IN THE UNITED STATES DISTRICT COURT

FOR THE WESTERN DISTRICT OF WISCONSIN

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AVON HI-LIFE, INC.,

Plaintiff,

v.

LAUREN AGRISYSTEMS, LTD. and
DOES 1-10,

Defendants.

OPINION AND ORDER

13-cv-36-bbc

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In this civil action for monetary and injunctive relief, plaintiff Avon Hi-Life, Inc. contends that defendant Lauren Agrisystems, Ltd. has violated the Lanham Act and California law by engaging in a campaign of trade disparagement and false advertising regarding plaintiff's dairy milking products. (The defendant Does remain identified, so I will ignore them in this opinion.) Now before the court is defendant's motion to dismiss, transfer or stay the case in favor of a duplicative case pending in the Northern District of Ohio. Dkt. #31. Defendant contends that this case should be dismissed because the Ohio case was filed first and involves the same claims and issues. (Defendant also filed a motion to postpone briefing on plaintiff's motion for a preliminary injunction, dkt. #36, but the parties have completed that briefing so I am denying that motion as moot.)

I am denying defendant's motion to dismiss or transfer. Defendant relies solely on the "first-to-file" rule to support its motion, but does not make a compelling showing that

the rule should be applied under the circumstances. It is true that defendant filed its declaratory judgment action first, but it did so only to avoid litigation in another forum. Moreover, defendant delayed serving its complaint on plaintiff and did not do so until after plaintiff filed this case. Accordingly, I am denying defendant's motion and setting an evidentiary hearing to resolve plaintiff's motion for a preliminary injunction.

BACKGROUND

Plaintiff and defendant are direct competitors in the business of selling milking liners and other components used in the automated dairy milking process. Plaintiff's milking liners are made of rubber and defendant's liners are made of silicone. Beginning in September 2012, plaintiff learned that defendant was publishing and disseminating allegedly false and disparaging information about plaintiff's milking liners. In particular, defendant was disseminating (1) a "research report" titled "The Relationship between Bacteria Growth and the Mouthpiece Vent," which purports to describe a scientific study showing a causal connection between the use of plaintiff's milking liners and the build-up of bacteria during the milking process; (2) an online video depicting the alleged results of the research report; and (3) an online PowerPoint presentation titled "Why Silicone?", which suggests that testing by the Food and Drug Administration showed that defendant's products were superior to plaintiff's. In addition, defendant was engaging in verbal disparagement of plaintiff's products to customers and potential customers.

On October 23, 2012, plaintiff sent a cease and desist letter to defendant, demanding

a cessation of specific disparaging activities. Plaintiff stated that if defendant did not cease and desist by October 26, 2012, plaintiff would "take steps to enforce its rights through litigation." Dkt. #11-1 at 26. In a letter dated October 31, defendant denied plaintiff's allegations, but stated that it was interested in resolving the dispute with a "resolution acceptable to both parties." Id. at 29. It also stated that it was "more than willing to provide you some general information relating to the research in an effort to move this matter to an acceptable resolution between the parties to avoid litigation." Id. at 28-29. On November 5, plaintiff responded to defendant's letter, providing more information about plaintiff's concerns and stating that it was "look[ing] forward to hearing from you and receiving the information you have offered to provide." Id. at 32. On November 8, plaintiff's counsel emailed defendant, asking when plaintiff they could expect a response to the most recent letter and stating that plaintiff "is losing (has lost) patience. All rights reserved." Dkt. #22-2 at 51.

In a letter dated November 9, 2012, defendant responded that its research and advertising were accurate but that it "certainly [did] not want to engage in litigation to prove" it; that it was "leav[ing] the door open to further conversation regarding this matter"; and that it was "still hopeful that [they could] resolve this matter amicably between the parties to avoid litigation." Dkt. #11-1 at 33-34. On that same day, defendant filed an action for declaratory relief in the Northern District of Ohio, where it is headquartered, seeking a declaration that its use of the research report, "Why Silicone?" presentation and video demonstration do not violate the Lanham Act, common law or Ohio statutory law.

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Defendant did not notify plaintiff of its suit. On November 12, plaintiff responded to defendant's November 9 letter, reiterating plaintiff's intent to protect its rights, including litigation if necessary, and requesting that defendant provide more information about its research. On November 13, defendant responded, refusing to provide more information about its research. Defendant did not mention the Ohio suit.

On November 27, 2012, plaintiff filed this lawsuit in the Central District of California. It served its complaint on defendant on November 28. Defendant served its complaint from the Ohio case on plaintiff nine days later, on December 7, 2012, which was 28 days after filing. On December 28, plaintiff filed a motion to dismiss the Ohio case. Briefing will be completed on that motion on February 7, 2013.

On December 19, 2012, the court in the Central District of California issued an order to show cause why the action should not be transferred to another district under 28 U.S.C. § 1404(a). After receiving responses from the parties, the court issued an order transferring the case to this district, where plaintiff is headquartered. In its transfer order, the court applied the factors set out in § 1404(a) and concluded that transfer to this district would serve the interest of justice and convenience of the parties and witnesses. The court noted the existence of the related declaratory judgment action in Ohio, but did not discuss the parties' arguments related to that action.

OPINION

Defendant has moved to dismiss or transfer this case on the ground that this case is duplicative of its first-filed declaratory judgment action. Notably, defendant does not rely on § 1404 in support of its motion to transfer, which is wise in light of the Central District of California's conclusion that the factors of § 1404 favor transfer to this court. Under the "law of the case" doctrine, it would be improper for this court to review the California court's § 1404 analysis unless changed or exceptional circumstances were present. Brengettcy v. Horton, 423 F.3d 674, 680 (7th Cir. 2005) (under general "law of the case" doctrine "successor judge should not reconsider the decision of a transferor judge at the same hierarchical level of the judiciary when a case is transferred"). See also In re Cragar Industries, Inc., 706 F.2d 503, 505 (5th Cir. 1983) ("If the motion to transfer is granted and the case is transferred to another district, the transferee-district should accept the ruling on the transfer as the law of the case and should not re-transfer except under the most impelling and unusual circumstances or if the transfer order is manifestly erroneous.") (citation and quotation marks omitted). However, the California court did not clearly address the parties' arguments regarding the first-filed Ohio action, so I will consider those now.

Although "[n]o mechanical rule governs the handling of overlapping cases," Central States, Southeast & Southwest Areas Pension Fund v. Paramount Liquor, Inc., 203 F.3d 442, 444 (7th Cir. 2000), there is a presumption against having duplicative actions pending simultaneously in different courts. Serlin v. Arthur Andersen & Co., 3 F.3d 221, 223 (7th Cir. 1993). "District courts are accorded a great deal of latitude and discretion in

determining whether one action is duplicative of another, but generally, a suit is duplicative if the claims, parties, and available relief do not significantly differ between the two actions." Id. (internal quotations omitted) If the actions are duplicative, there is a rebuttable presumption that the first case filed should be allowed to proceed and the second case abated. Asset Allocation & Management Co. v. Western Employers Insurance Co., 892 F.2d 566, 573 (7th Cir. 1989). However, the Court of Appeals for the Seventh Circuit does not apply the "first-to-file" rule rigidly, Research Automation, Inc. v. Schrader-Bridgeport International, Inc., 626 F.3d 973, 980 (7th Cir. 2010), and has held that the presumption in favor of the first-filed case is overcome if the first case is a declaratory judgment action filed under threat of an imminent suit for the purpose of avoiding litigation in another forum. Trippe Manufacturing Co. v. American Power Conservation Corp., 46 F.3d 624, 629 (7th Cir. 1995); Tempco Electric Heater Corp. v. Omega Engineering Inc., 819 F.2d 746, 750 (7th Cir. 1987); see also Ginmar Corporate Promotions, Inc. v. Cardinal Health, Inc., 2008 WL 4905994, *1-2 (N.D. Ill. Nov. 12, 2008) (declining to apply first-to-file rule where defendant filed declaratory judgment action in face of clear threat that plaintiff would sue). The court of appeals has explained that this type of anticipatory declaratory judgment action "only exacerbates the risk of wasteful litigation." Research Automation, 626 F.3d at 980. Additionally, the court of appeals has explained that, "where the parallel cases involve a declaratory judgment action and a mirror-image action seeking coercive relief—we ordinarily give priority to the coercive action, regardless of which case was filed first." Id.

This case and the Ohio case are duplicative. They involve the same parties, factual

issues and claims. Thus, it is inefficient and a waste of judicial resources for both cases to proceed. However, defendant has not shown that this case should be dismissed or transferred in favor of the Ohio case under the first-to-file rule. As an initial matter, it is questionable whether the declaratory judgment action should be considered the first-filed action. Although defendant filed that action first, it failed to serve or otherwise notify plaintiff of the action until after plaintiff had initiated this suit and served defendant. Defendant's delay in moving the declaratory judgment action forward undermines its argument that its case should be given precedent as the first-filed case.

Moreover, even if the Ohio case is the first-filed action, I would not dismiss this case in favor of it. This case was filed by the natural plaintiff seeking coercive relief, and defendant concedes that it filed the declaratory action in anticipation of plaintiff filing a lawsuit in a different forum. Under this circuit's precedent, the first-to-file rule should not be applied to these circumstances. Research Automation, 626 F.3d at 980; Trippe Manufacturing Co., 46 F.3d at 629.

Finally, it would be inefficient and unfair to plaintiff to delay a decision on its motion for a preliminary injunction by transferring this case yet again. This case has progressed further than the Ohio case and the parties have finished briefing plaintiff's motion. In the Ohio case, plaintiff has not yet filed an answer or counterclaims and there is no motion pending that seeks affirmative relief. If this case were transferred, it is uncertain when the Ohio court could address plaintiff's motion. Under the circumstances, it makes sense to proceed with this case. In the event that the Ohio court determines that defendant's

declaratory judgment action should continue in that court, I will reconsider the propriety of transferring this case to that court. Unless that occurs, this case will proceed.

ORDER

IT IS ORDERED that

1. Defendant Lauren Agrisystems Ltd.'s motion to dismiss or postpone briefing on plaintiff Avon Hi-Life Inc.'s motion for a preliminary injunction, dkt. #36, is DENIED as moot.

2. Defendant's motion to dismiss or transfer this case, dkt. #31, is DENIED.

3. An evidentiary hearing on plaintiff's motion for a preliminary injunction is scheduled for Thursday, February 14, 2013 at 9:00 a.m.

Entered this 6th day of February, 2013.

BY THE COURT:
/s/
BARBARA B. CRABB
District Judge