Dish Network L.L.C. v. American Broadcasting Companies, Inc. et al Doc. 13

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May 29, 2012

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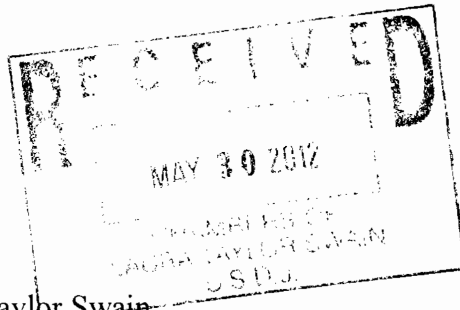

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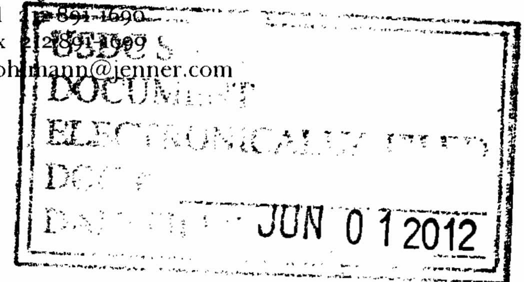

Honorable Laura Taylor Swain
United States District Court
Southern District of New York
500 Pearl Street
New York, New York 10007

Re: *Dish Network L.L.C. v. ABC, Inc., et al.*, 12 Civ. 4155 (LTS) (KNF)
FOX's Preliminary Opposition to DISH's Motion for an Anti-Suit Injunction and Temporary Restraining Order

Dear Judge Swain:

After notifying us for the first time at 4:30 Eastern time on Memorial Day that DISH intended to file an ex parte application asking this Court to take the extraordinary step of issuing a temporary restraining order enjoining FOX's properly-filed copyright infringement action against DISH from proceeding in the United States District Court for the Central District of California, DISH's counsel served us with its motion today at approximately 11:15 am Eastern time. Although FOX has not had sufficient opportunity to review DISH's motion and thoroughly respond, FOX hereby submits this preliminary opposition to DISH's improper motion.

This matter is of critical importance to FOX. DISH is currently operating a service called Primetime Anytime that infringes FOX's copyrights by copying, without authorization, all of FOX's primetime programming so that DISH can offer its subscribers what essentially amounts to a bootleg video-on-demand service. Without FOX's authorization, Dish's Auto Hop service provides its subscribers with commercial-free versions of FOX's primetime television programs, and Dish's Sling Adapter illegally distributes FOX's broadcast signal and copies of FOX's programs via the internet.

On May 24 – last Thursday – FOX filed a complaint for copyright infringement and breach of contract against DISH in the Central District of California, as well as an application for expedited discovery in aid of the preliminary injunction motion it intends to file in that Court. Aware that FOX's lawsuit was imminent, DISH raced into this Court and hastily filed a declaratory judgment action less than a half-hour before FOX's complaint was filed in

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California.[1] DISH's complaint is directed at only a narrow element of its infringing service (the Auto Hop commercial skipping feature), and DISH acknowledged in its complaint that its motivation for seeking declaratory relief was to preempt a copyright infringement action. *See, e.g.*, DISH Cplt., ¶¶ 1, 32, 34, 36. We informed DISH that if it would agree to immediately cease and desist its infringing service, then FOX would agree to stay the California action so the venue issue can be resolved. Echtman Decl, exhibit 15. But DISH refused.

Every day that the California proceeding is delayed, FOX is being irreparably harmed while DISH continues to profit from its ongoing infringement. FOX is not aware of any case law that would authorize this Court to enjoin another district court action , in favor of an admittedly anticipatory declaratory relief action that was filed for forum-shopping purposes and that addresses only a single element of the infringing service at issue. For the reasons set forth below, this extraordinary request for an ex parte TRO and injunction against FOX's lawsuit in the California District Court should be denied outright.

1. <u>DISH's Declaratory Judgment Complaint Is An Improper Anticipatory Action.</u>

DISH admitted in its complaint that it filed this declaratory judgment action to preempt the copyright infringement lawsuit that it knew was imminent. DISH's complaint alleges it believed FOX had retained counsel "with the intention of bringing litigation against DISH within a relatively short period of time" (Cplt. ¶ 32); that it expected to be sued "within a month" (*id.* ¶ 34); and that DISH would "soon be the target of litigation" (*id.* ¶ 36). Because DISH's complaint is concededly anticipatory, DISH is not entitled to any priority as a result of having reached the courthouse filing window a few minutes before FOX, and it would be a grave injustice for the Court to enjoin the California action in favor of DISH's complaint. *See AFA Dispensing Group, B.V. v. Anheuser-Busch, Inc.*, 740 F. Supp. 2d 465, 471 (S.D.N.Y. 2010) ("Anticipatory filings constitute a special circumstance permitting departure from the first-filed rule"). Indeed, where a party files a declaratory action knowing full well that its adversary is about to bring a coercive suit, the declaratory action is clearly not brought to obtain clarification of disputed rights. *See Great American Insurance Co. v. Houston General Insurance Co.*, 735 F. Supp. 581, 586 (S.D.N.Y. 1990).

It is well-settled that "[t]he federal declaratory judgment is not a prize to the winner of a race to the courthouses." *John Wiley & Sons, Inc. v. Visuals Unlimited, Inc.*, No. 11-CV-5453, 2011 WL 5245192, *7 (S.D.N.Y. Nov. 2, 2011) (quoting *Perez v. Ledesma*, 401 U.S. 82, 119, n. 12 (1971) (Brennan, J., dissenting)). "A rush to file first in anticipation of litigation in another tribunal, thereby enabling a potential defendant to choose the forum and governing law by which to adjudicate the dispute, and otherwise to interfere with or frustrate the other party's pursuit of claims elsewhere, is one of the equitable considerations a court

[1] DISH accuses the networks of misleading the Central District by checking "no" on the civil cover sheets as to whether there were related cases pending. Because the complaints were all filed on the same day, it was not possible to identify the other cases when the cover sheets were filled out prior to delivering the complaints to the court for filing. Moreover, FOX's lawsuit was filed first, so at the time of the filing there were no related cases to disclose.

may weigh in ruling on a request for declaratory relief." *Id.* (quoting *Dow Jones & Co., Inc. v. Harrods, Ltd.*, 237 F. Supp. 2d 394, 440 (S.D.N.Y. 2002); *see also AmSouth Bank v. Dale*, 386 F.3d 763, 788 (6th Cir. 2002) ("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.").

In *Reliance Insurance Co. v. Six Star, Inc.*, this Court expressly recognized that the "first filed" rule does not apply where the first suit was an anticipatory filing or motivated solely by forum shopping. *Reliance Ins. Co.*, 155 F. Supp. 2d 49, 55 (S.D.N.Y. 2001) (Swain, J.)[2] This Court further recognized that "[a]n improper anticipatory filing is one made under the apparent threat of a presumed adversary filing the mirror image of that suit in another court." *Id.* This rule applies here and conclusively prevents DISH from claiming that its admittedly anticipatory lawsuit is "first filed." *See, e.g.*, Dish Cplt., ¶ 34-36 (alleging, among other things, that it believes the networks intend to "bring[] litigation against DISH within a relatively short time," and that according to media reports "a lawsuit should be expected within a month" and that DISH is filing this action because it is "reasonably apprehensive that it will soon be the target of litigation").

DISH cites *BuddyUSA, Inc. v. Recording Industry Association of America*, 21 Fed. Appx. 52 (2d Cir. 2001) for the proposition that a lawsuit can never be anticipatory unless it is filed in response to a demand letter. This is not the rule. In determining whether a lawsuit is anticipatory, courts frequently look to whether a demand letter was sent containing specific warnings as to deadlines and subsequent legal action. But that is because in most cases, the declaratory judgment plaintiff denies filing the declaratory relief action to preempt anticipated litigation. Thus, the demand letter is typically the focus of the court's analysis because filing a declaratory judgment action after receipt of a demand letter with a specific threat of litigation by a certain deadline is evidence that the declaratory judgment action was filed to preempt the threatened litigation. *See, e.g., BuddyUSA*, 21 Fed. Appx. at 55 (reviewing record evidence including the demand letter and subsequent behavior of the parties, and finding that the record was ambiguous as to whether the declaratory judgment action was improperly anticipatory).

Here, it does not matter whether there was a demand letter because DISH admitted in its complaint that it filed its declaratory relief action in order to preempt an anticipated copyright infringement lawsuit that it knew was imminent. Less than a year ago on virtually identical facts, another court in this district dismissed a declaratory judgment complaint as

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[2] The Court in *Reliance Insurance* found that the declaratory judgment complaint was not anticipatory because there was no evidence that the plaintiffs raced to the courthouse in anticipation of a filing by the defendants, and that it was not motivated by forum shopping because the insurance policy on which declaratory relief was being sought contained a forum selection clause requiring the plaintiff and defendant to litigate in New York. 155 F. Supp. 2d at 55. *Reliance Insurance* is distinguishable from this action since, as discussed above, (i) DISH has admitted that it filed its declaratory judgment action in anticipation of copyright infringement lawsuits by FX and the other networks; and (ii) there is no forum selection clause in FOX's agreement with DISH.

improperly anticipatory where there was no demand letter setting forth specific warnings and deadlines with respect to litigation by the copyright holder, but the infringer pled in his complaint that the copyright holder "has retained litigation counsel who is threatening to file claims against Wiley for copyright infringement and fraud." *Wiley & Sons, Inc.*, 2011 WL 5245192 at *8 (holding that based on the language in the complaint and timing of the declaratory relief action, "Wiley was clearly operating under the threat of litigation.").

Numerous courts within this district have dismissed anticipatory declaratory judgment actions, recognizing that it is clearly improper for an infringer to file such an action in order to "gain a procedural advantage and preempt the forum choice of the plaintiff to the coercive action." *See, e.g., Gianni Sport Ltd. v. Metallica*, No. 00 Civ. 0937, 2000 WL 1773511, *5 (S.D.N.Y. Dec. 4, 2000) (denying infringer's request to enjoin later-filed action brought by owner of trademark and granting owner's motion to dismiss preemptive declaratory relief action); *Chicago Insurance Co. v. Holzer*, No. 00 Civ. 1062, 2000 WL 777907, *4 (S.D.N.Y. June 16, 2000) (dismissing declaratory judgment action and holding that "[Plaintiff] used the declaratory judgment action to preempt an imminent suit against it. Consequently, [plaintiff's] declaratory judgment action was improper."). FOX intends to move to dismiss DISH's complaint on this basis but notes that even without the opportunity for thorough briefing on this issue, DISH's admissions in its complaint and the timing of its filing are more than enough to establish that DISH's lawsuit is an improper anticipatory action, and that the properly-filed California action should not be enjoined in favor of DISH's suit.

2. DISH's Anticipatory Declaratory Judgment Complaint Is Not "First Filed."

DISH's declaratory relief complaint, which was file-stamped a mere 29 minutes before FOX's copyright infringement complaint and which was served the day after FOX served its complaint on DISH, is not entitled to "first-filed" status. First, when two complaints are filed less than a few days apart, the first filed rule does not apply. *JewelAmerica v. Frontstep Solutions Group*, No. 02 CIV 1328, 2002 WL 1349754, *1 (S.D.N.Y. June 20, 2002) (collecting cases and explaining that "[t]he bulk of precedent in this circuit is that the first filed rule is usually disregarded where the competing suits were filed only days apart"); *see also Don King Productions, Inc. v. Douglas*, 735 F. Supp. 522, 532-33 (S.D.N.Y. 1990) ("In considering the proper forum for this dispute, no weight shall be assigned to the fact that [defendants] managed to institute suit court [sic] minutes prior to [plaintiff]."). Here, FOX's copyright infringement and breach of contract complaint was filed only 29 minutes after DISH's anticipatory filing.

Second, because DISH was served with FOX's California complaint on Thursday but did not serve FOX with the New York complaint until Friday, jurisdiction attached in the California action before the New York action. This fact also militates against considering the New York case to be the "first filed." *See Everest Capital Limited v. Everest Funds Management, L.L.C.*, 178 F. Supp. 2d 459, 463 (S.D.N.Y. 2002) (noting that some courts within the district have held that the date of service, not filing, was controlling for establishing priority, and finding that, either way, "[t]here is almost uniform recognition . . . of the general principle that mechanical application of the [first to file] rule should not be

determinative of the result in cases in which competing actions have been filed in close temporal proximity and service was not completed in the first case before the second case was filed.").

DISH cites *BuddyUSA, Inc* as a case in which the Second Circuit affirmed an order enjoining a later-filed case that was a "closer call" than here. Dish Br., p. 21. This is a gross mischaracterization of the *BuddyUSA* case. *BuddyUSA* did not present a "closer call" – the declaratory judgment action in *BuddyUSA* was filed weeks, not minutes, before the copyright holder brought its copyright infringement lawsuit. *BuddyUSA*, 21 Fed. Appx. at 54. Additionally, unlike DISH here, the declaratory judgment plaintiff in *BuddyUSA* presumably did not directly allege that its lawsuit was anticipatory.

3. No Emergency Requires This Court To Enter A Temporary Restraining Order.

The temporary restraining order that DISH seeks here is "'one of the most drastic tools in the arsenal of judicial remedies,' and must be used with great care." *AFA Dispensing Group B.V. v. Anheuser-Busch, Inc.*, 740 F. Supp. 2d 465, 471 (S.D.N.Y. 2007) (quoting *Grand River Enterprise Six Nations, Ltd. v. Pryor,* 481 F.3d 60, 66 (2d Cir. 2007)). A TRO "is an extraordinary and drastic remedy, one that should not be granted unless the movant, by a clear showing, carries the burden of persuasion." *Moore v. Consol. Edison Co.*, 409 F.3d 506, 510 (2d Cir. 2005) (quoting *Mazurek v. Armstrong,* 520 U.S. 968, 972, 117 S. Ct. 1865 (1997)).

The relief that DISH seeks here is highly unusual and extraordinary – an emergency order to prevent another federal district court from proceeding with a properly-filed copyright infringement action. Even worse, the purpose of DISH's motion is, specifically, to prevent another federal district court from granting the expedited discovery necessary to obtain a preliminary injunction halting DISH's ongoing infringement. "It is extraordinary for a court to enjoin a proceeding in another forum, not only because of the potential delay in the adjudication of rights, but also because of the respect that must properly be given to that forum." *U.S. Commodities Futures Trading Comm'n v. Amaranth Advisors, LLC*, 523 F. Supp. 2d 328, 334 (S.D.N.Y. 2007). *See generally* 11A C. Wright, A. Miller & M. Kane, Fed. Practice & Procedure: Civil § 2942 (2d ed. 1995 & Supp.) ("One of the most important limitations on the equitable power of the federal courts often comes into operation when plaintiff seeks to enjoin parties from proceeding in another action. When the action sought to be halted is in a federal court, ... in effect [an injunction order] acts to restrain the other court and therefore represents an interference with the jurisdiction of another tribunal.") Accordingly, "if the party seeking the injunction could raise the same issues in the other proceeding, the court typically will take the position that the party has an adequate alternative remedy and does not need injunctive relief." *Id.*

DISH has not shown – and cannot show – any emergency that justifies such an extraordinary order. In the California action, FOX filed a routine application for expedited discovery narrowly directed at DISH's new products and services that infringe FOX's copyrights. FOX is seeking seven categories of documents and two depositions. Such requests are routine and subject only to a "good cause" standard. Indeed, even if this action

were to proceed in New York, the same discovery would be required. Although DISH demanded that the California action be enjoined immediately so that it does not have to respond to FOX's expedited discovery motion, this is not the sort of "emergency" that justifies the issuance of a temporary restraining order. In any event, DISH has already responded to the expedited discovery motion. DISH is not the "victim" here in need of immediate relief.

4. DISH Does Not Even Have a Right To The Discretionary Declaratory Relief Sought In Its Complaint

DISH's ex parte request for an anti-suit injunction is particularly over-reaching in the circumstances of this case. DISH's suit in this district seeks only declaratory relief, and it is well established that DISH does not have any *right* to obtain a declaratory judgment – in this or any other federal court. The Declaratory Judgment Act provides that a court "*may* declare the rights and other legal relations of any interested party," 28 U.S.C. § 2201(a) (emphasis added), not that it *must* do so. This text has long been understood "to confer on federal courts unique and substantial discretion in deciding whether to declare the rights of litigants." *Wilton v. Seven Falls Co.,* 515 U.S. 277, 286-87, 115 S. Ct. 2137 (1995) (Declaratory Judgment Act "confers a discretion on the courts rather than an absolute right upon the litigant").

"Even if the basic requirements for a declaratory judgment action are met, it is still within the discretion of the district court to decline to hear a declaratory judgment action, particularly when there is a pending proceeding in another court, state or federal, that will resolve the controversies between the parties." *Great American Ins. Co. v. Houston Gen.,* 735 F. Supp. 581, 584 (S.D.N.Y.1990). Here, DISH's complaint only seeks a declaration as to one of DISH's infringing services, Auto-Hop. Cplt. ¶ 38. However, FOX's lawsuit in California also challenges DISH's PrimeTime Anytime service and Sling Adapter whereby DISH is operating an unauthorized video on demand service, copying and distributing FOX's programs without permission, and transmitting FOX's broadcast via the Internet without consent. These are all separate copyright and contract violations that are not addressed in DISH's narrow declaratory relief action. Therefore, whereas a resolution of DISH's lawsuit would not resolve all of the claims in FOX's lawsuit, a resolution of FOX's lawsuit would necessarily resolve all of the issues in DISH's lawsuit. For that reason, FOX's lawsuit is the one that should take precedence. *See Hartford Ace. & Indem. Co. v. Hop-On Int'l Corp.,* 568 F. Supp. 1569, 1574 (S.D.N.Y. 1983) (finding that where a pending action could be "resolved as completely, fairly, and quickly" as a declaratory judgment action, the declaratory judgment action properly may be dismissed).

The basis for declining jurisdiction over a declaratory judgment action is even stronger where, as here, the plaintiff has engaged in blatant forum shopping. Courts frequently have exercised their discretion to abstain in such circumstances. *See Fed. Ins. Co. v. May Dep't Stores,* 808 F. Supp. 347, 350 (S.D.N.Y. 1992); *Sturge v. Diversified Transport Corp.,* 772 F. Supp. 183, 186-87 (S.D.N.Y. 1991); *Great Am. Ins. Co. v. Houston Gen. Ins. Co.,* 735 F. Supp. 581, 586 (S.D.N.Y. 1990); *see also Factors Etc., Inc. v. Pro Arts, Inc.,* 579 F.2d 215, 219 (2d Cir.1978) .

These cases recognize that use of the declaratory judgment action as a forum-shopping device undermines the purposes of the Declaratory Judgment Act, which is to "afford relief from the uncertainty, insecurity, and controversy" of a situation where one is a party to a ripe dispute but the right to initiate a coercive action belongs only to the opposing party. *Sturge,* 772 F. Supp. at 186 (quoting *Broadview Chemical Corp. v. Loctite Corp.*, 417 F.2d 998, 1001 (2d Cir. 1969)). Where a party files a declaratory action with knowledge that its adversary is about to bring a coercive suit – as DISH has done here – then the object of the declaratory action cannot be to obtain clarification of disputed rights, because the declaratory plaintiff is well aware that those disputes are about to be submitted to a court. *See Great Am. Ins. Co.,* 735 F. Supp. at 586 ("Plaintiff knew that defendant would file an action in Texas if it did not manage to file the instant action first. The Declaratory Judgment Act was not designed to countenance such procedural manipulation of forums and actions. In fact, the misuse of the Declaratory Judgment Act to gain a procedural advantage in the coercive action militates in favor of dismissing the declaratory judgment action.").

5. The Central District of California Is The Appropriate Forum For FOX's Lawsuit.

DISH's contention that FOX should be forced to litigate its claims against DISH in New York has no merit. As the copyright holder whose rights are being violated, FOX is the true plaintiff in this case and it is entitled to its choice of forum. FOX's principal place of business and major operations are all in Los Angeles, and the harm from DISH's ongoing infringement is being felt in Los Angeles. All of the relevant FOX witnesses and relevant documents are in Los Angeles. Significantly, DISH itself is located in Colorado, not New York. FOX's lawsuit against DISH has no connection to New York, and DISH's insistence that the case can only go forward in New York is an act of naked procedural gamesmanship.

DISH's only real justification for insisting that FOX's claims must be litigated in New York is that DISH has joined ABC and CBS as defendants in its anticipatory declaratory judgment action, and DISH's agreements with these other networks apparently include forum selection clauses requiring litigation to take place in New York. This is not a relevant factor. The lawsuit DISH is asking this Court to enjoin was filed by FOX in California to prevent DISH's ongoing infringement of FOX's copyrights. FOX's agreement with DISH does not contain a forum selection clause, and ABC and CBS are not parties to FOX's suit.

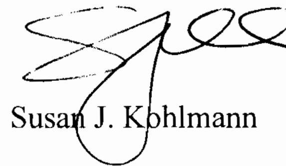
DISH's reliance on the forum selection provisions in its agreements with ABC and CBS is further undercut by the fact that ABC has not sued DISH at all, and CBS has filed an action in California which asserts only copyright claims, which are likely not subject to the forum selection clause. *Phillips v. Audio Active Limited*, 494 F. 3d 378, 387-92 (2d Cir. 2007).[3] The notion that DISH can preempt FOX's choice of forum by filing an anticipatory

[3] In arguing that CBS's forum selection clause would govern its copyright claim, DISH misconstrues the district court's holding in *Direct Mail Prod'n Servs. Ltd. v. MBNA Corp.*, 2000 WL 1277597 (S.D.N.Y. Sept. 7, 2000) and ignores subsequent Second Circuit authority

lawsuit seeking declaratory relief under contracts with other networks that contain forum selection clauses, when those networks have not even asserted claims against DISH based on those contracts, is completely unprecedented and turns on its head FOX's right as the natural plaintiff to the forum of its choice. *See Wiley & Sons*, 2011 WL 5245192 at *8 ("'[W]hether the forum chosen by the declaratory plaintiff is 'logical' can have only a minimal value in determining whether procedural fencing has occurred. The question is not which party has chosen the better forum, but whether the declaratory plaintiff has filed in an attempt to get her choice of forum by filing first.'") (quoting *AmSouth*, 386 F.3d at 763).

For the foregoing reasons, FOX respectfully requests that DISH's application for a temporary restraining order be denied. Instead, DISH's arguments about venue can be addressed when FOX moves to dismiss the New York action for improper venue, which it intends to file shortly.

Respectfully,



Susan J. Kohlmann

Cc: Counsel of Record (via e-mail)

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that severely limits it. Contrary to DISH's assertion, *Direct Mail* did not involve a "narrow" forum selection clause. Unlike the CBS forum selection clause quoted in DISH's papers, the clause at issue in *Direct Mail* was not limited to disputes that "arose under" the contract. Instead, the clause at issue in *Direct Mail* contained no restrictive language at all. Instead, it stated broadly that "the parties hereto agree that the English courts shall have exclusive jurisdiction." 2000 WL 1277597 at *3. Furthermore, in finding that the clause encompassed copyright infringement claims, the *Direct Mail* court expressly relied on the Seventh Circuit's decision in *Omron Healthcare, Inc. v. Maclaren Exports, Ltd.*, 28 F.3d 600, 601-02 (7th Cir. 1994), an arbitration clause case. In a subsequent 2007 decision – which DISH ignores completely – the Second Circuit in *Phillips v. Audio Active Ltd.*, 494 F.3d 378, 389 (2d Cir. 2007), expressly declined to follow *Omron* or to import its analysis to a non-arbitration context. Instead, *Phillips* held that a forum selection clause in a recording contract that contained "arise out of" language did ***not*** apply to copyright infringement claims merely because those claims related to the same subject matter as the contract, or because the defendants invoked the contract as relevant. Id. at *390-91*.