

Farnan, District Judge.

Presently before the Court are Motions To Dismiss filed by American Airlines, Inc. and TWA Airlines LLC.¹ (D.I. 30 in C.A. No. 03-792-JJF and D.I. 45 in C.A. No. 03-734-JJF.) For the following reasons, the Court will deny American's Motions to the extent that American seeks dismissal of Plaintiffs' claims on the basis of collateral estoppel, the law of the case doctrine and principles of comity. However, the Court will deny with leave to renew American's Motions To Dismiss based on the failure to state a claim pursuant to Federal Rule of Civil Procedure 12(b)(6), and permit the parties to engage in renewed briefing on any renewed motions.

BACKGROUND

The dispute in this lawsuit stems from the bankruptcy of Trans World Airlines ("TWA"). Following extensive bankruptcy proceedings, the United States Bankruptcy Court for the District of Delaware issued an order authorizing TWA's sale of substantially all of its assets (the "Sale Order"). (D.I. 47, Ex. A in C.A. No. 03-734 JJF.) The Sale Order provides that the purchaser of TWA's assets, American, is entitled to receive TWA's assets "free and clear . . . of . . . employment related claims." Id. Further, the Sale Order states that the Bankruptcy Court retains exclusive jurisdiction in interpreting and enforcing its provisions. Id. at ¶ 29. A similar jurisdiction

¹ Both cases, C.A. No. 03-734-JJF and C.A. No. 03-792-JJF, present identical issues. The different case numbers are the result of Plaintiffs' filings in various jurisdictions and the subsequent transfers to the Court from district courts in Texas, California, and Arizona.

provision is found in the Bankruptcy Court's order approving the assumption and rejection of various executory contracts in the TWA bankruptcy case. Id., Ex. H at ¶ 23.

Plaintiffs are past employees of the now bankrupt TWA. Plaintiffs allege that they received from TWA, as part of a retirement agreement, unlimited travel passes enabling them to freely travel on TWA airplanes and receive reduced fares on other airlines. Plaintiffs allege that American entered into a contract with them requiring American to honor the travel passes issued by TWA, but that American breached that contract. As a result of American's alleged breach, Plaintiffs filed lawsuits in the United States District Court for the Northern District of Texas, the United States District Court for the Northern District of California, and the United States District Court for the District of Arizona. The Texas, California, and Arizona courts (collectively the "transferring courts") all transferred Plaintiffs' actions to this Court. In reaching their respective decisions, each of the transferring courts concluded that Plaintiffs' claims arose from and/or implicated the Sale Order, and therefore, a transfer to the District of Delaware was appropriate.

Following the transfer of Plaintiffs' actions to this Court, American filed the instant Motions to Dismiss. The parties have fully briefed these Motions, and the Court has held oral argument on the Motions. Accordingly, the Motions are ripe for the Court's review.

DISCUSSION

I. Whether Collateral Estoppel Applies Such That Plaintiffs Should Be Precluded From Pursuing Their Claims Based On The Findings Of The Transferring Courts That Plaintiffs' Complaints Are An Impermissible Collateral Attack On The Sale Order

By its Motions To Dismiss, American contends that the Court should dismiss Plaintiffs' Complaints on the grounds of collateral estoppel, the law of the case doctrine and principles of comity. Specifically, American contends that the transferring courts previously concluded that Plaintiffs' Complaints violate the Sale Order by improperly attempting to impose TWA liabilities on American. Because the transferring courts addressed this issue, American contends that Plaintiffs are barred from relitigating the issue, and therefore, dismissal is appropriate.

In response, Plaintiffs contend that their claims are not barred by the doctrine of collateral estoppel, because the transferring courts did not address the merits of the claims at issue. Rather, Plaintiffs maintain that the transferring courts only addressed the narrow question of whether a transfer was appropriate. In the alternative, Plaintiffs contend that if the transferring courts did reach the ultimate question of whether Plaintiffs' claims are precluded by the Sale Order, they lacked the jurisdiction to do so, and therefore, their determinations are not binding on this Court for purposes of applying collateral estoppel, the law of the case doctrine or principles of comity.

Collateral estoppel, or issue preclusion, is the general rule requiring courts to give preclusive effect to prior decisions

involving "an issue of fact or law [that has been] actually litigated and determined by a valid and final judgment." Restatement (Second) of Judgments § 27 (1980). In the Third Circuit, courts "consistently" apply this rule to the decisions of other federal courts. Nat'l R.R. Passenger Corp. v. Pennsylvania Public Utility Comm'n, 288 F.3d 519, 525 (3d Cir. 2002). To determine whether collateral estoppel is applicable to a particular issue, a court should consider whether: "(1) the issue sought to be precluded [is] the same as that involved in the prior action, (2) that issue [was] actually litigated; (3) it [was] determined by a final and valid judgment; and (4) the determination [was] essential to the prior judgment.'" Id. (quoting Burlington N. R.R. Co. v. Hyundai Merchant Marine, 73 F.3d 1227, 1231-32 (3d Cir. 1995) (alteration in original)).

Applying the elements of collateral estoppel to the issues in this case, the Court concludes that Plaintiffs' claims are not precluded by the orders of the transferring courts. While the transferring courts commented on the Sale Order in reaching their respective decisions to transfer, the Court does not read those orders as expressing an outright conclusion that the Sale Order precludes Plaintiffs' claims. Rather, the transferring courts acknowledged that the Sale Order may be implicated by Plaintiffs' claims and recognized that the jurisdiction for interpreting the Sale Order rested in Delaware, thereby necessitating a transfer of Plaintiffs' claims. To the extent that the orders of the transferring courts can be read to have reached the merits of the

underlying question of whether Plaintiffs' claims are precluded by the Sale Order, the Court concludes that the transferring courts lacked jurisdiction to reach this question by virtue of the express language of the Sale Order which provided that the Delaware Bankruptcy Court would have "exclusive jurisdiction" to interpret and enforce the Sale Order (D.I. 47, Ex. A at 12, ¶ 29). Further, the transferring courts did not litigate the question of whether, as Plaintiffs argue, American made a separate, independent agreement with Plaintiffs to provide them with the retirement benefits they seek. As such, principles of comity and the law of the case doctrine would only apply to the decision of the transferring courts to transfer this matter to Delaware, and not to the other issues raised by Plaintiffs' claims. Accordingly, the Court concludes that Plaintiffs are not barred under the doctrine of collateral estoppel, the law of the case doctrine, or principles of comity from litigating their claims here.²

II. Whether American Is Entitled To Dismissal Pursuant To Rule 12 (b) (6)

By its Motions To Dismiss, American also seeks dismissal on the grounds that Plaintiffs cannot state a claim for relief under Rule

² During oral argument, the Court asked the parties whether this action was more appropriately heard by the Bankruptcy Court in the first instance. Although American acknowledged that it could have requested the Court to refer this action to the Bankruptcy Court, and Plaintiffs indicated that they were not opposed to such a referral, the parties also indicated that such a decision was within the Court's discretion and that they preferred to remain in this Court. Accordingly, the Court will retain jurisdiction of this matter.

12(b)(6), because: (1) without regard to the decisions of the transferring courts, Plaintiffs' claims are, as legal and factual matter, precluded by the Sale Order; and (2) Plaintiffs' allegations do not on their face state a claim for breach of contract. At oral argument, Plaintiffs' counsel represented to the Court that he did not read American's Motions to raise the contract issue, and Plaintiffs' counsel requested an opportunity to respond to that issue if the Court believed that it was raised. (Hearing Tr. 12/19/03 at 36). To provide Plaintiffs with an opportunity to respond to the contract issue and to provide the parties with a "clean slate" procedurally, the Court will deny with leave to renew the instant Motions to the extent that they are based on the failure to state a claim pursuant to Rule 12(b)(6). Upon renewal of the Motions by American, the parties shall engage in renewed briefing on the Rule 12(b)(6) issues raised by American on a schedule to be set by the agreement of the parties.

CONCLUSION

For the reasons discussed, the Court will deny American's Motions To Dismiss to the extent that they seek dismissal on the basis of collateral estoppel, the law of the case doctrine and principles of comity. However, the Court will deny with leave to renew American's Motions To Dismiss based on the failure to state a claim pursuant to Rule 12(b)(6). The parties shall submit a stipulated briefing schedule to the Court for any renewed Motions within 10 days of the date of this Memorandum Opinion and Order.

An appropriate Order will be entered.

pursuant to Federal Rule of Civil Procedure 12(b)(6) filed by Defendants American Airlines, Inc. and TWA Airlines LLC are **DENIED** **WITH LEAVE TO RENEW.**

3) The parties shall file a stipulated briefing schedule for any renewed motions to dismiss within 10 days of the date of this Order.

JOSEPH J. FARNAN, JR.
UNITED STATES DISTRICT JUDGE