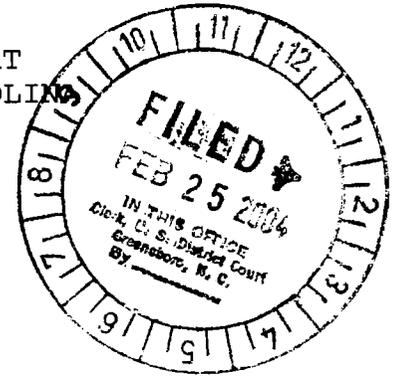


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IN THE UNITED STATES DISTRICT COURT  
FOR THE MIDDLE DISTRICT OF NORTH CAROLINA



REMINGTON ARMS COMPANY, INC., )  
and RA BRANDS LLC, )  
 )  
Plaintiffs, )  
 )  
v. )  
 )  
ALLIANT TECHSYSTEMS, INC. and )  
FEDERAL CARTRIDGE COMPANY, )  
 )  
Defendants. )

1:03CV1051

MEMORANDUM OPINION

Plaintiffs Remington Arms Company, Inc. and RA Brands, LLC, (collectively, "Remington") filed this action seeking a declaratory judgment that they are not infringing the trademarks of Defendants Alliant Techsystems, Inc. ("Alliant") and Federal Cartridge Company ("Federal"), and that said trademarks are invalid. Alliant and Federal thereafter filed suit in the United States District Court for the District of Minnesota, alleging trademark infringement and various state law claims. Now pending in this court are Remington's motion to enjoin the Minnesota proceedings and Alliant and Federal's motion to dismiss, or, in the alternative, to stay or transfer this action. For the reasons stated herein, Remington's motion will be denied and Alliant and Federal's motion to dismiss will be granted.

I. BACKGROUND

The pending motions in this case arise from a trademark dispute between the parties. Alliant and Federal claim ownership of five registered trademarks they use in connection with ammunition sales: GOLD DOT, GOLD MEDAL, KNOCKDOWN POWER, PREMIUM, and FEDERAL PREMIUM. In a cease and desist letter dated October 30, 2003, Alliant and Federal asserted their ownership of these trademarks and demanded that Remington end its efforts to register GOLD BOX, as well as its use of KNOCKDOWN POWER and PREMIUM, in connection with its own ammunition. The letter went on to threaten litigation, stating:

In an effort to resolve this dispute amicably, our clients would be willing to consider forgoing their damages claims provided that Remington agrees to promptly cease its infringing and diluting advertising, agree to expressly abandon the pending application to register the GOLD BOX mark, and agree not to seek to register any similar or related mark. We understand that Remington intends to promote its ammunition products under the GOLD BOX mark to distributors at the up-coming NASGW [a trade show] next month. This continued promotion of the GOLD BOX mark in connection with ammunition will cause our clients to suffer further irreparable harm. Thus, we respectfully request that you respond to this letter no later than a week from today, i.e. by November 6, 2003. In the event that we do not receive a timely and favorable response from you, our client has authorized us to pursue all of its legal remedies, including an injunction and damages.

(Pls.' Br. Supp. Mot. Enjoin, Ex. A at 2.)

On November 5, 2003, one day before the expiration of the period noted in the letter, Remington filed this action, although

service of process was not effectuated until November 11, 2003. On November 7, 2003, Alliant and Federal filed an action in the United States District Court for the District of Minnesota alleging trademark violations on the part of Remington. Remington was served on the same day. On November 10, 2003, Alliant and Federal filed a motion in the Minnesota action seeking to enjoin this action, which that court denied on December 31, 2003. On November 25, 2003, Remington filed a motion in this court seeking to enjoin the Minnesota proceedings. On December 18, 2003, Alliant and Federal filed a motion in this court to dismiss, or, in the alternative, stay or transfer this action to Minnesota.

## II. DISCUSSION

In general, when the same parties pursue similar litigation in two separate federal courts, principles of comity dictate that the case should proceed where the action was first filed.<sup>1</sup>

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<sup>1</sup> In the Minnesota proceedings, Alliant and Federal argued that the action which takes precedence is not the first filed, but the first in which a court obtains jurisdiction. Since Alliant and Federal perfected service in the Minnesota proceedings before Remington did in this case, they argued that the Minnesota action should have priority. The Minnesota court, however, opted to measure priority from the time of filing. Federal Cartridge Co. v. Remington Arms Co., No. Civ. 03-6105, 2003 WL 23101805, at \*2 (D. Minn. Dec. 31, 2003). Alliant and Federal have not repeated their argument in this case. This court, therefore, will determine priority on the basis of filing. See Tripath Imaging, Inc. v. Cytoc Corp., No. 1:03CV550, slip op. at 5 (M.D.N.C. Oct. 30, 2003) (basing priority on order of filing without regard to potential jurisdictional defects).

Elliot Mach. Corp. v. Modern Welding Co., 502 F.2d 178, 180 n.2 (4th Cir. 1974) (citing Mattel, Inc. v. Louis Marx & Co., 353 F.2d 421, 423 (2d Cir. 1965)); Nutrition & Fitness, Inc. v. Blue Stuff, Inc., 264 F. Supp. 2d 357, 360 (W.D.N.C. 2003); First Nationwide Mortgage Corp. v. FISFI Madison, L.L.C., 219 F. Supp. 2d 669, 672 (D. Md. 2002). In determining whether the first-filed rule is applicable, courts apply a three-factor test, considering (1) the chronology of the filings, (2) the similarity of the parties involved, and (3) the similarity of the issues being raised. Tripath Imaging, Inc. v. Cytoc Corp., No. 1:03CV550, slip op. at 4 (M.D.N.C. Oct. 30, 2003); Nutrition & Fitness, 264 F. Supp. 2d at 360. In this case, all of the factors counsel the application of the first-filed rule. The two actions were filed two days apart and the parties are the same in each. The claims are also similar. In this action, Remington seeks a declaratory judgment that it has not infringed Alliant and Federal's trademarks and that they are invalid. Conversely, in the Minnesota action, Alliant and Federal have alleged trademark infringement and dilution, along with trademark and trade practices claims under Minnesota law. The presence of additional but related state law claims does not, however, mean that the cases are so dissimilar as to avoid the application of the first-filed rule. See Tripath, slip op. at 9 (citing Abbott

Labs., Inc. v. Mead Johnson & Co., No. C2-98-0157, 1998 U.S. Dist. LEXIS 12317, at \*10-11 (S.D. Ohio Apr. 21, 1998)).

Having concluded that the first-filed rule applies, the court must next determine whether any exceptions to the rule apply.<sup>2</sup> The Fourth Circuit has never clearly expressed when it would permit exceptions to the first-filed rule. It has accepted the prospect of an exception when the balance of convenience weighs in favor of the second forum. See Learning Network, Inc. v. Discovery Communications, Inc., No. 01-1202, 2001 WL 627618, at \*3 (4th Cir. June 7, 2001). The court declined, however, to reach the question of whether "the presence of special circumstances would . . . merit a departure from the first-filed rule." Id. at \*3 n.2.

In Tripath, this court identified three "special circumstances" that would permit a departure from the first-filed rule. See Tripath, slip op. at 12. First, the operation of the rule can be avoided if the first filing plaintiff brings suit in

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<sup>2</sup> In its decision, the Minnesota court concluded that "red flags" in this case directed that an exception to the first-filed rule should be made. See Federal Cartridge, 2003 WL 23101805, at \*3. Nevertheless, since this action was the first filed, that court declined to enjoin these proceedings and stayed its own pending this court's decision. See id.; see also Nutrition & Fitness, Inc. v. Blue Stuff, Inc., 264 F. Supp. 2d 357, 359 (W.D.N.C. 2003) (praising second-filed court for staying its proceedings and "properly noting that where parallel federal litigation has been filed, the court in which the litigation was first filed must decide the question of where the case should be heard").

a district having little connection to the dispute and in which the plaintiff does not reside. Id. (citing Collezione Europa U.S.A., Inc. v. Schnadig Corp., No. 1:01CV234, 2001 WL 823563, at \*2-3 (M.D.N.C. July 2, 2001)). Second, the rule may not apply when a plaintiff has filed a "hip pocket" action by filing suit and waiting to serve the complaint until after the second suit is filed in an effort to gain priority. Id. (citing Nutrition & Fitness, 264 F. Supp. 2d at 360-61). Finally, the rule may be avoided where an action was filed in the midst of settlement negotiations. Id. (citing EMC Corp. v. Norand Corp., 89 F.3d 807, 814 (Fed. Cir. 1996)).

None of these exceptions apply in this case. Remington, the plaintiff in this action, has its principal place of business in North Carolina. There is no evidence that the parties were engaged in settlement negotiations when Remington filed this action. Although Remington filed this action but served the complaint on Alliant and Federal after their action was filed in Minnesota, the "hip pocket" exception does not apply; there is no suggestion that Remington intended to reserve this action in case it was needed at a later time. See Nutrition & Fitness, 264 F. Supp. 2d at 360 (defining a "hip pocket" action as one that is filed early such that it "may be pulled out in case a dispute subsequently results in litigation").

Remington argues that since none of the factors identified in Tripath are present in this case, the first-filed rule must be applied. This argument overstates the holding of Tripath. While Tripath only identified those three factors, it did not foreclose the possibility of departures from the first-filed rule for other reasons. Even after discussing the three factors, the court concluded that the plaintiff had not "made a sufficient showing of any bad faith on the part of defendant to justify having this Court disregard the first-filed rule." Tripath, slip op. at 12. This statement indicates that other actions suggesting bad faith on the part of the first filer could be enough to exclude a case from the rule.

Other courts that have considered exceptions to the first-filed rule have, for example, refused to apply the first-filed rule when the party that files first does so with notice that the other party is about to file. See, e.g., Anheuser-Busch, Inc. v. Supreme Int'l Corp., 167 F.3d 417, 419 (8th Cir. 1999); Touchstone Research Lab., Ltd. v. Anchor Equip. Sales, Inc., 294 F. Supp. 2d 823, 828 (N.D. W. Va. 2003); Nutrition & Fitness, 264 F. Supp. 2d at 360; Citigroup Inc. v. City Holding Co., 97 F. Supp. 2d 549, 557 (S.D.N.Y. 2000) (defining an improper anticipatory filing as "one made under the apparent threat of a presumed adversary filing the mirror image of that suit") (quoting Ontel Prods., Inc. v. Project Strategies Corp., 899 F.

Supp. 1144, 1150 (S.D.N.Y. 1995)); see also Myles Lumber Co. v. CNA Fin. Corp., 233 F.3d 821, 824 (4th Cir. 2000) (noting that one factor for determining when to decline to assert jurisdiction in a declaratory judgment action is "whether the declaratory judgment action is being used merely as a device for 'procedural fencing'"). This court agrees that an improper anticipatory filing is one of the "special circumstances" that may indicate a departure from the first-filed rule is appropriate.

The Eighth Circuit has identified two factors that raise "red flags" that such special circumstances may exist. First, the fact that the first-filed action is for declaratory judgment "merits a closer look, as such an action may be more indicative of a preemptive strike than a suit for damages or equitable relief."<sup>3</sup> Northwest Airlines, Inc. v. American Airlines, Inc., 989 F.2d 1002, 1007 (8th Cir. 1993). The second factor identified by the Eighth Circuit is whether the party that filed first was on notice that a lawsuit was imminent. See id. (identifying this second factor but declining to depart from the

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<sup>3</sup>This factor does not mean, however, that a first-filed declaratory judgment action can never be valid. See Schnadig Corp. v. Collezione Europa U.S.A., No. 01C1697, 2001 WL 766898, at \*1 (N.D. Ill. July 5, 2001) (noting that when two parallel actions are filed, "the general rule is that the forum of the first-filed suit is favored, regardless of whether it is the declaratory judgment action"); see also Sumitomo Elec. Indus., Ltd. v. Corning, Inc., 169 F. Supp. 2d 440, 443-48 (M.D.N.C. 2001).

first-filed rule, since the court concluded Northwest had no notice that a lawsuit by American was imminent).

Both of the red flags identified by the Eighth Circuit are present in this case. Remington's action in this court is a declaratory judgment action, and due to the cease and desist letter sent by Alliant and Federal, Remington at least had notice that they were considering legal action. The question that remains, then, is how definitive the notice must be to indicate that Remington's filing was an improper race to the courthouse.

Remington points to cases like J. Lyons & Co. v. Republic of Tea, Inc., in which J. Lyons brought trademark infringement actions against three competitors. 892 F. Supp. 486, 487 (S.D.N.Y. 1995). In that case, cease and desist letters from J. Lyons to the three defendants included warnings that J. Lyons's "attorneys were authorized to consider taking legal action" should their demands not be met. Id. at 489. Each of the three alleged infringers filed declaratory judgment actions in other courts before J. Lyons sued in the Southern District of New York. Id. at 491. The court declined to depart from the first-filed rule and dismissed J. Lyons's action because even though the three infringers had notice of potential legal action, that notice did not specify a date or forum for the threatened lawsuit. Id.; see also Verizon Communications, Inc. v. Inverizon Int'l, Inc., 295 F.3d 870, 874 (8th Cir. 2002) (holding that

litigation was not imminent when cease and desist letter stated party's desire "to resolve this matter amicably and avoid unnecessary legal action," along with the assertion that a timely response "may obviate more formal legal action"). Remington thus argues that the cease and desist letter in this case was not specific enough to indicate that litigation was imminent and their filing in this court was not improperly anticipatory.

Alliant and Federal contend that their letter was sufficient to put Remington on notice of imminent litigation even though it failed to mention an exact date or forum for the litigation. For example, Alliant and Federal cite Anheuser-Busch, Inc. v. Supreme International, Inc., 167 F.3d 417 (8th Cir. 1999). In that case, Supreme sent a letter to Anheuser demanding that it stop all actions which Supreme contended were violating its trademarks. Id. at 418. The letter indicated that Supreme had authorized its attorneys to take legal action if Anheuser did not respond within five days. Id. Eight days after the letter was written, Anheuser filed an action in Missouri, seeking a declaratory judgment that it was not violating Supreme's trademarks. Id. at 419. Five days after Anheuser's filing, Supreme filed an action in Florida alleging trademark infringement, unfair competition, and deceptive business practices. Id. The Florida court stayed its decision while the Missouri court decided whether to dismiss Anheuser's action. Id. The Eighth Circuit affirmed the Missouri

court's refusal to apply the first-filed rule and dismissal of the case. Id. The court noted that Anheuser had notice of Supreme's intended lawsuit and filed its action less than two weeks after receiving Supreme's letter. Id. The present case is nearly identical to Anheuser. Here, Remington had at least as much notice of Alliant and Federal's intention of filing suit as Anheuser did, since the letter to Remington allowed one week to respond, and failing an acceptable response, noted that Alliant and Federal had authorized their attorneys "to pursue all of [their] legal remedies, including an injunction and damages." (Pls.' Br. Supp. Mot. Enjoin, Ex. A at 2.) Despite the fact that this letter does not mention a date or forum certain, it leaves little doubt that Alliant and Federal were prepared to file suit. Even without a specific date, giving Remington one week to respond certainly gave Remington some inkling of when a suit might be filed. Indeed, Remington's actions are even more suspicious than Anheuser's. Anheuser's letter gave it five days to cease its alleged infringement; it filed suit on the eighth day after the letter was written. Remington, on the other hand, was given seven days to respond to the letter but filed suit on the sixth day. Such a short period of time between the letter and the filing, especially where the filing was made just before the letter expired, suggests that Remington raced to this courthouse in order to usurp Alliant and Federal's choice of

forum. See Anheuser, 167 F.3d at 419; see also Touchstone Research Lab., Ltd. v. Anchor Equip. Sales, Inc., 294 F. Supp. 2d 823, 858 (N.D. W. Va. 2003) (finding a potential anticipatory filing where Anchor filed a declaratory judgment action three days into the 30-day period granted by Touchstone's cease and desist letter).

Moreover, some of the cases cited by Remington are less similar to the instant case. For example, in J. Lyons & Co. v. Republic of Tea, Inc., after J. Lyons sent the three alleged infringers cease and desist letters, each responded with letters of their own. 892 F. Supp. 486, 491 (S.D.N.Y. 1995). J. Lyons took these letters under advisement and continued to send cease and desist letters. Id. The court concluded that "Lyons' behavior did not indicate that it was about to file suit; rather Lyons' actions were indicative of negotiations," and as such "the defendants had every right to seek a definitive resolution of the issues." Id. Similarly, in Verizon Communications, Inc. v. Inverizon International, Inc., Inverizon sent a cease and desist letter and Verizon responded within the time period allotted, leading to attempts to resolve the matter. 295 F.3d 870, 871 (8th Cir. 2002). When Inverizon's counsel reiterated their belief that Verizon was violating Inverizon's trademarks, Verizon sought additional clarification from Inverizon. Id. After waiting three weeks for clarification and receiving none, Verizon

filed its declaratory judgment action. Id. The court concluded that Verizon had not made an improper anticipatory filing since Inverizon's letter had not specifically mentioned litigation and its delay in responding to Verizon's request for information did not indicate the imminency of suit. Id. at 874. In both of these cases, substantial uncertainty existed regarding the probability and immediacy of litigation arising from the cease and desist letters since the recipients of the letters responded and time passed beyond the original time limit before the declaratory judgment action was filed. Neither of those factors exists in this case. Instead, Remington filed this action without responding to Alliant and Federal's letter and before the time period contained therein had expired. Thus, unlike the situations in J. Lyons and Verizon, little uncertainty was created by the parties' actions.

Likewise it is doubtful that the prospect of a lawsuit by Alliant and Federal seemed uncertain to Remington. In its brief, Remington argues that it did not believe any litigation was imminent since it had been using the disputed marks for several months and since it had no plans to attend the trade show that Alliant and Federal seemed most concerned about. (See Pls.' Br. Supp. Mot. Enjoin at 1-2.) Nonetheless, Remington had to allege its "significant apprehension," Compl. ¶ 11, regarding the disputed trademarks in order to ensure that there was an "actual

controversy" as required by the Declaratory Judgment Act. 28 U.S.C. § 2201(a). More convincing than the language in the complaint, however, is the fact that Remington filed suit in this court a mere six days after the letter from Alliant and Federal was sent, and before the time period established by the letter had run. Filing in such a short period of time strongly suggests that Remington suspected that a lawsuit was imminent and raced to the courthouse to establish the priority of its own suit. For these reasons, the court concludes that compelling circumstances exist that counsel departing from the first-filed rule and granting the Minnesota action priority in this case. As such, Remington's motion to enjoin the Minnesota proceedings is denied.

Having thus concluded that a departure from the first-filed rule is appropriate and that the Minnesota action has priority, the court must determine what will happen to the present action. Alliant and Federal have asked that this case be dismissed, stayed, or transferred.

Staying this case is not appropriate. Doing so would leave this action unresolved despite this court's conclusion that the Minnesota court is the appropriate forum to resolve the underlying controversy. Thus, the real options facing this court are dismissal or transfer.

Courts may, in their discretion, choose not to hear declaratory judgment cases. Mitcheson v. Harris, 955 F.2d 235,

237 (4th Cir. 1992). While courts have wide latitude to decide whether to hear declaratory judgment actions, they must not, however, refuse to entertain such an action based on "whim or personal disinclination." Public Affairs Assocs., Inc. v. Rickover, 369 U.S. 111, 112, 82 S. Ct. 580, 582 (1962). Among the situations in which it might be appropriate to decline to exercise jurisdiction over a declaratory judgment action is where the same issue sought to be litigated in the declaratory judgment action is pending in another court of competent jurisdiction.<sup>4</sup> Stout v. Grain Dealers Mut. Ins. Co., 307 F.2d 521, 523 (4th Cir. 1962). In addition, courts should not use declaratory judgments to "try a controversy by piecemeal, or to try particular issues without settling the entire controversy, or to interfere with an action which has already been instituted." Centennial Life Ins. Co. v. Poston, 88 F.3d 255, 256-57 (4th Cir. 1996) (quoting Aetna Cas. & Sur. Co. v. Quarles, 92 F.2d 321, 325 (4th Cir. 1937)). Courts should also consider factors such as comity, efficiency, and procedural fencing. Aetna Cas. & Sur. Co. v. Ind-Com Elec. Co., 139 F.3d 419, 423 (4th Cir. 1998).

Courts faced with situations similar to the one presented by the instant case have varied on whether dismissal or transfer was

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<sup>4</sup> If a court opts to decline to hear a declaratory judgment action due to a proceeding pending in another court, there is no requirement that the proceeding be one in a state court. See Aetna Cas. & Sur. Co. v. Ind-Com Elec., Co. 139 F.3d 419, 423 (4th Cir. 1998).

appropriate. For example, in Nutrition & Fitness, Inc. v. Blue Stuff, Inc., the court concluded that transfer, rather than dismissal, best served the interests of justice. 264 F. Supp. 2d 357, 360, 362 (W.D.N.C. 2003). Likewise, in Tripath Imaging, Inc. v. Cytyc, Inc., this court transferred the action to the court with priority, although in that case the court had less discretion since the action was not a declaratory judgment action but an actual patent infringement claim. No. 1:03CV550, slip op. at 13 (M.D.N.C. Oct. 30, 2003). In First Nationwide Mortgage Corp. v. FISL Madison, L.L.C., however, the court decided that dismissal was appropriate, concluding that the parallel litigation would more fully address the dispute between the parties and because the action in its court was effectively an affirmative defense to the claims in the other court. 219 F. Supp. 2d 669, 674 (D. Md. 2002) (citing BASF Corp. v. Symington, 50 F.3d 555, 559 (8th Cir. 1995)).

In this case, the court concludes that dismissal is the appropriate course. As noted above, the court believes that Remington has engaged in procedural fencing by filing this action just one day before the time period in the cease and desist letter had run. Thus, of the two proceedings, the Minnesota action should be considered an "action which has already been instituted" that should not be "interfere[d] with." Centennial Life Ins., 88 F.3d at 256-57 (quoting Quarles, 92 F.2d at 325).

Moreover, the claims raised in this action are at least in part affirmative defenses to the claims raised in the Minnesota action and as such can be raised by Remington in that court. See BASF Corp., 50 F.3d at 559 (“[W]here a declaratory judgment plaintiff raises chiefly an affirmative defense, and it appears that granting relief could effectively deny an allegedly injured party its otherwise legitimate choice of the forum and time for suit, no declaratory judgment should issue.”); First Nationwide, 219 F. Supp. 2d at 374. Taking all of these factors into consideration, the court concludes that Alliant and Federal’s motion to dismiss should be granted.

III. CONCLUSION

For the reasons stated herein, Plaintiffs’ motion to enjoin the Minnesota proceedings will be denied and Defendants’ motion to dismiss will be granted. A judgment in accordance with this memorandum opinion shall be filed contemporaneously herewith.

This the 25th day of February 2004.

  
United States District Judge