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Shoot First, Litigate Later: Declaratory Judgment Actions, Procedural Fencing, and Itchy Trigger Fingers

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SHOOT FIRST, LITIGATE LATER: DECLARATORY JUDGMENT ACTIONS, PROCEDURAL FENCING, AND ITCHY TRIGGER FINGERS

ROBERT T. SHERWIN*

Abstract

Judges have always been suspect of declaratory judgment actions and, more particularly, the “mirror-image” case where the alleged wrongdoer takes on the role of the plaintiff. Federal courts typically point out that nothing in the Declaratory Judgment Act requires them to hear a request for declaratory relief; indeed, their jurisdiction is entirely discretionary. Consequently, most U.S. Courts of Appeals have developed a list of factors to assist lower courts in deciding whether to exercise jurisdiction over a declaratory judgment action or dismiss the case. One common element circuit courts often point to is whether the suit was brought “anticipatorily” by a plaintiff seeking to establish the forum of its choice, rather than waiting to be sued by the “natural plaintiff” in a less defendant-friendly forum. Courts bemoan such “races to the courthouse” as “disorderly” attempts at “procedural fencing.”

Unfortunately, the courts of appeals have done an atrocious job of providing any meaningful or helpful guidance to lower courts and litigants regarding what constitutes an anticipatory lawsuit. Courts routinely dismiss cases seeking declaratory relief by reasoning that the plaintiff was trying to distort the purpose of the statute and rob the natural plaintiff of its chosen venue. They do so by applying a mishmash of factors and rules that lack any uniformity and oftentimes clash with the statute’s purpose.

This Article attempts to bring some semblance of order to the “anticipatory lawsuit” exception. It does so by proposing two radical suggestions: First, that courts should (for the most part) forget about “races to the courthouse” and worry instead about factors that are easier to apply and anticipate. And second, that declaratory filers should have to give notice of their intention to file suit, thereby offering the natural plaintiff a fair opportunity to exercise its traditional litigation rights without being unfairly “beaten” to the courthouse.

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I. Introduction

A. A Tale of Two Cases

On July 11, 2005, Kellogg Company—which makes and sells a crisped rice and marshmallow bar under the trademark “RICE KRISPIES TREATS”—sent a letter to the CEO of McKee Foods Corporation, which makes and sells a similar product under the mark “LITTLE DEBBIE MARSHMALLOW TREATS.”¹ Kellogg accused McKee of trademark infringement, trade dress infringement, and false advertising and demanded that McKee cease and desist its various marketing efforts.² The letter gave McKee nine days to respond.³

After two months’ worth of email requests for extensions of time, McKee finally replied with a seven-page letter of its own denying all of

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1. McKee Foods Kingman v. Kellogg Co., 474 F. Supp. 2d 934, 936 (E.D. Tenn. 2006).

2. *Id.* at 936–37.

3. *Id.* at 937.

Kellogg's claims.⁴ The letter closed by saying, "We trust that this letter addresses the concerns of your client to your satisfaction. However, if you wish to discuss these issues further, please give me a call."⁵ The *very next day*, McKee, a Tennessee company, filed a declaratory judgment action in its own backyard—the United States District Court for the Eastern District of Tennessee—seeking a declaration that its conduct was not infringing.⁶

Kellogg moved to dismiss McKee's action, arguing that the court should exercise its discretion to decline jurisdiction over the case because McKee was using "the declaratory remedy . . . merely for the purpose of 'procedural fencing'"—in other words, to beat Kellogg to the courthouse in order to set the forum in a place of McKee's liking, rather than being sued in a far-off destination chosen by Kellogg.⁷ Specifically, Kellogg argued that McKee's requests for extensions, the tone of its response (which invited additional dialogue), and the fact that it waited more than three months to inform Kellogg of the suit, were all evidence of "procedural gamesmanship."⁸ But the court disagreed, holding with little analysis that there was no evidence McKee filed the case solely "to provide an arena for a race for *res judicata*."⁹ In short, the court refused to dismiss.¹⁰

Meanwhile, on June 1, 2004—about a year before the events that gave rise to the Rice Krispies case—"closeout" retail giant Tuesday Morning announced on its website that it would be selling reproductions of the work of famed artist Thomas Kinkade, the so-called "Painter of Light."¹¹ The Kinkade Company, under the belief that the copies Tuesday Morning possessed were unauthorized reproductions, telephoned and wrote the retailer on June 3 to inform it that the sale of the artwork would violate Kinkade's rights.¹² It warned Tuesday Morning—a company with its principal place of business in Texas—that if the parties couldn't resolve their disagreement by 9 a.m. the following day, Kinkade would have no choice but to sue in a federal court in California for copyright infringement,

4. *Id.*

5. *Id.*

6. *Id.* at 936-37.

7. *Id.* at 940.

8. *Id.* at 940-41.

9. *Id.*

10. *Id.* at 941-42.

11. *Mill Creek Press, Inc. v. The Thomas Kinkade Co.*, No. CIV.A.3:04-CV-1213-G, 2004 WL 2607987, at *2 (N.D. Tex. Nov. 16, 2004); THOMAS KINKADE STUDIOS, <https://thomaskinkade.com/> (last visited Aug. 1, 2017).

12. *Mill Creek Press*, 2004 WL 2607987, at *2.

trademark infringement, and false advertising.¹³ The parties' attorneys did agree, however, that neither of them would actually file suit without first notifying the other.¹⁴

On the morning of June 4, the parties all participated in a conference call aimed at settling the dispute.¹⁵ During the call, Tuesday Morning professed a desire for an "amicable resolution."¹⁶ But it was also doing something else at the same time: filing suit on its home turf in the United States District Court for the Northern District of Texas, seeking a declaration of non-infringement.¹⁷ It proceeded through the rest of that conference call, as well as most of a second call later that day, without notifying Kinkade of its filed declaratory judgment action.¹⁸

Like Kellogg in the Rice Krispies case, Kinkade asked the court to dismiss the case, claiming the action was "a 'classic' anticipatory suit."¹⁹ It pointed to the parties' active engagement in settlement discussions and the "swiftness" with which Tuesday Morning reacted to its realization that it could not settle as evidence of an intent to "deprive the party allegedly aggrieved of its choice of forum."²⁰ But unlike the Rice Krispies case, the judge agreed with the defendant, holding that "it appears that the plaintiffs were motivated to file this action by their desire to win a 'race to the courthouse.'"²¹ Similar cases, identical arguments, different results. Why?

B. Unfairly Anticipatory or Fair Game?

To be sure, these cases are not identical, either factually or procedurally. Capable counsel, judges, and scholars can easily argue why the two, despite being extraordinarily similar, could result in different outcomes and yet stand for the exact same proposition. The cases, though, also illustrate the main thrust of this Article: litigants, attorneys, and judges in the federal court system are currently operating under a doctrine that has a likelihood—if not an outright tendency—of producing inconsistent results.

13. *Id.* at *1-2, *4.

14. *Id.* at *3.

15. *Id.*

16. *Id.*

17. *Id.* at *3-4.

18. *Id.* at *3.

19. *Id.* at *7.

20. *Id.* at *8.

21. *Id.*

As the two cases demonstrate, use of the federal Declaratory Judgment Act has become commonplace in the intellectual property context.²² That's hardly surprising, given that these types of cases—where one party claims another's behavior violates a copyright, trademark, or patent, and the challenged party initiates suit to prove its conduct is non-infringing—are *precisely* the sorts of scenarios the framers of the declaratory remedy intended it to address.²³

But judges have *always* been suspect of the declaratory remedy and, as a result, are not always accommodating.²⁴ Federal courts typically point out that nothing in the Declaratory Judgment Act requires them to hear a request for declaratory relief; indeed, their jurisdiction is entirely discretionary.²⁵ Consequently, most U.S. Courts of Appeals have developed a list of factors to assist lower courts in deciding whether to exercise jurisdiction over a declaratory judgment action or dismiss the case.²⁶ One common element circuit courts often point to is whether the suit was brought “anticipatorily” by a plaintiff seeking to establish the forum of its choice, rather than waiting to be sued by the “natural plaintiff” in a less defendant-friendly forum.²⁷ Courts bemoan such “race[s] to the courthouse” as “disorderly” attempts at “procedural fencing.”²⁸

Unfortunately, the courts of appeals have done an atrocious job of providing any meaningful or helpful guidance to lower courts and litigants regarding what constitutes an anticipatory lawsuit. Of course, *all* declaratory judgment actions are anticipatory; indeed *they must be* in order

22. See Russell B. Hill, *Should Anticipation Kill Application of the Declaratory Judgment Act?*, 26 T. JEFFERSON L. REV. 239, 242–43 (2004). Declaratory judgment actions are also common in many other contexts, but this Article focuses on their use in intellectual property cases, primarily because most motions to dismiss in those disputes focus on the anticipatory litigation exception. See, e.g., *Am. Univ. Sys., Inc. v. Am. Univ.*, 858 F. Supp. 2d 705, 711–12 (N.D. Tex. 2012) (focusing on the issue of whether a trademark case was filed anticipatorily rather than on the issue of whether there was a pending state court case involving the same issues).

23. Donald L. Doernberg & Michael B. Mushlin, *The Trojan Horse: How the Declaratory Judgment Act Created a Cause of Action and Expanded Federal Jurisdiction While the Supreme Court Wasn't Looking*, 36 UCLA L. REV. 529, 564 (1989).

24. See *id.* at 554–55.

25. *Wilton v. Seven Falls Co.*, 515 U.S. 277, 286 (1995).

26. *Sherwin-Williams Co. v. Holmes Cty.*, 343 F.3d 383, 390 (5th Cir. 2003).

27. See *id.* at 390 n.2.

28. See *Hanes Corp. v. Millard*, 531 F.2d 585, 591 n.4, 593 (D.C. Cir. 1976), *superseded by statute*, Act of Aug. 27, 1982, Pub. L. No. 96-247, 96 Stat. 317 (codified as amended in 35 U.S.C. § 294 (2012)), *as recognized* in *Nat'l R.R. Passenger Corp. v. Consol. Rail Corp.*, 892 F.2d 1066, 1072 (D.C. Cir. 1990).

to satisfy the “case or controversy” requirement of Article III.²⁹ Still, courts routinely dismiss cases seeking declaratory relief by reasoning that the plaintiff was trying to distort the purpose of the statute and rob the natural plaintiff of its chosen venue.³⁰ They do so by applying a mishmash of factors and rules that lack uniformity and oftentimes clash with the statute’s purpose.³¹

This Article attempts to bring some semblance of order to the “anticipatory lawsuit” exception. Part II will explore the history and purpose of the federal Declaratory Judgment Act in an attempt to better understand why courts are unnecessarily concerned with so-called races to the courthouse and procedural fencing. Part III will focus on how courts have attempted to fashion rules to guide the exercise of their discretionary declaratory judgment jurisdiction. Part IV argues why courts should—for the most part—forget about the anticipation exception and worry instead about factors that are easier to apply and anticipate. Finally, Part V will offer two solutions to those courts unwilling to drop their objections to declaratory filers with itchy trigger fingers. The obvious solution is the establishment of clearer guidelines as to what constitutes a declaratory judgment action brought in bad faith. The second solution will no doubt be more controversial: it would require a would-be declaratory plaintiff to give notice of its intention to file suit, thereby offering the natural plaintiff a fair opportunity to exercise its traditional litigation rights without being unfairly “beaten” to the courthouse.

II. The History and Purpose of the Federal Declaratory Judgment Act

To understand why courts are concerned with declaratory judgment cases they fear are “race[s] for res judicata,”³² it’s helpful to understand the

29. See *Sherwin-Williams*, 343 F.3d at 391–92.

30. See, e.g., *Publ’ns Int’l, Ltd. v. McRae*, 953 F. Supp. 223, 224 (N.D. Ill. 1996) (“[T]he Declaratory Judgment Act’s purpose is to avoid accrual of avoidable damages to one not certain of his rights, and to afford an early adjudication of whatever damages may have accrued when the adversary does not see fit to bring suit. It is not to give the alleged wrongdoer a choice of forum.”)

31. See, e.g., *St. Paul Ins. Co. v. Trejo*, 39 F.3d 585, 590–91 (5th Cir. 1994) (identifying seven factors, three of which duplicate each other with no explainable reason why all are necessary).

32. See, e.g., *Grand Trunk W. R.R. Co. v. Consol. Rail Corp.*, 746 F.2d 323, 326 (6th Cir. 1984) (“Courts have discouraged ‘the use of the declaratory action as a method of procedural fencing, or as a means to provide another arena for a race for res judicata.’” (citing 6A JAMES WM. MOORE ET AL., *MOORE’S FEDERAL PRACTICE* ¶ 57.08, at 57-50 (1st ed. 1938)).

mechanism's historical underpinnings and purpose. Declaratory relief is a relatively new phenomenon in American law.³³ As Wright and Miller point out, "The traditional and conventional concept of the judicial process has been that the courts may act only when a complainant is entitled to a coercive remedy, such as a judgment for damages or an injunction."³⁴ Consequently, it wasn't until a dispute had matured to a point where damages or injunctive relief were appropriate that a court could help an aggrieved plaintiff.³⁵

A. The Birth and Growth of the Declaratory Remedy Abroad and at Home

The declaratory judgment's origins can be traced all the way back to ancient Rome.³⁶ When early European nation-states began incorporating Roman law, the remedy found its way to places like medieval Germany and France.³⁷ The law of Scotland provides the "connecting link between the declaratory action of the Middle Ages and modern English law," and a reported opinion granting declaratory relief can be found as far back as 1541.³⁸

Still, the declaratory judgment didn't blossom in Great Britain until the late 1800s, and as a result, it failed to make the trip "across the pond" when early American law began to take shape in the late eighteenth and early nineteenth centuries.³⁹ Nevertheless, by 1919—when the United States Congress first considered the device—approximately sixty percent of British equity cases were brought under England's declaratory judgment procedure.⁴⁰

As a result, despite states around the globe having utilized declaratory judgments for upwards of hundreds of years, they were "virtually unknown

33. 10B CHARLES ALAN WRIGHT, ET AL., FEDERAL PRACTICE AND PROCEDURE § 2751 (4th ed. 2017) ("Actions for declaratory judgments represent a comparatively recent development in American jurisprudence."); Scott L. Schmookler & Brian Bornstein, *The Strategic Use of Declaratory Judgment Actions in Fidelity Litigation*, 8 FID. L.J. 41, 43 (2002) (discussing "the novelty of declaratory judgment").

34. 10B WRIGHT ET AL., *supra* note 33, at § 2751.

35. *Id.*

36. Edwin M. Borchard, *The Declaratory Judgment—A Needed Procedural Reform [Part I]*, 28 YALE L.J. 1, 12–14 (1918) [hereinafter Borchard, *Part I*].

37. *Id.* at 14–20.

38. *Id.* at 21–22.

39. *Id.* at 25–29.

40. Edwin M. Borchard, *The Supreme Court and the Declaratory Judgment*, 14 A.B.A. J. 633, 634–35 (1928) [hereinafter Borchard, *Supreme Court*].

to American Law” until the early 1900s.⁴¹ That began to change in 1917, when law school Professors Edson Sunderland and Edwin Borchard began leading the charge to introduce declaratory judgments to American jurisprudence.⁴² Professor Borchard, in particular, was relentless.⁴³ As the “leading force behind the American declaratory judgment,” he wrote no less than eight law review articles concerning declaratory judgments⁴⁴ and spoke frequently on the topic.⁴⁵ Courts across the country have dubbed him the “father of the declaratory judgment in the United States.”⁴⁶

Borchard, Sunderland, and their allies made a number of arguments against the common law system’s historical limitation of jurisdiction to cases seeking damages and injunctions.⁴⁷ They pointed out that those remedies could be inadequate in an increasingly complex society and that a system limited to such relief was inevitably expensive, cumbersome, and rife with uncertainty.⁴⁸ They observed that “social equilibrium is disturbed, not merely by a violation of private rights,” but also by actions that leave persons in “grave doubt and uncertainty” about their legal positions.⁴⁹

41. Doernberg & Mushlin, *supra* note 23, at 550.

42. *See generally* Borchard, *Part I*, *supra* note 36; Edwin M. Borchard, *The Declaratory Judgment—A Needed Procedural Reform [Part II]*, 28 YALE L.J. 105 (1918) [hereinafter Borchard, *Part II*]; Edson R. Sunderland, *A Modern Evolution in Remedial Rights—The Declaratory Judgment*, 16 MICH. L. REV. 69 (1917).

43. Doernberg & Mushlin, *supra* note 23, at 550 n.93.

44. *See, e.g.*, Edwin M. Borchard, *Declaratory Judgments in Pennsylvania*, 82 U. PA. L. REV. 317 (1934); Edwin M. Borchard, *Judicial Relief for Peril and Insecurity*, 45 HARV. L. REV. 793 (1932); Edwin M. Borchard & Phoebe Morrison, *Declaratory Judgments in New Jersey*, 1 MERCER BEASLEY L. REV. 1 (1932); Edwin M. Borchard, *The Constitutionality of Declaratory Judgments*, 31 COLUM. L. REV. 561 (1931); Edwin M. Borchard, *The Declaratory Judgment in the United States*, 37 W. VA. L.Q. 127 (1931); Edwin M. Borchard, *Declaratory Judgments*, 3 U. CIN. L. REV. 24 (1929); Borchard, *Supreme Court*, *supra* note 40; Borchard, *Part II*, *supra* note 42; Borchard, *Part I*, *supra* note 36.

45. Doernberg & Mushlin, *supra* note 23, at 550 n.93.

46. *Id.* at 551 n.93; *see, e.g.*, *Gov’t Emps. Ins. Co. v. Dizol*, 108 F.3d 999, 1013 (9th Cir. 1997), *vacated on reh’g en banc*, 133 F.3d 1220 (9th Cir. 1998); *United States Fid. & Guar. Co. v. Koch*, 102 F.2d 288, 290 (3d Cir. 1939); *Panama Processes S.A. v. Cities Serv. Co.*, 362 F. Supp. 735, 738 (S.D.N.Y. 1973), *aff’d*, 496 F.2d 533 (2d Cir. 1974); *Mayor of El Dorado v. El Dorado Broad. Co.*, 544 S.W.2d 206, 214 (Ark. 1976) (Fogleman, J., dissenting); *Lloyd v. Campbell*, 189 N.E.2d 660, 669 (Ohio Prob. Ct. 1963), *aff’d in part and rev’d in part*, 196 N.E.2d 786 (Ohio Ct. App. 1964).

47. Doernberg & Mushlin, *supra* note 23, at 551.

48. *Id.*

49. *Id.* at 551–52 (quoting Borchard, *Part I*, *supra* note 36, at 2).

In the reformers' view, a system that offered only "remedial adjudication"⁵⁰ suffered from three structural problems:

First, it failed to address the plight of a person embroiled in a dispute who, limited by traditional remedies, could not have the controversy adjudicated because the opposing party had the sole claim to traditional relief and chose not to use it. Second, the traditional system of remedies harmed parties by forcing them to wait an unnecessarily long time before seeking relief. Third, the reformers criticized the harshness of damage and injunctive awards. Even when they could be invoked, they were thought to hamper litigants who did not need or desire coercive relief.⁵¹

To address these problems, Borchard and Sunderland argued for the creation of a remedy that would effectively expand jurisdiction in two ways: first, by permitting a "role reversal" from the traditional casting of parties—that is, allowing one party to a dispute to sue the other, even when that other party is the one who is traditionally aggrieved; and second, by permitting courts to hear claims sooner than might otherwise be possible—that is, requiring only that a genuine dispute exist between the parties, rather than some definite violation of a right.⁵²

Even though many agreed with Borchard and Sunderland's articulations of the problems with a declaratory judgment-less system, these expansions of jurisdiction were a bridge too far for most courts and federal legislators.⁵³ The first federal Declaratory Judgment Act was proposed in 1919⁵⁴ but was never enacted.⁵⁵ Despite being introduced in every session of Congress from 1919 to 1932, it wasn't until 1934, fifteen years after its original introduction, that declaratory judgment actions finally became law.⁵⁶

In the meantime, states began passing their own declaratory judgment statutes. By 1920, three states (Wisconsin, Florida, and Michigan) had passed declaratory judgment laws, while four other states (Connecticut, Maryland, New Jersey, and Rhode Island) had passed more limited

50. Samuel L. Bray, *Preventive Adjudication*, 77 U. CHI. L. REV. 1275, 1276 (2010).

51. Doernberg & Mushlin, *supra* note 23, at 552–53 (footnotes omitted).

52. *Id.* at 554–55.

53. *Id.*

54. S. 5304, 65th Cong. (3d Sess. 1919).

55. Doernberg & Mushlin, *supra* note 23, at 554, 561.

56. *Id.* at 561. The bill actually passed the United States House of Representatives in 1926, 1928, and 1932. *Id.* at 561 n.148 (citing H.R. 4624, 72d Cong. (1932); H.R. 5623, 70th Cong. (1928); H.R. 5365, 69th Cong. (1926)).

statutes.⁵⁷ In 1922, the Commissioners on Uniform State Laws amended a proposed Uniform Declaratory Judgment Act.⁵⁸ By the time Congress finally passed the federal statute in 1934, a majority of states had a declaratory judgment act.⁵⁹ By 1949, only Arkansas, Louisiana, Mississippi, and Oklahoma were without one.⁶⁰

B. *The Supreme Court's Role*

The Supreme Court owns most of the blame for the federal law's slow passage.⁶¹ In a trio of cases decided in 1927 and 1928, the Court rejected various declaratory judgment requests, mostly on Article III "case-or-controversy" grounds.⁶² The last of the three, *Willing v. Chicago Auditorium Ass'n*, was certainly the most harmful to the declaratory judgment movement.⁶³ In that case, the long-term lessee-operator of the Chicago Auditorium was locked in an argument with the landowner over whether the lessee could tear down the building—which the lessee had itself built—to construct something larger.⁶⁴ The lessee sued in Illinois state court for a declaration to resolve the dispute.⁶⁵ The lessor-defendants removed the case to federal court and then moved to dismiss.⁶⁶ Ultimately,

57. *Id.* at 555 n.117.

58. *Id.* at 557, 561 n.148. The first uniform act was proposed in 1920. NAT'L CONFERENCE OF COMM'RS ON UNIF. STATE LAWS, HANDBOOK OF THE NATIONAL CONFERENCE OF COMMISSIONERS ON UNIFORM STATE LAWS 188 (1920). But that same year, the Supreme Court of Michigan handed down its decision in *Anway v. Grand Rapids Railway Co.*, 179 N.W. 350 (Mich. 1920). There, the court "reacted harshly to what it saw as the frightening implications of a procedure permitting" a declaratory judgment. Doernberg & Mushlin, *supra* note 23, at 556. In a "lengthy and scathing rejection," the court held Michigan's statute unconstitutional because it permitted "determinations of abstract propositions of law," thereby conferring nonjudicial power on the courts. *Id.* at 556-57 (quoting *Anway*, 179 N.W. at 355). Recognizing the danger *Anway* posed to any new state laws, the Commission amended the uniform statute to authorize only cases already within the courts' "respective jurisdictions." *Id.* at 557. "This amendment was intended to signal what the drafters thought apparent: the declaratory judgment is not designed to permit adjudication of moot cases or rendition of advisory opinions." *Id.* at 557-58.

59. *Id.* at 561 n.148.

60. *Id.*

61. *Id.* at 558.

62. *Willing v. Chi. Auditorium Ass'n*, 277 U.S. 274, 284 (1928); *Liberty Warehouse Co. v. Burley Tobacco Growers' Co-op Mktg. Ass'n*, 276 U.S. 71, 89 (1928); *Liberty Warehouse Co. v. Grannis*, 273 U.S. 70, 76 (1927).

63. Borchar, *Supreme Court*, *supra* note 40, at 635.

64. *Willing*, 277 U.S. at 284-85.

65. *Id.* at 287-88.

66. *Id.* at 283-84.

the Supreme Court held that the case should have been dismissed because the facts did not present “a case or controversy within the meaning of article 3 of the Constitution.”⁶⁷ This was true, according to the Court, even though the question presented was not abstract, the case was not moot, the parties were adverse, and the plaintiff had a substantial, definite and specific interest in the declaration it sought.⁶⁸

The Supreme Court’s trilogy of cases in 1927 and 1928 thus served as a “judicial check” on the federal bill’s passage.⁶⁹ It wasn’t until five years later, when the Supreme Court performed an about-face, that the landscape changed. In *Nashville, Chattanooga & St. Louis Railway v. Wallace*, a railroad brought a case in Tennessee state court seeking a declaration under that state’s Uniform Declaratory Judgments Act that an excise tax violated the Commerce Clause and Fourteenth Amendment.⁷⁰ The Tennessee Supreme Court denied relief, and the Supreme Court granted certiorari specifically on the question of “whether a case or controversy is presented, in view of the nature of the proceedings in the state courts.”⁷¹

Notwithstanding its previous opinions, the decision of the Court was unanimous.⁷² Ushering in an entirely new era of jurisprudence, it held “the Constitution does not require that the case or controversy should be presented by traditional forms of procedure, invoking only traditional remedies.”⁷³ Opining that the railroad’s case was “real and substantial,” the Court held that it had the constitutional power to decide the merits.⁷⁴

C. *The Intent of Congress*

Following the Supreme Court’s blessing of “preventive adjudication,”⁷⁵ Congress finally passed the federal Declaratory Judgment Act in 1934.⁷⁶

67. *Id.* at 289.

68. *Id.* at 289–90.

69. Note, *Declaratory Relief in the Supreme Court*, 45 HARV. L. REV. 1089, 1090 (1932). “The strong statements by the Supreme Court in these . . . cases to the effect that courts established under Article III of the Constitution could not be called upon to render a declaratory decision seem effectually to have forestalled congressional action upon declaratory judgments.” *Id.*

70. 288 U.S. 249, 258 (1933).

71. *Id.* at 259.

72. *Id.* at 258, 268.

73. *Id.* at 264.

74. *Id.* at 264–65.

75. Bray, *supra* note 50, at 1276.

76. Act of June 14, 1934, ch. 512, 48 Stat. 955 (current version at 28 U.S.C. §§ 2201–2202 (2012)). In relevant part, the statute reads:

Interestingly, it did so “without any hearings and with virtually no discussion.”⁷⁷ Still, having held three hearings on identical legislation in the 1920s, there’s a fair bit of legislative history on which to rely to discern the intent of Congress.⁷⁸ And that history reveals that Congress, in passing the statute, intended to expand courts’ jurisdiction⁷⁹ over two types of cases that theretofore could not be heard: the “federal-defense” case, and the “mirror-image” case.⁸⁰

A federal-defense case exists when a party desires to engage in conduct that is subject to some sort of sanction, but can only test the legality of that

In a case of actual controversy within its jurisdiction . . . any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought. Any such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such.

28 U.S.C. § 2201. It goes on to state: “Further necessary or proper relief based on a declaratory judgment or decree may be granted, after reasonable notice and hearing, against any adverse party whose rights have been determined by such judgment.” *Id.* § 2202.

77. Doernberg & Mushlin, *supra* note 23, at 561. In both the House and the Senate, discussion amounted to summaries of the Bill by its sponsors, which was voted on via voice vote in both chambers. 78 CONG. REC. 10564-65, 10919 (1934) (consideration of the Bill by the Senate); 78 CONG. REC. 8224 (1934) (consideration of the Bill by the House).

78. Doernberg & Mushlin, *supra* note 23, at 561–62. As Doernberg and Mushlin correctly note, “It is common for a court to rely on hearings conducted in Congresses prior to the session in which the statute was enacted.” *Id.* at 561 n.152.

79. Admittedly, I’m being a bit casual with my use of the word “jurisdiction.” The Supreme Court has specifically held that “the operation of the Declaratory Judgment Act is procedural only.” *Aetna Life Ins. Co. of Hartford, Conn. v. Haworth*, 300 U.S. 227, 240 (1937); *see also* *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 138 (2007) (Thomas, J., dissenting) (noting that “[t]he Declaratory Judgment Act did not (and could not) alter the constitutional definition of ‘case or controversy’ or relax Article III’s command that an actual case or controversy exist before federal courts may adjudicate a question,” and thus that *Aetna* stood for the proposition that the statute “merely provides a different procedure for bringing an actual case or controversy before a federal court”). Nevertheless, numerous commentators have observed and argued that the Supreme Court’s “procedural only” insinuations frustrate congressional intent, are “neither analytically sound nor practical,” and may be flat-out wrong, insofar as “the Court has endorsed cases and procedures that permit the Act to expand federal question jurisdiction.” Doernberg & Mushlin, *supra* note 23, at 532–33 (citing Herman L. Trautman, *Federal Right Jurisdiction and the Declaratory Remedy*, 7 VAND. L. REV. 445, 463 (1954); James W. Barnett, Note, *Federal Question Jurisdiction and the Declaratory Judgment Act*, 55 KY. L.J. 150 (1966); Frank M. Gilliland, Jr., Note, *Federal Question Jurisdiction of Federal Courts and the Declaratory Judgment Act*, 4 VAND. L. REV. 827 (1951)).

80. Doernberg & Mushlin, *supra* note 23, at 563–64.

sanction by engaging in the conduct, subjecting himself to prosecution, and then raising the issue as a defense.⁸¹ Professor Borchard testified that a declaratory judgment offered the obvious advantage of allowing an actor to test the validity of a law without having to “violate it, or purport to violate it, in order to get a decision.”⁸² “Thus, Congress clearly knew that the declaratory judgment procedure allowed an action to assert a federal defense to an anticipated action by the opposing party.”⁸³

More common—and, particularly in the context of this Article, more important—is the mirror-image action.⁸⁴ In these cases, two parties are locked in a dispute, but the “injured” party—that is, the party who would normally be entitled to bring a civil suit—for whatever reason chooses not to do so.⁸⁵ These types of scenarios are particularly prevalent in federal patent, trademark, and copyright cases.⁸⁶ As Professor Sunderland testified:

I assert that I have a right to use a certain patent. You claim that you have a patent. What am I going to do about it? There is no way that I can litigate my right, which I claim, to use that device, except by going ahead and using it, and you [the patent holder] can sit back as long as you please and let me run up just as high a bill of damages as you wish to have me run up, and then you may sue me for the damages, and I am ruined, having acted all the time in good faith and on my best judgment, but having no way in the world to find out whether I had a right to use that device or not.⁸⁷

Professor Borchard called this type of declaratory judgment a “negative declaration.”⁸⁸

This alteration of the “forensic position of the litigants”⁸⁹ was not only revolutionary,⁹⁰ it was precisely what Congress desired to offer through the

81. *Id.* at 564–65.

82. *Id.* at 565 (quoting *Hearings on H.R. 5623 Before a Subcomm. of the S. Comm. on the Judiciary*, 70th Cong. 19 (1928) [hereinafter *Hearings on H.R. 5623*]).

83. *Id.*

84. *Id.* at 564.

85. *Id.* at 553.

86. *Id.* at 564.

87. *Hearings on H.R. 5623*, *supra* note 82, at 35.

88. Borchard, *Part I*, *supra* note 36, at 8.

89. EDWIN BORCHARD, *DECLARATORY JUDGMENTS* 233 (2d ed. 1941).

90. Professor Herman Trautman called the role-reversal “the most striking feature[] of the declaratory remedy.” Trautman, *supra* note 79, at 463.

creation of the declaratory judgment remedy.⁹¹ But one side effect of the mirror-image case, which went totally undiscussed during congressional hearings, is its potential to be abused by litigants seeking to gain strategic advantages in the litigation.⁹² And that abuse—or, at least, fear of abuse—is the focus of the remainder of this Article.

III. Let's Race!: How Courts Have Tried to Deal with the "Problem" of Anticipatory Litigation

Here's a common scenario: A company (oh, let's call it "Infinity 42") decides to make and sell a product (for sake of the example, let's say, clothing).⁹³ It designs, manufactures, and begins to market the clothing, and it quickly realizes financial success.⁹⁴ But before long, another clothing company (let's call it "Tooshi") gets wind of the sales and believes Infinity's designs are copies of Tooshi's.⁹⁵ Tooshi issues what is commonly known as a cease-and-desist letter—a written, formal demand that one discontinue a particular course of conduct or else be sued—alleging infringement of Tooshi's copyrighted works and trademarks.⁹⁶

What's Infinity 42 to do? Generally speaking, it has three choices: (1) it could comply with the letter and cease whatever behavior it's been asked to stop, which will presumably allow it to avoid costly litigation; (2) it could continue its conduct and effectively ignore the letter's demands, which will likely prompt Tooshi to follow through on its threat of a lawsuit; or (3) it could, under the Declaratory Judgment Act, take the offensive and file its own lawsuit, asking a court for a declaration that its clothing does not infringe Tooshi's intellectual property.⁹⁷ Assuming Infinity 42 is not inclined to opt for the first choice (ceasing its conduct), litigation is nearly

91. Doernberg & Mushlin, *supra* note 23, at 565. "[Witness discussion of the mirror-image case] shows Congress meant to extend jurisdiction beyond limitations subsequently imposed by the Court." *Id.* at 564.

92. John W. Lilley III, *Preemptive Federal Declaratory Judgment Actions: Beating the Other Side to the Courthouse*, 72 TEX. B.J. 186, 187 (2009).

93. See Maria Bobila, *Forever 21 Claps Back at Gucci over Cease-and-Desists Involving Stripes [Updated]*, FASHONISTA (June 28, 2017), <https://fashionista.com/2017/06/gucci-forever-21-stripes-lawsuit>.

94. *See id.*

95. *See id.*

96. *See id.*

97. See Barbara Thau, *Gucci Versus Forever 21: Legal Fashion Experts Disagree on Alleged "Knockoff" Drama*, FORBES (July 11, 2017, 11:12 AM), <https://www.forbes.com/sites/barbarathau/2017/07/11/gucci-versus-forever-21-legal-fashion-experts-disagree-on-alleged-knockoff-drama/#27d9ed436e78>.

certain.⁹⁸ As Infinity 42 begins to look ahead toward that reality, it wonders: Where will this lawsuit take place?⁹⁹ Here at home? Or thousands of miles away?

Choosing *where* to litigate a particular civil lawsuit is no trivial matter.¹⁰⁰ Aside from *legal* disparities like variations in substantive or procedural law, differing venues present a host of *non-legal* variables that can and do affect litigation outcomes—things like the demographics of judges and jurors, the speed (or lack thereof) of disposition, the parties' and counsel's reputation in the community, and counsel's familiarity with a particular judge's preferences, just to name a few.¹⁰¹

Let's say Infinity 42 is headquartered in Los Angeles, California.¹⁰² It employs hundreds of people there and has a palpable effect on the local economy.¹⁰³ It sells its clothing nation- and worldwide, and thus presumably would be prone to a suit just about anywhere.¹⁰⁴ Undoubtedly, though, it would prefer to litigate on its home turf in California, where jurors may recognize it as a valued member of the local community.¹⁰⁵ So it shouldn't be surprising that the availability of a declaratory judgment can create, in many cases, a race to the courthouse whenever a defendant smells

98. *See id.*

99. *See* Michael Cavendish, *Understanding the First-to-File Rule and Its Anticipatory Suit Exception*, 75 FLA. B.J. 24, 24 (2001).

100. *See id.*

101. *See id.* Perhaps the best example in recent times is the prevalence of patent suits filed in the Eastern District of Texas, "a largely rural federal court district that has somehow attracted a huge volume of high-tech patent litigation." Daniel Nazer & Vera Ranieri, *Why Do Patent Trolls Go to Texas? It's Not for the BBQ*, ELECTRONIC FRONTIER FOUND. (July 9, 2014), <https://www.eff.org/deeplinks/2014/07/why-do-patent-trolls-go-texas-its-not-bbq>. Prior to 2017, nearly one in four patent plaintiffs filed their suits there, mostly due to the district's "rocket docket" approach that arguably puts pressure on defendants to settle. *Id.*; Jesse Greenspan, "Rocket Dockets" Gaining on Popular E. Texas Court, LAW360 (Feb. 7, 2008, 12:00 AM), <https://www.law360.com/articles/46485>; Loren Steffy, *Patently Unfair*, TEX. MONTHLY (Oct. 2014), <http://www.texasmonthly.com/politics/patently-unfair/>. That will no doubt change on account of the Supreme Court's May 2017 opinion in *TC Heartland LLC v. Kraft Foods Group Brands LLC*, 137 S. Ct. 1514 (2017). Dennis Crouch, *Supreme Court Reins in Patent Venue*, PATENTLY-O (May 22, 2017), <https://patentlyo.com/patent/2017/05/supreme-court-reins-patent.html>.

102. *See* Adolfo Flores, *Forever 21 Opens New L.A. Headquarters Amid Expansion Plans*, L.A. TIMES (Nov. 14, 2012), <http://articles.latimes.com/2012/nov/14/business/la-fi-mo-forever-21-headquarters-20121114>.

103. *Id.*

104. *See id.*; *Walden v. Fiore*, 134 S. Ct. 1115, 1121–24 (2014).

105. *See* Bobila, *supra* note 93.

a whiff of potential litigation.¹⁰⁶ The reason? The “first-to-file” rule.¹⁰⁷ A canon rooted in federal comity, the first-to-file rule rewards the party who wins the race with the spoils of home-field advantage.¹⁰⁸ Simply put, the rule more or less directs a court to transfer, stay, or dismiss a case when a similar action has already been filed in another court.¹⁰⁹

A. Operation of the First-to-File Rule

The Supreme Court first recognized the first-to-file rule in 1824:¹¹⁰ “Admitting, then, the concurrent jurisdiction of the Courts of equity and law, in matters of fraud, we think the cause must be decided by the tribunal which first obtains possession of it, and that each Court must respect the judgment or decree of the other.”¹¹¹ This makes perfect sense, of course. Imagine the implications of a typical mirror-image copyright suit, where Party A sues Party B for infringement in one venue, and Party B sues Party A for a declaration of non-infringement in another.¹¹² If both courts were to simultaneously hear their respective cases—which involve the very same parties and very same issues—and come to different conclusions (for example, Party B is judged to have infringed in one case, but not in the second), how could any judgment be enforced?¹¹³

As the example makes clear, the first-to-file rule serves incredibly important policy goals.¹¹⁴ The most frequently stated goal is comity, which requires federal district courts “to exercise care to avoid interference with each other’s affairs.”¹¹⁵ Another goal is efficiency and the avoidance of

106. See *Guthy-Renker Fitness, L.L.C. v. Icon Health & Fitness, Inc.*, 179 F.R.D. 264, 271 (C.D. Cal. 1998); *Lilley*, *supra* note 92, at 187.

107. D. Peter Harvey & Seth I. Appel, *The Declaratory Judgment Response to a Cease And Desist Letter: “First-to-File” or “Procedural Fencing”?*, 96 TRADEMARK REP. 639, 640 (2006).

108. *Cavendish*, *supra* note 99, at 24.

109. *Alltrade, Inc. v. Uniweld Prods., Inc.*, 946 F.2d 622, 623 (9th Cir. 1991).

110. Michael A. Cicero, *First-to-File and Choice-of-Forum Roots Run Too Deep for Micron to Curb Most Races to the Courthouse*, 90 J. PAT. & TRADEMARK OFF. SOC’Y 547, 550 (2008).

111. *Smith v. M’Iver*, 22 U.S. 532, 536 (1824).

112. See *Hill*, *supra* note 22, at 247.

113. See *id.* at 245–46.

114. Julie Vanneman, Note, *Procedural Fencing in Retiree Benefits Disputes: Applications of the First-Filed Rule in Federal Courts*, 69 U. PITT. L. REV. 123, 130 (2007).

115. *W. Gulf Mar. Ass’n v. ILA Deep Sea Local 24*, 751 F.2d 721, 728 (5th Cir. 1985).

duplicative litigation.¹¹⁶ Yet another is the avoidance of “piecemeal resolution of issues that call for a uniform result.”¹¹⁷

The Ninth Circuit has articulated one of the most frequently cited first-to-file-rule tests, presumably due to its simplicity and straightforwardness.¹¹⁸ It employs three factors: “(1) the chronology of the two actions; (2) the similarity of the parties; and (3) the similarity of the issues.”¹¹⁹ The latter two factors don’t necessarily require *exact* matches, but there should be significant—if not *nearly identical*—overlap.¹²⁰

Assuming that the doctrine is invoked by establishing a first-filed case that involves the same parties and issues, a court will typically invoke a presumption in favor of the first-to-file rule.¹²¹ As the Ninth Circuit has observed, the rule “should not be disregarded lightly”¹²² unless (1) the balance of convenience strongly favors the forum of the second-filed case;¹²³ or (2) there are special or compelling circumstances that justify

116. *Crosley Corp. v. Hazeltine Corp.*, 122 F.2d 925, 930 (3d Cir. 1941) (“The economic waste involved in duplicating litigation is obvious. Equally important is its adverse effect upon the prompt and efficient administration of justice. . . . [P]ublic policy requires us to seek actively to avoid the waste of judicial time and energy. Courts already heavily burdened with litigation with which they must of necessity deal should therefore not be called upon to duplicate each other’s work in cases involving the same issues and the same parties.”).

117. *W. Gulf Mar. Ass’n*, 751 F.2d at 729.

118. *See, e.g.*, *Plating Resources, Inc. v. UTI Corp.*, 47 F. Supp. 2d 899, 903 (N.D. Ohio 1999) (“In deciding whether the first-to-file rule warrants transferring this case, the Court finds the Ninth Circuit Court of Appeals’ decision in *Alltrade* to be instructive.”).

119. *Guthy-Renker Fitness, L.L.C. v. Icon Health & Fitness, Inc.*, 179 F.R.D. 264, 270 (C.D. Cal. 1998) (citing *Alltrade, Inc. v. Uniweld Prods., Inc.*, 946 F.2d 622, 625–26 (9th Cir. 1991)).

120. *Cadle Co. v. Whataburger of Alice, Inc.*, 174 F.3d 599, 603 (5th Cir. 1999); *Plating Resources*, 47 F. Supp. 2d at 904; *EBW, Inc. v. Environ Prods., Inc.*, No. 1:96–CV–144, 1996 WL 550020, at *3 (W.D. Mich. July 8, 1996).

121. *See, e.g.*, *Terra Int’l, Inc. v. Miss. Chem. Corp.*, 922 F. Supp. 1334, 1353 n.13 (“[T]he rule is more than a ‘starting place’ for the analysis, but instead states a rebuttable presumption that the first-filed suit should have priority.”). *But see* *Tempco Elec. Heater Corp. v. Omega Eng’g, Inc.*, 819 F.2d 746, 750 (7th Cir. 1987) (“This circuit has never adhered to a rigid ‘first to file’ rule. . . . Although a ‘first to file’ rule would have the virtue of certainty and ease of application . . . the cost—a rule which will encourage an unseemly race to the courthouse and, quite likely, numerous unnecessary suits—is simply too high.”)

122. *Church of Scientology of Cal. v. U.S. Dep’t of the Army*, 611 F.2d 738, 750 (9th Cir. 1979), *overruled on other grounds by* *Animal Legal Def. Fund v. U.S. Food & Drug Admin.*, 836 F.3d 987, 990 (9th Cir. 2016).

123. James P. George, *Parallel Litigation*, 51 BAYLOR L. REV. 769, 786 (1999). The “balance of convenience” analysis resembles an inconvenient forum challenge under 28 U.S.C. § 1404(a). *Id.* at 787 (citing *800-Flowers, Inc. v. Intercontinental Florists, Inc.*, 860 F.

dismissing, enjoining, or transferring the first action, or perhaps allowing both to be litigated.¹²⁴ Varying applications of the “compelling circumstances” exception¹²⁵—the wellspring of the anticipatory suit exception—is what leads to such inconsistent results.

Much of the blame for the confusion can be traced back to the Supreme Court.¹²⁶ In the case of *Kerotest Manufacturing Co. v. C-O-Two Fire Equipment Co.*, the Court lamented that “[t]he Federal Declaratory Judgments Act, facilitating as it does the initiation of litigation by different parties to many-sided transactions, has created complicated problems for coordinate courts.”¹²⁷ It suggested that “wise judicial administration” may militate against a “rigid mechanical” application of the first-to-file rule, and ultimately left lower courts with this warning: “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.”¹²⁸

Supp. 128, 133 (S.D.N.Y. 1994); *Igloo Prods. Corp. v. Mounties, Inc.*, 735 F. Supp. 214, 218 (S.D. Tex. 1990)).

124. George, *supra* note 123, at 786–87.

125. Professor George identifies at least eleven instances that could constitute a compelling circumstance:

- (1) the similarity of the claims, though perfect identity is not required;
- (2) the relative progress of the two cases;
- (3) the existence of a forum selection clause;
- (4) a plaintiff’s need to litigate that claim individually rather than join a class;
- (5) the need to consolidate related actions;
- (6) multidistrict litigation transfer for pretrial purposes;
- (7) lack of notice of the first-filed claim;
- (8) having jurisdiction over necessary or desirable parties;
- (9) discouragement of forum shopping;
- (10) the bad faith filing of a declaratory judgment action; and
- (11) ‘state interest’ of the second forum.

Id. at 787–88 (footnotes omitted). Although he does not mention the “anticipatory filing” exception by name, it would seem to fall under either the forum shopping justification, the bad faith justification, or both. *See, e.g.*, *909 Corp. v. Vill. of Bolingbrook Police Pension Fund*, 741 F. Supp. 1290, 1292–93 (S.D. Tex. 1990) (holding that the court “cannot allow a party to secure a more favorable forum by filing an action for declaratory judgment when it has notice that the other party intends to file suit involving the same issues in a different forum,” as doing so would provoke a disorderly race to the courthouse).

126. *See* Cicero, *supra* note 110, at 552–54.

127. 342 U.S. 180, 184 (1952) (footnotes omitted).

128. *Id.* at 184–85.

B. Where Two Roads Meet: Discretion Under the Declaratory Judgment Act and the First-to-File Rule

Despite mirror-image actions being one of the types of cases Congress intended to authorize through the Declaratory Judgment Act, some courts—in the mold of the Supreme Court’s *Kerotest* opinion—have held that “[w]hen a declaratory judgment action is the first-filed case . . . the situation raises a ‘red flag’ and could reveal compelling circumstances. . . . This is because a declaratory judgment action ‘may be more indicative of a preemptive strike than a suit for damages or equitable relief.’”¹²⁹ The idea, in short, is that a declaratory plaintiff is somehow abusing the statute when it files its own claim while at the same time knowing with some certainty that the defendant—or, really, the natural plaintiff—intends on filing suit.¹³⁰ As the D.C. Circuit has written:

Certainly one of the most common and indisputably appropriate uses of the declaratory judgment procedure is to enable one who has been charged with patent infringement to secure a binding determination of whether proposed conduct will infringe a patent in question without waiting until he becomes the defendant in an actual infringement suit. The purpose of granting declaratory relief to one potentially liable for infringement is to allow him to know in advance whether he may legally pursue a particular course of conduct. . . . [But the Plaintiff in this case] is instead in the position of one who desires an anticipatory adjudication, at the time and place of its choice, of the validity of the defenses it expects to raise against patent-related claims it expects to be pressed against it. *The anticipation of defenses is not ordinarily a proper use of the declaratory judgment procedure.* It deprives the plaintiff of his traditional choice of forum and timing, and it provokes a disorderly race to the courthouse. Thus, as an initial

129. See, e.g., *Commercial Union Ins. Cos. v. Torbaty*, 955 F. Supp. 1162, 1163 (E.D. Mo. 1997) (quoting *Nw. Airlines, Inc. v. Am. Airlines, Inc.*, 989 F.2d 1002, 1007 (8th Cir. 1993)).

130. See, e.g., *Cunningham Bros., Inc. v. Bail*, 407 F.2d 1165, 1167–68 (7th Cir. 1969) (“[T]o compel potential personal injury plaintiffs to litigate their claims at a time and in a forum chosen by the alleged tort-feasor would be a perversion of the Declaratory Judgment Act.”). “The primary purpose of that Act is ‘to avoid accrual of avoidable damages to one not certain of his rights and to afford him an early adjudication without waiting until his adversary should see fit to begin suit, after damage had accrued.’” *Id.* (quoting *E. Edelmann & Co. v. Triple-A Specialty Co.*, 88 F.2d 852, 854 (7th Cir. 1937) (other citations omitted)).

matter, we would be skeptical that a declaratory judgment action relating to an expired patent should be entertained.¹³¹

Although the Declaratory Judgment Act authorized the bringing of an entirely new type of lawsuit, it was nearly universally understood from the beginning that the statute did not *require* a federal court to assume jurisdiction over such a case.¹³² By saying “any court of the United States, upon the filing of an appropriate pleading, *may* declare the rights and other legal relations of any interested party seeking such declaration,” Congress left whether to hear the suit to the discretion of the court.¹³³ As the Supreme Court has noted, “[w]e have repeatedly characterized the Declaratory Judgment Act as ‘an enabling Act, which confers a discretion on the courts rather than an absolute right upon the litigant.’”¹³⁴

If there was ever any doubt about the courts’ power to decline to hear declaratory judgment cases, the Supreme Court disabused us of that notion in *Wilton v. Seven Falls Co.*¹³⁵ There, the declaratory plaintiffs argued that two other Supreme Court cases—*Colorado River Water Conservation District v. United States*¹³⁶ and *Moses H. Cone Memorial Hospital v. Mercury Construction Corp.*¹³⁷—stood for the proposition that the discretionary language in the statute only meant that a district court wasn’t required to grant the relief the declaratory plaintiff sought.¹³⁸ “District courts *must* hear declaratory judgment cases absent exceptional circumstances; district courts *may* decline to enter the requested relief

131. *Hanes Corp. v. Millard*, 531 F.2d 585, 592–93 (D.C. Cir. 1976) (emphasis added) (citations omitted), *superseded by statute*, Act of Aug. 27, 1982, Pub. L. No. 96-247, 96 Stat. 317 (codified as amended in 35 U.S.C. § 294 (2012)), *as recognized* in Nat’l R.R. Passenger Corp. v. *Consol. Rail Corp.*, 892 F.2d 1066, 1072 (D.C. Cir. 1990).

132. *Wilton v. Seven Falls Co.*, 515 U.S. 277, 286 (1995); *Brillhart v. Excess Ins. Co. of Am.*, 316 U.S. 491, 494 (1942); BORCHARD, *supra* note 89, at 312–14; Edwin Borchard, *Discretion to Refuse Jurisdiction of Actions for Declaratory Judgments*, 26 MINN. L. REV. 677, 678 (1942).

133. 28 U.S.C. § 2201 (2012) (emphasis added); *Wilton*, 515 U.S. at 286; *Brillhart*, 316 U.S. at 494. “Although the District Court had jurisdiction of the suit under the Federal Declaratory Judgments Act, 28 U.S.C.A. § 400, it was under no compulsion to exercise that jurisdiction. The petitioner’s motion to dismiss the bill was addressed to the discretion of the court.” *Id.* (citations omitted).

134. *Wilton*, 515 U.S. at 287 (quoting *Public Serv. Comm’n of Utah v. Wycoff Co.*, 344 U.S. 237, 241 (1952)).

135. *Id.*

136. 424 U.S. 800 (1976).

137. 460 U.S. 1 (1983).

138. *Wilton*, 515 U.S. at 287.

following a full trial on the merits, if no beneficial purpose is thereby served or if equity otherwise counsels,” the Petitioners argued.¹³⁹

The Supreme Court, predictably, rejected that approach:

[The Plaintiffs’] argument depends on the untenable proposition that a district court, knowing at the commencement of litigation that it will exercise its broad statutory discretion to decline declaratory relief, must nonetheless go through the futile exercise of hearing a case on the merits first. Nothing in the language of the Declaratory Judgment Act recommends [the Plaintiffs’] reading, and we are unwilling to impute to Congress an intention to require such a wasteful expenditure of judicial resources. If a district court, in the sound exercise of its judgment, determines after a complaint is filed that a declaratory judgment will serve no useful purpose, it cannot be incumbent upon that court to proceed to the merits before staying or dismissing the action.¹⁴⁰

Rather, the Court reaffirmed that “Congress sought to place a remedial arrow in the district court’s quiver; it created an opportunity, rather than a duty, to grant a new form of relief to qualifying litigants.”¹⁴¹ And although it framed that “opportunity” in terms of discretion, the Court hasn’t done much to define the bounds of that discretion.¹⁴² In *Brillhart v. Excess Insurance Co. of America*—a federal declaratory judgment case concerning claims that were also pending in a state court case—the Court opined that a district judge “should ascertain whether the questions in controversy between the parties to the federal suit, and which are not foreclosed under the applicable substantive law, can better be settled in the proceeding pending in the state court.”¹⁴³ But beyond that, the Court declined to go much further: “We do not now attempt a comprehensive enumeration of

139. *Id.* (quoting Brief for Petitioners at 22).

140. *Id.* at 287–88.

141. *Id.* at 288.

142. *See Brillhart v. Excess Ins. Co. of Am.*, 316 U.S. 491, 494–95 (1942).

143. *Id.* at 495.

This may entail inquiry into the scope of the pending state court proceeding and the nature of defenses open there. The federal court may have to consider whether the claims of all parties in interest can satisfactorily be adjudicated in that proceeding, whether necessary parties have been joined, whether such parties are amenable to process in that proceeding, etc.

Id.

what in other cases may be revealed as relevant factors governing the exercise of a district court's discretion."¹⁴⁴

Nor has the Supreme Court since *Brillhart* offered a specific list of factors for lower courts to employ in exercising their discretion. Instead, it has merely referred to "considerations of practicality and wise judicial administration."¹⁴⁵ Consequently, it has fallen to the circuit courts to establish the contours of federal courts' discretion to hear declaratory judgment actions.¹⁴⁶ Almost uniformly, the circuits have employed that discretion to target declaratory judgment actions they see as improper attempts to gain a litigation advantage.¹⁴⁷ This targeting, taken together with courts' inherent discretion to disregard the first-to-file rule in "compelling circumstances,"¹⁴⁸ has resulted in a dangerously loose general framework to guide the discretionary hearing of declaratory judgment actions.

C. A Case Study: The Fifth Circuit Court of Appeals

Most of the U.S. Courts of Appeals have identified tests to help themselves and lower courts exercise their Declaratory Judgment Act discretion.¹⁴⁹ Some of those tests are specifically enumerated lists, while

144. *Id.*

145. *Wilton*, 515 U.S. at 288.

146. *See, e.g.*, *State Farm Fire & Cas. Co. v. Mhoon*, 31 F.3d 979, 983 (10th Cir. 1994) (identifying factors trial courts should examine in exercising their discretion).

The Supreme Court has long made clear that the Declaratory Judgment Act "gave the federal courts competence to make a declaration of rights; it did not impose a duty to do so." This circuit has provided trial courts in its bailiwick with substantial guidance on this score, instructing them to weigh two questions originally supplied by Professor Borchard: Will a declaration of rights, under the circumstances, serve to clarify or settle legal relations in issue? Will it terminate or afford relief from the uncertainty giving rise to the proceeding? If an affirmative answer can be had to both questions, the trial court should hear the case; if not, it should decline to do so. As noted approvingly by this court . . . however, the Sixth Circuit has recently suggested that a trial judge should weigh an expanded list of factors when deciding whether or not to hear a declaratory action.

Id. at 983–84 (citations omitted).

147. *See Sherwin-Williams Co. v. Holmes Cty.*, 343 F.3d 383, 390 n.2 (5th Cir. 2003). "Every circuit has a similar test, although expressed in different terms." *Id.* at 390.

148. *Merrill Lynch, Pierce, Fenner & Smith, Inc. v. Haydu*, 675 F.2d 1169, 1174 (11th Cir. 1982) ("In absence of compelling circumstances, the court initially seized of a controversy should be the one to decide the case.") (citing *Mann Mfg., Inc. v. Hortex, Inc.*, 439 F.2d 403, 407 (5th Cir. 1971)).

149. *See Sherwin-Williams*, 343 F.3d at 390.

others are more broad policy statements.¹⁵⁰ Regardless of differences in form, all of the circuits have singled out procedural fencing or improper forum selection as a ground upon which jurisdiction may be denied.¹⁵¹

The Fifth Circuit's test¹⁵² and related jurisprudence are illustrative for two reasons. First, the Fifth Circuit has a well-developed history of discussing the bounds of its declaratory discretion. Second, and more importantly, the court's plethora of caselaw best illustrates the schizophrenic approach that is so problematic: while it stands out among the circuits as one that attempts to distinguish harmless forum shopping from the more injurious type, it nevertheless contributes to lower courts' uncertainty by promulgating a set of factors that, by their own language, encourage judges to dismiss cases.¹⁵³

In that sense, the Fifth Circuit is perhaps the best example of a judicial circuit that has so outrageously muddied the declaratory judgment waters that it's nearly impossible to determine what will sink and what will swim. On one hand, the court has appropriately warned that "[i]n the exercise of their sound discretion to entertain declaratory actions the district courts may not decline on the basis of whim or personal disinclination."¹⁵⁴ On the other hand, in an attempt to give structure to the analysis,¹⁵⁵ the court has gradually given birth to an unwieldy seven-factor test that even the court now admits should not be literally applied.¹⁵⁶

The test began to take shape in 1981 in *Hollis v. Itawamba County Loans*, where the court suggested looking to "whether there is a pending procedure in state court in which the matters in controversy between the

150. *Compare* *Tempco Elec. Heater Corp. v. Omega Eng'g, Inc.*, 819 F.2d 746, 747–50 (noting that "[t]he issue we must determine is whether that discretion which the district court retained to decline to hear Tempco's declaratory judgment suit was properly exercised in this case" without identifying a list factors to consider), *with* *United Capitol Ins. Co. v. Kapiloff*, 155 F.3d 488, 493–94 (1998) ("To aid district courts in balancing the state and federal interests when a parallel state action is pending, we have articulated four factors for consideration.").

151. *See* *Hipage Co., Inc. v. Access2Go*, 589 F. Supp. 2d 602, 616 (E.D. Va. 2008) ("It is well established that courts disfavor 'procedural fencing,' such as forum shopping and races to the courthouse.").

152. *Sherwin-Williams*, 343 F.3d at 390–92.

153. *See id.*

154. *Hollis v. Itawamba Cty. Loans*, 657 F.2d 746, 750 (5th Cir. 1981).

155. *Id.* Trial courts "may take into consideration the speculativeness of the situation before them and the adequacy of the record for the determination they are called upon to make, as well as other factors." *Id.*

156. *Sherwin-Williams*, 343 F.3d at 388 ("[The anticipation-of-litigation] *Trejo* labels cannot be literally applied.").

parties may be fully litigated.”¹⁵⁷ Two years later, the court began to give more flesh to its test, noting in *Mission Insurance Co. v. Puritan Fashions Corp.* that a trial court can “take into account a wide variety of factors.”¹⁵⁸ Aside from the “pending state-court procedure” consideration, it also encouraged judges to examine the interests of judicial economy as they relate to the “convenience of parties and witnesses.”¹⁵⁹ Perhaps more importantly, the Fifth Circuit held that the trial court had acted appropriately when it considered “the inequity of permitting [the Plaintiff] to gain precedence *in time and forum* by its conduct.”¹⁶⁰ It cited to one of its cases from 1967, in which it affirmed the trial court’s dismissal of a declaratory judgment action filed by a plaintiff in Texas after it had been threatened with a lawsuit elsewhere.¹⁶¹ In equating that case to the facts before it, the court held that “[t]here is sufficient evidence here to support the district court’s conclusion that [the Plaintiff’s] action was in anticipation of [the Defendant’s] California suit.”¹⁶²

So, at that point, while the Fifth Circuit had not set forth its factors in any numerical list, it would be fair to assume that the test effectively consisted of three concerns: (1) the existence of a pending state court case; (2) convenience of the parties and witnesses; and (3) the inequities of permitting the plaintiff to gain precedence in time and forum.¹⁶³

Six years later, in *Rowan Companies, Inc. v. Griffin*, the Fifth Circuit essentially said just that (again, albeit, without numerically designating its list); the court, however, also did something fairly interesting.¹⁶⁴ Rather

157. 657 F.2d at 750.

158. 706 F.2d 599, 601 (5th Cir. 1983).

159. *Id.* at 602–03. As to the convenience of the parties consideration, the court explained:

The classic formulation of these considerations, although in a *forum non conveniens* and not a declaratory judgment context, is contained in *Gulf Oil Corp. v. Gilbert*, 330 U.S. 501, 508, 67 S. Ct. 839, 843, 91 L. Ed. 1055 (1947): “An interest to be considered, and the one likely to be most pressed, is the private interest of the litigant. Important considerations are the relative ease of access to sources of proof; availability of compulsory process for attendance of unwilling, and the cost of obtaining attendance of willing, witnesses; possibility of view of premises, if view would be appropriate to the action; and all other practical problems that make trial of a case easy, expeditious and inexpensive.”

Id. at 602–03.

160. *Id.* at 602 (emphasis added).

161. *See Amerada Petroleum Corp. v. Marshall*, 381 F.2d 661, 662 (5th Cir. 1967).

162. *Mission Ins.*, 706 F.2d at 602.

163. *See id.*

164. 876 F.2d 26, 29 (5th Cir. 1989).

than discuss the third factor as one and refer to it as “improper anticipatory filing,” “forum shopping,” or something similar, it duplicated the factor, effectively creating a four-factor test:

For example, declaratory judgment relief may be denied because of a pending state court proceeding in which the matters in controversy between the parties may be fully litigated, *because the declaratory complaint was filed in anticipation of another suit and is being used for the purpose of forum shopping, . . . because of possible inequities in permitting the plaintiff to gain precedence in time and forum*, or because of inconvenience to the parties or the witnesses.¹⁶⁵

Then, four years later, in *Travelers Insurance Co. v. Louisiana Farm Bureau Federation, Inc.*, the court again articulated its discretionary test, this time enumerating its factors.¹⁶⁶ The test didn’t change in any substantive way, but what were four factors in *Rowan* suddenly ballooned to six.¹⁶⁷ The court created the additional factors by separating the judicial economy and convenience of witnesses concern into two separate factors,¹⁶⁸ and by *again* splintering the anticipatory litigation exception, this time into *three* separate factors: “2) whether the plaintiff filed suit in anticipation of a lawsuit filed by the defendant, 3) whether the plaintiff engaged in forum shopping in bringing the suit . . . 4) whether possible inequities in allowing the declaratory plaintiff to gain precedence in time or to change forums exist.”¹⁶⁹ The court made no effort to explain how those three differed in any real way.¹⁷⁰

One year later, in *St. Paul Insurance Co. v. Trejo*, the Fifth Circuit added a seventh factor: “whether the federal court is being called on to construe a state judicial decree involving the same parties and entered by the court before whom the parallel state suit between the same parties is pending.”¹⁷¹

165. *Id.* (emphasis added) (citations omitted).

166. 996 F.2d 774, 778 (5th Cir. 1993).

167. *Id.*

168. *Id.* “The relevant factors which the district court must consider include, but are not limited to . . . 5) whether the federal court is a convenient forum for the parties and witnesses, and 6) whether retaining the lawsuit in federal court would serve the purposes of judicial economy.” *Id.* (citations omitted).

169. *Id.* (citations omitted).

170. *Id.*

171. 39 F.3d 585, 591 (5th Cir. 1994). “For example, here the district court should determine whether it makes more sense for the state court that approved the First Settlement to interpret it.” *Id.* at 591 n.8.

Again, it failed to offer much explanation as to why the addition was necessary given the already existing “pending state court proceeding” factor.¹⁷² Perhaps because this was the case in which the court finalized the seven-factor test, the test in the Fifth Circuit is now known colloquially as the “*Trejo* factors.”¹⁷³

A year after *Trejo*, the Fifth Circuit made a noble effort at fully analyzing the mess of factors it had gradually assembled. In *Sherwin-Williams Co. v. Holmes County*, the court spent most of its opinion explaining how a court should go about applying the seven factors.¹⁷⁴ It did so by breaking down the list of seven into three overall concerns: “the proper allocation of decision-making between state and federal courts,” fairness, and efficiency.¹⁷⁵ The *Trejo* test’s first and seventh factors go to the state/federal court dichotomy concern, the second, third, and fourth factors go to fairness, and the fifth and sixth factors go to efficiency.¹⁷⁶

In discussing the “fairness” concerns, the Fifth Circuit pointed out that all of the circuit courts are worried about plaintiffs using the Declaratory Judgment Act to “forum shop,” but—to its credit—admitted that the actual question isn’t as easy as it sounds:

Although many federal courts use terms such as “forum selection” and “anticipatory filing” to describe reasons for dismissing a federal declaratory judgment action in favor of related state court litigation, these terms are shorthand for more complex inquiries. The filing of every lawsuit requires forum selection. Federal declaratory judgment suits are routinely filed

172. See *id.* at 590. Although I suspect most would agree such a concern would be fairly—even if not literally—subsumed by the “pending state court proceeding” factor, apparently the court did not believe as much at the time. But nine years later, in *Sherwin-Williams Co. v. Holmes County*, the court admitted that both factors implicate the same comity concerns. 343 F.3d 383, 391 (5th Cir. 2003).

173. See, e.g., *Nat’l Cas. Co. v. Gonzalez*, 637 F. App’x 812, 817 (5th Cir. 2016) (“While, on this record, assessment of most of the *Trejo* factors would be guesswork . . .”); *AXA Re Property & Cas. Ins. Co. v. Day*, 162 F. App’x 316, 320 (5th Cir. 2006) (“The district court considered all of the *Trejo* factors.”); *Vulcan Materials Co. v. City of Tehuacana*, 238 F.3d 382, 390 (5th Cir. 2001) (“*Trejo* confirmed and restated the test for the discretionary dismissal of declaratory judgment actions set forth in *Travelers Ins. Co. v. Louisiana Farm Bureau Fed’n*, 996 F.2d 774 (5th Cir. 1993). The seven *Trejo* factors that must be considered *on the record* before a discretionary, nonmerits dismissal of a declaratory judgment action occurs are: . . .”).

174. *Sherwin-Williams*, 343 F.3d at 390–91.

175. *Id.*

176. *Id.* at 391–92.

in anticipation of other litigation. The courts use pejorative terms such as “forum shopping” or “procedural fencing” to identify a narrower category of federal declaratory judgment lawsuits filed for reasons found improper and abusive, other than selecting a forum or anticipating related litigation. Merely filing a declaratory judgment action in a federal court with jurisdiction to hear it, in anticipation of state court litigation, is not in itself improper anticipatory litigation or otherwise abusive “forum shopping.”¹⁷⁷

In analyzing the facts before it, the Fifth Circuit rejected the notion that the case should have been dismissed on account of being filed anticipatorily.¹⁷⁸ It started by admitting that its own case from twenty years prior, *Mission*, “is often cited for the proposition that a declaratory judgment action brought in ‘anticipation of litigation’ should be dismissed.”¹⁷⁹ But it then distinguished the case from *Mission*, carefully pointing out that *Mission* was a declaratory judgment case brought in a Texas federal court before the defendant could bring its case in a California state court: “Because California and Texas had different choice of law rules, the difference in forum changed the law that applied,” which amounted to “improper ‘procedural fencing’ undermining ‘the wholesome purposes’ of declaratory actions.”¹⁸⁰ On the contrary, in *Sherwin-Williams*, “the selection of the federal forum . . . did not change the law that would apply. . . . There is no evidence that Sherwin-Williams brought its declaratory judgment action in search of more favorable law.”¹⁸¹

In a similar vein, the court dispensed with the idea that seeking a more favorable forum *merely from the standpoint of litigation strategy* was the type of concern that would lead to a finding of “improper forum shopping.”¹⁸² It took issue with the district court’s finding that the purpose of Sherwin-Williams’s declaratory filing was to avoid being sued in local “counties in which large jury verdicts are awarded,” and, conversely, was only seeking a federal forum “in an attempt to avoid the state court system.”¹⁸³ The court reasoned that “[t]hose factors do not remove the

177. *Id.* at 391.

178. *Id.* at 397.

179. *Id.*

180. *Id.* (quoting *Mission Ins. Co. v. Puritan Fashions Corp.*, 706 F.2d 599, 602 (5th Cir. 1983)).

181. *Id.* at 399.

182. *Id.* at 398–99.

183. *Id.*

legitimate reason, recognized by this court in *Travelers*, for Sherwin-Williams's choice of federal forum for this declaratory judgment suit."¹⁸⁴ Instead, it reflected "the traditional justification for diversity jurisdiction, to protect out-of-state defendants."¹⁸⁵

Since *Sherwin-Williams*, the Fifth Circuit has been consistent in its application of its third, fourth, and fifth factors. For instance, just a year after *Sherwin-Williams*, the court again explained its reasoning in a different case, *American Employers' Insurance Co. v. Eagle*:

With respect to fairness considerations, in *Sherwin-Williams* we recognized that the mere act of filing a federal declaratory action in anticipation of a state lawsuit is not, in and of itself, impermissible. Rather, we were concerned with *whether there was a legitimate reason to be in federal court*. In *Sherwin-Williams*, we held that the selection of a federal forum was not impermissible for at least four reasons. First, a desire to avoid multiple lawsuits in multiple courts is a legitimate reason to want to be in federal court. Second, Sherwin-Williams' desire to avoid plaintiff-friendly state court juries was not illegitimate, because Sherwin-Williams was an out-of-state company. The traditional justification for diversity jurisdiction is to ensure fairness for out-of-state litigants. Third, the selection of a federal forum would not change the applicable law because state law would apply in either case. Fourth, there was no evidence that the defendant in the declaratory judgment action had been restricted from filing a state court action prior to the plaintiff filing the declaratory judgment action.¹⁸⁶

The court then agreed that "Appellants did not engage in improper forum shopping, nor did they act unfairly with respect to Appellee by filing a federal declaratory judgment action."¹⁸⁷

Most recently, in 2015, the court reaffirmed that the core purpose of the Declaratory Judgment Act is to "allow potential defendants to resolve a dispute without waiting to be sued or until the statute of limitations

184. *Id.* (citing *Travelers Ins. Co. v. Louisiana Farm Bureau Fed'n*, 996 F.2d 774, 776–77, 779 (5th Cir. 1993)).

185. *Id.* (citing *Chick Kam Choo v. Exxon Corp.*, 764 F.2d 1148, 1153 n.3 (5th Cir. 1985)).

186. 122 F. App'x 700, 703 (5th Cir. 2004) (emphasis added) (citations omitted).

187. *Id.*

expires,” and that “[t]he mere fact that a declaratory judgment action is brought in anticipation of other suits does not require dismissal.”¹⁸⁸

The problem, though, is that despite those explanations, the *Trejo* test is inherently confusing and, consequently, is being applied erratically by the lower courts.¹⁸⁹ For instance, the second factor—“whether the plaintiff filed suit in anticipation of a lawsuit filed by the defendant”—makes no sense: the Fifth Circuit itself points out that *every* declaratory judgment case is filed in anticipation of litigation.¹⁹⁰ The third factor—“whether the plaintiff engaged in forum shopping in bringing the suit”—effectively makes “forum shopping” taboo; moreover, it does so without recognizing (as the court’s caselaw bears out) that *every* case necessarily involves the choice of a forum, and that forum shopping can be both innocent *and* sinister.¹⁹¹ The fourth factor—“whether possible inequities exist in allowing the declaratory plaintiff to gain precedence in time or to change forums”—is sufficiently broad to give courts discretion, but suffers from the same malady as the third factor: there’s always inequity in any situation, but aren’t we really concerned only with *substantive* inequities?¹⁹² Compounding the individual shortcomings of factors two, three, and four, the court makes no effort to explain how any of the three factors differ from each other, which creates another problem: when taken together, the factors send a very clear signal to lower courts that they should look disapprovingly on *any* case that appears to be brought in anticipation of another.¹⁹³

If one needs proof, he or she need only look to district court caselaw from the Fifth Circuit since *Sherwin-Williams*. One of the two cases discussed in Part I—*Mill Creek Press, Inc. v. The Thomas Kinkade Co.*—

188. *Ironshore Specialty Ins. Co. v. Tractor Supply Co.*, 624 F. App’x 159, 167 (5th Cir. 2015) (quoting *Sherwin-Williams*, 343 F.3d at 397).

189. *See, e.g.*, *Chevron U.S.A., Inc. v. Cureington*, No. 10–0764, 2011 WL 1085661, at *7–10 (W.D. La. 2011) (suggesting that the *Sherwin-Williams* decision’s “attempts to downplay the anticipatory filing and forum-shopping” ran contrary to *Mission Ins. Co. v. Puritan Fashions Corp.*, 706 F.2d 599, 602 (5th Cir. 1983), and “a later panel of the Fifth Circuit cannot overrule an earlier panel’s decision”).

190. *Sherwin-Williams*, 343 F.3d at 391–92.

191. *Id.* at 397–99.

192. *Id.* at 391.

193. *See, e.g.*, *Ford v. Monsour*, No. 11–1232, 2011 WL 4808173, at *2–5 (W.D. La. 2011) (quoting *Travelers Ins. Co. v. La. Farm Bureau Fed.*, 996 F.2d 774, 779 n. 15 (5th Cir. 1993) (noting that “the Fifth Circuit requires ‘the court to consider whether the declaratory suit was filed in anticipation of a lawsuit filed by the declaratory defendant’” en route to dismissing the case as an improper attempt at procedural fencing).

came out of the Northern District of Texas.¹⁹⁴ There, despite acknowledging *Sherwin-Williams*'s disapproval of the "anticipatory" and "forum shopping" labels, the district court nevertheless concluded that the "plaintiffs filed this declaratory judgment action for the improper purpose of 'subverting the real plaintiff's advantage' by filing this suit in a forum of their choosing."¹⁹⁵ Of course, the judge had his reasons, mostly focusing on the fact that the case was "filed during a period of 'settlement negotiations.'"¹⁹⁶ While it was true that settlement negotiations were ongoing, the Fifth Circuit has never said filing a declaratory judgment action even as the parties are negotiating amounts to bad faith. Rather, to reiterate, *Sherwin-Williams* focused on the fact that the declaratory plaintiff wasn't trying to take advantage of different choice-of-law rules or other substantive differences that would exist between its chosen venue and that of the natural plaintiff.¹⁹⁷

The tests and corresponding caselaw of the other circuit courts paint a similar picture.¹⁹⁸ So what are litigants to do? How must an alleged intellectual property infringer react to a cease-and-desist letter? More importantly, how can courts do a better job of focusing on the proper concerns to fully effectuate the purpose of the declaratory remedy?

IV. How Courts Can Learn to Stop Worrying and Love the Anticipatory Lawsuit

There can be no doubt that most courts express a distaste for the so-called race to the courthouse.¹⁹⁹ What's less clear is why. Certainly, it's no surprise that judges don't want to be pawns in someone else's game, particularly where one or both of the players are constantly looking for an unfair advantage.²⁰⁰ And, to be sure, forum selection can, in some cases, be used to the substantive detriment of one's opponent.²⁰¹ But as the Fifth

194. *Mill Creek Press, Inc. v. Thomas Kinkade Co.*, No. CIVA.3:04-CV-1213-G, 2004 WL 2607987 (N.D. Tex. Nov. 16, 2004).

195. *Id.* at *9.

196. *Id.* at *8.

197. *See* 343 F.3d at 399.

198. *See, e.g., Factors Etc., Inc. v. Pro Arts, Inc.*, 579 F.2d 215, 219 (2nd Cir. 1978) ("The federal declaratory judgment is not a prize to the winner of a race to the courthouses.") (quoting *Perez v. Ledesma*, 401 U.S. 82, 119 n.12 (1971)).

199. *See generally* Antony L. Ryan, *Principles of Forum Selection*, 103 W. VA. L. REV. 167, 167-68 (2000).

200. *See id.*

201. *See id.*

Circuit has pointed out, not all attempts at forum selection are sinister or improper.²⁰²

The key, then, is for courts to have a clear understanding of what constitutes improper procedural fencing as distinguished from a perfectly acceptable anticipatory declaratory judgment suit.²⁰³ As posited in the previous section, the Fifth Circuit has attempted to delineate for its lower courts what should pass muster under the Declaratory Judgment Act and what shouldn't.²⁰⁴ The problem, however, is that most other circuits haven't done the same; moreover, even within the Fifth Circuit, district courts have ignored the guidance or misapplied it, likely due in large part to its poor drafting.²⁰⁵

To avoid the itchy trigger fingers of the district courts, the circuit courts should adopt a uniform understanding of improper forum selection and procedural fencing that ignores the idea of a race to the courthouse. In short, the proposition that the natural plaintiff has in some way been robbed of its rights when the defendant files first is misguided and conflicts with the purpose of the Declaratory Judgment Act.

A. An Unnatural Affinity for the Natural Plaintiff

When it comes to a strict application of the anticipatory suit exception, courts typically say the same thing—something along the lines of it being improper to “wrest[] the choice of forum from the ‘natural’ plaintiff.”²⁰⁶ That necessarily begs the question: Where does this idea of the natural plaintiff come from?

The Supreme Court has never used the term; it appears to have made its first appearance in 1987 in the Seventh Circuit case *Employers Insurance of Wausau v. Shell Oil Co.*:

Worse, since declaratory judgments often reverse the positions of plaintiff and defendant, we must decide how the claim would have been classified in 1891 had the parties been on the “right” side. This is implicit in the requirement that we ascertain what kind of suit could have been brought. . . . All of this produces a conundrum. Who would have been the “natural” plaintiff, and

202. *Sherwin-Williams*, 343 F.3d at 391–92.

203. *See id.*

204. *See supra* Section III.C.

205. *See supra* Section III.C.

206. *See, e.g., Allendale Mut. Ins. Co. v. Bull Data Sys., Inc.*, 10 F.3d 425, 431 (7th Cir. 1993) (invoking the idea that in declaratory judgment actions, the defendant is actually the “natural plaintiff”).

what kind of relief would he have sought, in an action no one could have filed in 1891?²⁰⁷

The label is now commonly used to describe the position of the parties in declaratory judgment cases.²⁰⁸ The natural plaintiff is the party who alleges to have been wronged—the party who ostensibly has a cause of action for coercive relief.²⁰⁹ Essentially, it's the party who should be the plaintiff, had it not been beaten to the courthouse by the declaratory, or “artificial,” plaintiff.²¹⁰

Admittedly, the common-law tradition stars the plaintiff as “master of the complaint,” allowing him to frame the issues and decide whom to sue, what claims to bring, and where to initiate the action.²¹¹ And, to be sure, the Supreme Court has expressed approval²¹² of what one commentator has dubbed the “plaintiff’s choice” principle.²¹³ But all of this exists outside the declaratory judgment context. No court has explained *why* the declaratory defendant should be pitied for failing to get to the courthouse first, other than to express a general distaste for “giv[ing] the alleged wrongdoer a choice of forum.”²¹⁴ In the same way that “[t]he plaintiff’s privilege is so ingrained in our jurisprudence, and so rarely challenged on its own terms, that it is seldom discussed,” it’s effectively taken for granted that we should, for some reason, give preference to the allegedly aggrieved party.²¹⁵

In a similar vein, no court has ever offered support for the proposition that a race to the courthouse is actually “disorderly.”²¹⁶ As much as one might enjoy picturing two men in suits, jostling with each other up the courthouse steps and throwing elbows as they sprint to the court clerk’s office, that’s obviously not how it works. In fact, the whole idea of a “race” is a misnomer that connotes two parties deciding at the same time to file

207. 820 F.2d 898, 901 (7th Cir. 1987).

208. See Vanneman, *supra* note 114, at 127–29.

209. Ryan, *supra* note 199, at 168–70.

210. See *In re Amendt*, 169 F. App’x 93, 97 (3d Cir. 2006).

211. Vanneman, *supra* note 114, at 142.

212. *Id.* at 142–43 (citing *Van Dusen v. Barrack*, 376 U.S. 612, 633 (1964); *Gulf Oil Corp. v. Gilbert*, 330 U.S. 501, 508 (1947); *Koster v. (Am.) Lumbermens Mut. Cas. Co.*, 330 U.S. 518, 524 (1947)).

213. Ryan, *supra* note 199, at 168.

214. *Publ’ns Int’l, Ltd. v. McRae*, 953 F. Supp. 223, 224 (N.D. Ill. 1996).

215. Ryan, *supra* note 200, at 169.

216. See, e.g., *Hanes Corp. v. Millard*, 531 F.2d 585, 592 (D.C. Cir. 1976) (quoting BORCHARD, *supra* note 89, at 307), *superseded by statute*, Act of Aug. 27, 1982, Pub. L. No. 96-247, 96 Stat. 317 (codified as amended in 35 U.S.C. § 294 (2012)), *as recognized* in *Nat’l R.R. Passenger Corp. v. Consol. Rail Corp.*, 892 F.2d 1066, 1072 (1990).

suit. To steal a line from the Fourth Circuit, “there can be no race to the courthouse when only one party is running.”²¹⁷

Contrary to the unreasoned view now taken by many courts, except in rare circumstances,²¹⁸ courts should stop pitying the natural plaintiff who finds itself as the defendant in a declaratory judgment action as opposed to the plaintiff in a coercive suit.²¹⁹ The reason? Natural plaintiffs have the biggest advantage of all: they get to decide when they’re aggrieved, or, in other words, when to assert their rights. And they get to decide, if they so choose, when to file suit. In *Kerotest Manufacturing Co. v. C-O-Two Fire Equipment Co.*, the Supreme Court talked about both parties getting an “equal start in the race to the courthouse.”²²⁰ But that’s hardly true; the natural plaintiff *always* has a head start.

In most instances, there’s absolutely nothing that requires potential plaintiffs to provide notice or warning to the defendant before filing a civil action.²²¹ The custom of issuing a cease-and-desist demand *may* have benefits to a party who wants to avoid litigation, but it’s certainly not a prerequisite to filing one’s case.²²² If an aggrieved party so chooses, it could file its complaint *prior* to sending its cease-and-desist, and withhold formal service of the complaint for up to ninety days while it attempts to settle the dispute.²²³ Because the first-to-file rule is calculated from the time of

217. *Learning Network, Inc. v. Discovery Commc’ns, Inc.*, 11 F. App’x 297, 301 (4th Cir. 2001).

218. *See infra* Section IV.C.

219. Of course, the declaratory defendant will usually become a plaintiff itself through the filing of counterclaims.

220. 342 U.S. 180, 184 (1952).

221. One notable exception would be the “notice and takedown” system under Title II of the Digital Millennium Copyright Act of 1998, which grants online service providers safe haven from secondary copyright infringement liability. 17 U.S.C. § 512 (2012). The statute requires that on receipt of a takedown notice issued by a copyright holder, the service provider must “respond[] expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity.” *Id.* § 512(c)(1)(C); *see also id.* § 512(c)(3)(A). The person or entity who posted the alleged infringing material may then submit a “counternotice” contesting the allegation of infringement, which triggers a ten-to fourteen-day period in which the copyright holder may file suit against the poster for infringement. *Id.* § 512(g)(2). If no suit is filed, the online service provider may restore access to the material with no risk of copyright liability. *Id.* § 512(g)(4).

222. *See White & Case, LLP, The Risk of Sending Cease and Desist Letters Pre-Filing in Patent Litigations*, LEXOLOGY (Dec. 10, 2010), <https://www.lexology.com/library/detail.aspx?g=5a6dd013-8c6b-47d5-b1f4-588c7389c444>.

223. FED. R. CIV. P. 4(m).

filing—and not service—a natural plaintiff can easily protect its forum-selection right at a cost of only a few hundred dollars in filing fees.²²⁴

B. Potential Criticisms

Defenders of the natural plaintiff concept, as well as those who see the race to the courthouse as “disorderly,” will advance at least three arguments in favor of the anticipatory litigation exception. The first is that in a declaratory judgment case, the defendant will effectively bear the burden of proof, particularly when it advances counterclaims.²²⁵ As the party bearing the effective burden of proof, shouldn’t it at least be given the choice all other plaintiffs are given—the choice of forum?

Contrary to this argument, it’s not as if the natural plaintiff will be blindsided by a declaratory judgment action. Because jurisdiction under the Declaratory Judgment Act is tempered by the Constitution’s Article III “case or controversy” requirement, a declaratory plaintiff can’t even get in the courthouse door until there’s a dispute.²²⁶ Moreover, the dispute doesn’t arise until the natural plaintiff raises it, typically through a demand or cease-and-desist letter.²²⁷ So, the natural plaintiff will always have the option of initiating the litigation, thereby establishing the forum, if it chooses. If the case is close enough that the natural plaintiff doesn’t think it can carry its burden of proof in a different forum, perhaps it should consider filing suit *before* it issues the cease-and-desist letter and delay service for up to ninety days.²²⁸

Further, one should not forget that the “plaintiff’s choice” doctrine is not absolute.²²⁹ Forum non-conveniens, transfer of venue, personal jurisdiction, federal-question jurisdiction, and diversity jurisdiction are all qualifications on the notion that the plaintiff gets to choose the forum.²³⁰ When applying those doctrines, we don’t lament the fact that they may serve as a disadvantage to the party with the burden of proof.²³¹ Adding one more possible qualification—the first-to-file rule’s interplay with the Declaratory Judgment Act—hardly seems like an unreasonable constraint on the presumption of plaintiff’s choice.

224. *See* Prod. Eng’g & Mfg., Inc. v. Barnes, 424 F.2d 42, 44 (10th Cir. 1970).

225. *See* Publ’ns Int’l, Ltd. v. McRae, 953 F. Supp. 223, 224 (N.D. Ill. 1996).

226. *See* Hyatt Int’l Corp. v. Coco, 302 F.3d 707, 712 (7th Cir. 2002).

227. *See* Norfolk S. Ry. Co. v. Guthrie, 233 F.3d 532, 534–35 (7th Cir. 2000).

228. FED. R. CIV. P. 4(m); White & Case, *supra* note 222.

229. Ryan, *supra* note 199, at 168–70.

230. *Id.*

231. *See id.*

The second argument critics will likely raise is that allowing purely anticipatory suits only encourages plaintiffs to forego efforts at pre-suit negotiations and settlement.²³² This is a constant refrain issued by courts dismissing mirror-image declaratory judgment cases. The Southern District of New York once argued that “[p]otential plaintiffs should be encouraged to attempt settlement discussions (in good faith and with dispatch) prior to filing lawsuits without fear that the defendant will be permitted to take advantage of the opportunity to institute litigation in a district of its own choosing before plaintiff files an already drafted complaint.”²³³ Indeed, the very solution proposed here—that natural plaintiffs should sue first if they value their forum-selection right—would certainly lead to an increase in lawsuit filings, which, the critics would say, is bad policy.²³⁴

But an increase in filings does not necessarily result in an increase in unsettled cases or trials. The argument that a case has a *lesser* chance of amicable resolution once it is filed lacks any empirical (or even logical) support. In fact, arguably, filing the complaint before issuing a cease-and-desist could aid settlement in ways that an unaccompanied demand wouldn’t.²³⁵ For instance, a defendant faced with an actual lawsuit—as opposed to merely a threat—may be more likely to comply with a cease-and-desist warning. Likewise, a defendant who would have otherwise reacted by filing a declaratory judgment action in a friendly venue may decide litigation isn’t worth it in the plaintiff’s chosen forum. Moreover, it’s not as if filing a complaint drives the parties’ costs up in a way that makes settlement less likely. Filing fees are, at most, several hundred dollars.²³⁶ Of course, it’s true that this route may require plaintiffs to draft

232. See, e.g., *AmSouth Bank v. Dale*, 386 F.3d 763, 788 (6th Cir. 2004) (“Courts take a dim view of declaratory plaintiffs who file their suits mere days or weeks before the coercive suits filed by a ‘natural plaintiff’ and who seem to have done so for the purpose of acquiring a favorable forum. Allowing declaratory actions in these situations can deter settlement negotiations and encourage races to the courthouse, as potential plaintiffs must file before approaching defendants for settlement negotiations, under pain of a declaratory suit.”).

233. *Columbia Pictures Indus., Inc. v. Schneider*, 435 F. Supp. 742, 747–48 (S.D.N.Y. 1977).

234. See *Charles Schwab & Co. v. Duffy*, No. C98-03612 MMC, 1998 WL 879659, at *1 (N.D. Cal. Dec. 8, 1998).

235. See *Hyatt Int’l Corp. v. Coco*, 302 F.3d 707, 711 (7th Cir. 2002) (“Declaratory judgment actions serve an important role in our legal system insofar as they permit prompt settlement of actual controversies and establish the legal rights and obligations that will govern the parties’ relationship in the future.”).

236. U.S. DIST. COURT FOR THE W. DIST. OF WASH., A PRO SE GUIDE TO FILING YOUR LAWSUIT IN FEDERAL COURT (Dec. 30, 2015), http://www.wawd.uscourts.gov/sites/wawd/files/ProSeManual4_8_2013wforms.pdf.

their complaints—which also costs money in the form of attorney’s fees—at an earlier stage. Again, though, the cost of drafting a complaint is not so exorbitant as to make settlement more difficult.

A third, much weaker argument could potentially be raised. Many courts (including the Supreme Court) and commentators have discussed the Declaratory Judgment Act in terms of public benefit.²³⁷ For example, the Supreme Court has warned that courts’ discretion to accept or reject declaratory filings should be “exercised in the public interest.”²³⁸ Other courts, in emphasizing the importance of a tribunal’s discretion, have gone straight to the source—Professor Borchard himself—to quote the “general rule that the declaration is an instrument of practical relief and will not be issued where it does not serve a useful purpose.”²³⁹ In this light, many have argued that pure forum shopping—even if non-sinister—fails to serve a “useful purpose,” and therefore courts have some sort of duty to root out cases that are merely “races for res judicata.”²⁴⁰

Of course, Professor Borchard was right, and the declaration *should* be “an instrument of practical relief.”²⁴¹ But critics extend Professor Borchard’s language beyond what its logic will bear. To elevate the “useful purpose” language to suggest there must be some nobility or public benefit to each and every declaratory judgment action is, frankly, ridiculous. These are most often private disputes between private parties, and even suits that do not serve a grand end can serve a useful purpose to the parties.

Furthermore, and more fundamentally, focusing on the public interest ignores the *primary* purpose of declaratory judgments.²⁴² Remember: prior to the advent of the declaratory action, a party who was alleged to be infringing another’s intellectual property had no choice but to either cease its conduct or continue along while the proverbial Sword of Damocles

237. *Eccles v. Peoples Bank of Lakewood Vill., Cal.*, 333 U.S. 426, 431 (1948). “It is always the duty of a court of equity to strike a proper balance between the needs of the plaintiff and the consequences of giving the desired relief.” *Id.*

238. *Id.*

239. *See, e.g., Hanes Corp. v. Millard*, 531 F.2d 585, 592 (D.C. Cir. 1976) (quoting BORCHARD, *supra* note 89, at 307), *superseded by statute*, Act of Aug. 27, 1982, Pub. L. No. 96-247, 96 Stat. 317 (codified as amended in 35 U.S.C. § 294 (2012)), *as recognized* in *Nat’l R.R. Passenger Corp. v. Consol. Rail Corp.*, 892 F.2d 1066, 1072 (1990).

240. *Grand Trunk W. R.R. Co. v. Consol. Rail Corp.*, 746 F.2d 323, 326 (7th Cir. 1984); *Millard*, 531 F.2d at 592.

241. BORCHARD, *supra* note 89, at 307.

242. Doernberg & Mushlin, *supra* note 23, at 554–55.

perilously hung over its head, waiting for the eventual day when the natural plaintiff chose to file suit.²⁴³

It has *always* been the purpose of the Declaratory Judgment Act to enable mirror-image litigation.²⁴⁴ By its very nature, that type of case will be anticipatory.²⁴⁵ As a result, to fully effectuate the purpose of the law, courts should (for the most part) stop worrying about whether an “artificial” plaintiff is gaming the system to fix a case’s venue.

C. A Reasonable Solution

Undoubtedly, the Declaratory Judgment Act should not be used as a tool to frustrate the litigation process.²⁴⁶ There are three obvious ways in which that could be done: (1) seeking delay; (2) seeking a forum with more favorable procedural or substantive law; and (3) violating a private agreement entered between the parties. Accordingly, when courts focus on whether the declaratory plaintiff has engaged in procedural fencing, it should only inquire as to those possibilities, rather than a concern for a general “race for res judicata.”²⁴⁷

As to delay, any international patent practitioner will be aware of what’s known as “The Italian Torpedo.”²⁴⁸ The term refers to an opening strategy in patent litigation where potential infringers will initiate an action in a jurisdiction with a very slow legal process (Italy, primarily), which, under European Union Law, forces courts in other jurisdictions to stay any infringement actions relating to the same patents and parties.²⁴⁹ That often results in cases being tied up in Italian courts indefinitely, thereby avoiding any resolution.²⁵⁰ It’s hard to point to any concrete examples of similar tactics occurring in U.S. federal courts, but certainly, if there’s evidence that the declaratory plaintiff filed in a particular venue to see the case

243. *Id.*

244. *Genentech, Inc. v. Eli Lilly & Co.*, 998 F.2d 931, 937 (Fed. Cir. 1993).

245. *Sherwin-Williams Co. v. Holmes Cty.*, 343 F.3d 383, 391–92 (5th Cir. 2003).

246. *See id.*

247. *See Grand Trunk W. R.R. Co. v. Consol. Rail Corp.*, 746 F.2d 323, 326 (7th Cir. 1984).

248. *See Studio Legale Jacobacci & Associati, Italian Supreme Court News: The Rise of the Italian Torpedo*, LEXOLOGY (July 19, 2013), <https://www.lexology.com/library/detail.aspx?g=8c7b00c4-80dd-43e4-89f3-fdd453a19420>

249. *Id.*

250. *Id.*

languish in a glacial court docket, then that would be one reason to dismiss the case for improper procedural fencing.²⁵¹

The second way in which the Declaratory Judgment Act can be subverted is that discussed by the Fifth Circuit in *Sherwin-Williams*.²⁵² Undoubtedly, a party should not be able to use the statute to gain access to a substantively or procedurally more advantageous federal forum.²⁵³ But that's usually not an issue in intellectual property cases, which are typically filed in federal court regardless.²⁵⁴ As the Northern District of Illinois pointed out in the patent context, "[a] declaratory judgment plaintiff may achieve a more convenient forum, but cannot achieve a tactical advantage in choice of controlling precedent" because federal law doesn't change from circuit to circuit.²⁵⁵ Accordingly, so long as the forum shopping is not "outcome based," courts should not concern themselves with anticipatory suits.²⁵⁶

Finally, courts should certainly exercise their discretion to dismiss declaratory judgment actions that have been filed despite a definite, concrete agreement by the declaratory plaintiff not to do so. One commentator has suggested this exception in terms of "bad faith conduct in settlement discussions."²⁵⁷ While I generally agree with the sentiment that parties shouldn't be able to take advantage of an equitable remedy by acting in bad faith, parties and courts will no doubt struggle with what constitutes "bad faith."

A perfect example is the Thomas Kinkade case.²⁵⁸ There, the court thought the declaratory plaintiff's filing while engaged in settlement talks was evidence of what amounted to bad faith,²⁵⁹ but it failed to articulate any

251. Of course, it would hard to envision a district court admitting that its own docket is so slow as to encourage such a filing.

252. *Sherwin-Williams Co. v. Holmes Cty.*, 343 F.3d 383, 391–92 (5th Cir. 2003).

253. *See id.*

254. *See, e.g., Easton-Bell Sports, Inc. v. E.I. DuPont de Nemours & Co.*, No. 13-cv-00283 NC, 2013 WL 1283463, at *6 (N.D. Cal. Mar. 26, 2013) (holding that in a trademark dispute, the operative substantive law is federal, which eliminates the motivation to improperly forum shop).

255. *K&F Mfg. Co. v. W. Litho Plate & Supply Co.*, 831 F. Supp. 661, 664 (N.D. Ind. 1993).

256. Hill, *supra* note 22, at 253–56.

257. *Id.* at 256.

258. *Mill Creek Press, Inc. v. Thomas Kinkade Co.*, No. CIVA.3:04-CV-1213-G, 2004 WL 2607987 (N.D. Tex. Nov. 16, 2004).

259. Admittedly, the court never used the specific term "bad faith," although it did characterize the plaintiff's conduct as contrary to the defendant's "good faith." *Id.* at *9.

helpful standard for that finding.²⁶⁰ For example, would it have been bad faith to file the declaratory action *before* engaging in settlement discussions (in other words, immediately upon receiving the cease-and-desist letter)? If the answer is yes, then why involve settlement talks in the equation at all? If the answer is no, doesn't a pre-negotiation suit filing "rob" the natural plaintiff of its forum choice all the same? Otherwise put: how is a natural plaintiff any more disadvantaged by a pre-negotiation suit than one that is filed *during* negotiations?

In *Mill Creek*, both parties had assured each other they wouldn't file suit without first informing the other, and the declaratory plaintiff broke that promise when it filed.²⁶¹ But does that materially change things? Would it *not* have been in bad faith if the alleged infringer had called or written and said, "pursuant to our agreement, we hereby notify you that we will be filing a declaratory judgment action in sixty seconds?" Of course not. But it *would* have complied with the parties' agreement.

Had the *Mill Creek* promise been better articulated—for example, a concrete acknowledgement by the alleged infringer that it would not file before giving its accuser *reasonable* notice²⁶²—then that's certainly a different story. A party should not be able to "lure" another into a false sense of security through *definite, concrete assurances* it will not exercise its ability to file a declaratory judgment suit.²⁶³ But absent such assurances, courts should be wary of employing a "bad faith" standard that fails to provide guidelines on acceptable conduct.

In short, courts should not institute "a presumption that a first filed declaratory judgment action should be dismissed or stayed in favor of the substantive suit," or require that "the declaratory judgment plaintiff should have the burden of showing persuasive cause why its suit should not be enjoined."²⁶⁴ Such a rule unquestionably frustrates the purpose of the remedy, which is to relieve alleged infringers of "the Hobson's choice of foregoing their rights or acting at their peril."²⁶⁵ Courts absolutely *should*

260. *See id.*

261. *Id.* at *8.

262. Of course, parties could disagree about what is "reasonable." In this instance, I think it's clear it would mean sufficient time for the "natural plaintiff" to file suit if it so chose.

263. *See Easton-Bell Sports, Inc. v. E.I. DuPont de Nemours & Co.*, No. 13-cv-00283 NC, 2013 WL 1283463, at *5 (N.D. Cal. Mar. 26, 2013) (citing lack of evidence that Plaintiff negotiations were in bad faith "or that they were merely a ruse" to ensure a successful race to the courthouse).

264. *Int'l Union, United Auto., Aerospace & Agric. Implement Workers of America-IAU v. Dana Corp.*, No. 3:99CV7603, 1999 WL 33237054, *6 (N.D. Ohio Dec. 6, 1999).

265. *Tex. Emp'rs Ins. Ass'n v. Jackson*, 862 F.2d 491, 505 (5th Cir. 1988).

employ an “improper forum shopping” or “procedural fencing” factor in their discretionary tests. But they should also be careful to limit any analysis under such a factor to whether the suit has been brought for delay, whether it has been brought to obtain a substantive or procedural legal advantage, or whether it has been brought despite definite, concrete assurances to the contrary.

V. An Alternative Approach

Convincing courts to abandon their hatred of anticipatory declaratory judgment actions is easier said than done. Assume, then, that some (or even most) courts will continue to insist on looking upon mirror-image declaratory judgment actions with a scrutinizing eye for signs that the plaintiff is only trying to win a race for venue rights. Is there anything else they can do to better define the rights of litigants and provide more clarity? Indeed, courts could be clearer about what constitutes a “race to res judicata” as opposed to a valid effort at vindicating one’s rights. In other words, what factors should all courts examine? The second suggestion is far more revolutionary: If courts really want to ensure that declaratory plaintiffs are not “abusing” the purposes of the Declaratory Judgment Act, why not require them to provide fair notice to the natural plaintiff before filing suit? If a trial court’s discretion is as broad as most courts purport it to be, might that kind of imposition be permissible?

A. The Search for Certainty

The primary problem with the state of the law is that it leaves potential litigants in the dark about what constitutes an improper anticipatory suit and what constitutes an appropriate utilization of the Declaratory Judgment Act. Some courts, however, have done a marvelous job of identifying a set of factors that, if followed, would provide a workable framework for increased predictability.

Take, for example, the Second Circuit. In *BuddyUSA, Inc. v. Recording Industry Ass’n of America*, the court had before it a copyright dispute that began when one of the defendants sent a demand letter to the plaintiff.²⁶⁶ The letter alleged that operation of the plaintiff’s online file sharing device violated copyright law and closed with a demand that plaintiff “immediately take steps to prevent the dissemination of infringing sound recordings owned by our member companies.”²⁶⁷ The letter warned that the

266. 21 F. App’x 52, 54 (2d Cir. 2001).

267. *Id.*

plaintiff “had one week to comply,” and that if it did not, the defendant would have “little choice” but to “seek additional legal remedies.”²⁶⁸ The parties’ stories differ at that point, but suffice it to say that some six months later, the plaintiff filed for declaratory relief.²⁶⁹ The defendant claimed that throughout that time, the plaintiff was engaging in behavior designed to delay legal action.²⁷⁰

The court appropriately started its analysis by invoking the first-to-file rule and its “special circumstances” exceptions: “One type of special circumstance is present where the first, declaratory action is filed in response to a direct threat of litigation.”²⁷¹ Citing to its own decision in *Factors Etc., Inc. v. Pro Arts, Inc.*, the court issued the familiar refrain that “the federal declaratory judgment is not a prize to the winner of a race to the courthouses.”²⁷²

But what followed was a very clear course of reasoning to shape the analysis: “Following *Factors*, district courts have typically found an exception to the first-filed rule where declaratory actions are filed in response to demand letters *that give specific warnings as to deadlines and subsequent legal action.*”²⁷³ The court cited to three cases as examples of the “specific warnings” test being met—one where a demand letter threatened suit if the sender’s claim was not satisfied by a specific date, one where the demand stated that if the recipient’s decision “remains unaltered, we will commence suit in a court of appropriate jurisdiction in forty eight (48) hours,” and one where the letter stated the sender’s “intention to file suit in California if settlement negotiations were not fruitful.”²⁷⁴

The court then contrasted those cases with examples of suits “filed in response to . . . notice letter[s] that do[] not explicitly ‘inform[] a defendant of the intention to file suit, a filing date, and/or a specific forum for the

268. *Id.*

269. *Id.*

270. *Id.*

271. *Id.* at 55.

272. 579 F.2d 215, 219 (2d Cir. 1978) (quoting *Perez v. Ledesma*, 401 U.S. 82, 119 n.12 (1971) (Brennan, J., dissenting)), *abrogated by* *Pirone v. MacMillan, Inc.*, 894 F.2d 579 (2d Cir. 1990).

273. *BuddyUSA*, 21 F. App’x at 55 (emphasis added).

274. *Id.* (citing and quoting first *Chicago Ins. Co. v. Holzer*, No. 00 Civ. 1062(SAS), 2000 WL 777907, at *1 (S.D.N.Y. June 16, 2000), then *Mondo, Inc. v. Spitz*, No. 97 Civ. 4822(LAP), 1998 WL 17744, at *1 (S.D.N.Y. Jan. 16, 1998), then *Fed. Ins. Co. v. May Dep’t Stores Co.*, 808 F. Supp. 347 (S.D.N.Y. 1992)).

filing of the suit.”²⁷⁵ Specifically, demands that “mentioned ‘the possibility of legal actions’ without specifying date or forum,” and “stated that the sender ‘hoped to avoid litigation’” would be more indicative of “an attempt to initiate settlement negotiations rather than notice of suit.”²⁷⁶

Like the Second Circuit’s “specific warning” analysis, district courts in the Ninth Circuit have looked to whether the declaratory plaintiff had “specific, concrete indications that a suit by the defendant was imminent.”²⁷⁷ For example, a demand that “stated unequivocally that ‘unless a settlement is reached within five (5) business days a lawsuit will be filed,’” or one that “warned that failure to execute and comply with the terms proposed by defendant by the specified deadline would result in litigation,” give rise to a warning of imminence.²⁷⁸

In contrast, courts have not found specific, concrete indications of imminence “where [defendant’s] letter stated that failure to comply with its terms would force it to ‘take further legal action, but indicated an amicable resolution should be possible.’”²⁷⁹ Likewise, demands that stated “If we cannot get your cooperation . . . I have been instructed to take all necessary legal remedies and actions . . . including instituting civil actions”; “If I do not hear from you, I have been asked to commence legal action”; and “[I] look forward to a speedy and amicable final resolution,” did not sufficiently communicate the threat of an imminent lawsuit.²⁸⁰

The takeaway here is a simple one. Courts need to clearly articulate a standard that identifies what constitutes a case brought merely in anticipation of litigation. That standard should mirror the Northern District of California’s language: a declaratory judgment action is improperly anticipatory if it is filed despite specific, concrete indications that a lawsuit by the defendant was imminent.²⁸¹ Evidence of imminence should include:

275. *Id.* (quoting *J. Lyons & Co., Ltd. v. Republic of Tea, Inc.*, 892 F. Supp. 486, 491 (S.D.N.Y. 1995)).

276. *Id.* at 55–56 (citing and quoting first *J. Lyons*, 892 F. Supp. at 491, then *Emp’rs Ins. of Wasau v. Prudential Ins. Co. of Am.*, 763 F. Supp. 46, 49 (S.D.N.Y. 1991)).

277. *Ward v. Follett Corp.*, 158 F.R.D. 645, 648 (N.D. Cal. 1994) (emphasis added).

278. *Easton-Bell Sports, Inc. v. E.I. DuPont de Nemours & Co.*, No. 13-cv-00283 NC, 2013 WL 1283463, at *4 (N.D. Cal. Mar. 26, 2013) (citing and quoting first *Inherent.com v. Martindale-Hubbell*, 420 F. Supp. 2d 1093, 1099–1100 (N.D. Cal. 2006), then *Xoxide, Inc. v. Ford Motor Co.*, 448 F. Supp. 2d 1188, 1193 (C.D. Cal. 2006)).

279. *Id.* (quoting *Intersearch Worldwide, Ltd. v. Intersearch Grp., Inc.*, 544 F. Supp. 2d 949, 961 (N.D. Cal. 2008)).

280. *Id.* at *5.

281. *See id.* at *4.

- The specificity of action to be taken (i.e., “filing a lawsuit,” as opposed to “exploring legal options”),²⁸²
- Identification of a *specific and impending* date on or by which suit would be filed,²⁸³ and
- Identification of a particular court in which suit would be filed.²⁸⁴

Certainly, if all potential plaintiffs were that clear in their cease-and-desist letters or other behavior, it would be hard to argue that a lawsuit filed prior to the expiration of the letter’s provided date was anything other than anticipatory. Conversely, if natural plaintiffs fail to provide that type of notice, they should hardly be upset when the declaratory plaintiff files first.

B. Declaratory Notice

Admittedly, even if courts adopt the framework suggested above, it won’t solve all cases. For example, in *BuddyUSA*, despite the Second Circuit having clear guidelines to apply, the court admitted that “[i]n the case before us, the record is ambiguous as to whether the instant action was improperly anticipatory. Both in their briefs and at oral argument, the plaintiffs and defendants have both made a persuasive case in support of their interpretation of events.”²⁸⁵ The trial court had found the declaratory filing to be non-anticipatory, and the Second Circuit opined that “[i]n light of the ambiguities which are present, we are not convinced that the District Court abused its discretion,” pointing to the fact that “[t]he notice letter was somewhat vague about what legal action, if any, the Recording Industry planned to take.”²⁸⁶

So perhaps there’s another way. Would it in any way frustrate the purpose of the Declaratory Judgment Act if a declaratory plaintiff was required to provide reasonable notice of its filing? Up to this point, this Article has focused on the tension between the primary purpose of the statute—to allow alleged infringers to file mirror-image actions to vindicate their conduct—and a vague, ill-defined anticipatory race-to-the-courthouse exception. But little, if any, downside exists to instituting a requirement that

282. See *Intersearch Worldwide*, 544 F. Supp. 2d at 961.

283. See *Learning Network, Inc. v. Discovery Commc’ns, Inc.*, 11 F. App’x 297, 301–02 (4th Cir. 2001).

284. *BuddyUSA, Inc. v. Recording Indus. Ass’n of Am.*, 21 F. App’x 52, 55 (2d Cir. 2001).

285. *Id.* at 56.

286. *Id.*

before a declaratory judgment case is filed, its plaintiff should notify the defendant of an intent to file, thereby giving the defendant ample opportunity to assume his or her natural plaintiff rights.

Of course, there will always be cases that, for one reason or another, don't allow for notice to be given. Perhaps the exact identity of the declaratory defendant is unknown or he or she is otherwise unreachable. Perhaps there are circumstances that require an immediate or emergency filing, such that notice is not feasible. These (likely rare) instances can be easily accommodated with a "compelling circumstances" (or similarly worded) exception to the notice requirement.

Similarly, it would be helpful to provide guidance to what constitutes "reasonable" notice. Should it be "reasonable" under the circumstances of the case? Ideally not, as that would likely lead to just as much uncertainty as the existing quagmire of caselaw. A period of seven days from the date of notice seems reasonable—certainly enough time for the natural plaintiff to exercise its rights if it so intends.

Finally, what should the notice look like? Section V.A. provides some guidance. A formal letter, sent via reasonable communication channels (mail, email, facsimile) to the same individual who sent the cease-and-desist or demand letter giving rise to the dispute, informing the recipient:

- That the sender intends on filing a declaratory judgment action;
- Of a date certain, that is at least seven days from the date of the letter, on or after which the suit will be filed; and
- Of the court in which the suit will be filed.

To be sure, this should be Congress's task. It could, if it desired, pass legislation to this effect by amending the Declaratory Judgment Act.²⁸⁷ But assuming (safely) that Congress won't venture to legislatively solve the anticipatory lawsuit conundrum, could courts institute such an approach themselves?

That answer is less clear and boils down to a question of the bounds of courts' discretion. But if the Supreme Court's caselaw is any indication, it should be permissible:

Since its inception, the Declaratory Judgment Act has been understood to confer on federal courts *unique and substantial discretion* in deciding whether to declare the rights of litigants. . . . The statute's textual commitment to discretion, and

287. 28 U.S.C. §§ 2201–2202 (2012).

the *breadth of leeway* we have always understood it to suggest, distinguish the declaratory judgment context from other areas of the law in which concepts of discretion surface. . . . We have repeatedly characterized the Declaratory Judgment Act as “an enabling Act, which confers a discretion on the courts rather than an absolute right upon the litigant.” . . . When all is said and done, we have concluded, “the propriety of declaratory relief in a particular case will depend upon a circumspect sense of its fitness *informed by the teachings and experience concerning the functions and extent of federal judicial power.*”²⁸⁸

I don’t mean to suggest that courts could (or should) institute a “notice” requirement and dismiss declaratory judgment actions that fail to abide. However broad federal courts’ discretion might be, it shouldn’t extend so far as to allow them to impose hard filing prerequisites that ought to be created legislatively.

Instead, the approach should evolve organically, over time. It could start with circuit and district courts suggesting that litigants employ the notice tactic as a means of proving their cases are not improperly anticipatory. Just as many circuits have identified a set of factors to assist them in determining whether a declaratory filing should be dismissed,²⁸⁹ they can easily add a factor contemplating “whether the plaintiff provided reasonable notice of its intent to sue” in addition to their existing considerations. Alternatively, they can make clear that the giving of notice helps inform the analysis as to the already existing “forum shopping,” “anticipation of litigation,” or “fairness” factors.²⁹⁰ As time goes on, courts could rely more heavily on a plaintiff’s failure to provide notice. That’s not to say it would become appropriate to dismiss a case *solely* because no notice was given, but again, as the courts continue to ask for it in their written opinions,

288. *Wilton v. Seven Falls Co.*, 515 U.S. 277, 286–87 (1995) (emphasis added) (citations omitted).

289. *See, e.g.*, *State Farm Fire & Cas. Co. v. Mhoon*, 31 F.3d 979, 983 (10th Cir. 1994) (“[A] trial judge . . . should ask [1] whether a declaratory action would settle the controversy; [2] whether it would serve a useful purpose in clarifying the legal relations at issue; [3] whether the declaratory remedy is being used merely for the purpose of “procedural fencing” or “to provide an arena for a race to *res judicata*”; [4] whether use of a declaratory action would increase friction between our federal and state courts and improperly encroach upon state jurisdiction; and [5] whether there is an alternative remedy which is better or more effective.”) (quoting *Allstate Ins. Co. v. Green*, 825 F.2d 1061, 1061 (6th Cir. 1987)).

290. *See St. Paul Ins. Co. v. Trejo*, 39 F.3d 585, 590–91 (5th Cir. 1994).

litigants should eventually get the message that it's something courts want to see.

VI. Conclusion

Declaratory judgment actions are an incredibly important component of many areas of law, intellectual-property cases being no exception.²⁹¹ Nevertheless, judges routinely exercise their discretion under the Declaratory Judgment Act to decline jurisdiction over cases that they see as an attempt by the declaratory plaintiff—or alleged wrongdoer—to steal the aggrieved party's choice of forum.²⁹²

Until now, federal circuit and district courts have failed to articulate a uniform approach that adequately advances the purposes of the Declaratory Judgment Act.²⁹³ That can change in three ways. First, courts should reevaluate their distaste for “races to the courthouse” that wouldn't result in any articulable outcome-based advantages to the declaratory plaintiff.²⁹⁴ Second, if the courts insist on treating anticipatory suits with a presumption of invalidity, they should at the very least identify and apply a clear test that informs litigants what an anticipatory suit looks like.²⁹⁵ And third, Congress should amend the Declaratory Judgment Act to generally require that plaintiffs provide reasonable notice of their suit prior to filing.²⁹⁶ If Congress refuses to act, courts should begin to implement the notice approach on their own by treating the giving of notice as a strong indication of a properly filed declaratory case.²⁹⁷

291. Hill, *supra* note 22, at 242–43.

292. *See supra* Part III.

293. *See supra* Part III.

294. *See supra* Part IV.

295. *See supra* Section V.A.

296. *See supra* Section V.B.

297. *See supra* Section V.B.