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First-Filed Rule Prompts Dismissal of Heated Products Case in Favor of Warmer Venue

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In a recent order allowing a defendant's motion to dismiss a case involving heated products and heat pack technology, Judge Sorokin clarified a specific application of the first-filed rule.

In the case at hand, *Schawbel Technologies LLC v. The Heat Factory USA, Inc.*, the plaintiff Schawbel alleged breach of an asset purchase agreement (Count I); alleged patent infringement involving heated insole, battery pack, and heat pack technology (Count II); and also sought declaratory judgment that its license agreement with the defendant The Heat Factory had terminated (Count III). Counts I and III were first brought in California state court prior to the instant case at the U.S. District Court for the District of Massachusetts.

The Heat Factory filed a motion to dismiss or transfer the patent claim based on lack of venue in the District of Massachusetts and to dismiss or stay the state court claims in favor of the California state action. Shortly after, and while the motion was pending, the California state court action was removed to the U.S. District Court for the Southern District of California.

According to the first-filed rule, where identical actions are proceeding concurrently in two federal courts, the first-filed action is generally preferred in a choice-of-venue decision. Furthermore, when a state court action is later removed to federal court, the date of the action's filing in state court, rather than the date of removal, is the relevant date. Finally, there are at least two exceptions to the first-filed rule: (1) where special circumstances justify a transfer, such as where the party bringing the first-filed action engaged in misleading conduct in a preemptive "race to the courthouse," and (2) where the balance of convenience substantially favors the second-filed action.

Because the date of filing of the California state court action preceded the date of filing of the instant case, and because both parties described the two actions as "sufficiently identical as to trigger the first-filed rule," the court found that the Southern District of California was preferred over Massachusetts.

Although Schawbel argued that the exceptions to the first-filed rule applied, the court was not convinced, and cited a First Circuit opinion that gives a preference to the judge presiding over the first-filed action to determine whether certain exceptions apply. The court's determination was further supported by the fact that the venue for the patent claim was unequivocally in California, whereas the same venue analysis for Massachusetts was more complicated.

Schawbel's additional arguments that the dismissal of the action in Massachusetts would result in prejudicial delay also were unconvincing to the court because the parties could file a motion for a prompt hearing in California and/or seek an expedited scheduling conference or early evaluation under the California local rules.

The case is *Schawbel Technologies LLC v. The Heat Factory USA, Inc.*, Civil Action No. 18-cv-10227-LTS (D. Mass.) before Hon. Leo T. Sorokin.