. Robinson  
United States District Judge