

IN THE SUPREME COURT OF MISSOURI

No. SC84906

STATE OF MISSOURI ex rel. VERIZON COMMUNICATIONS INC.,
VERIZON TRADEMARK SERVICES LLC, VERIZON SERVICES CORP.,
TELESECTOR RESOURCES GROUP, INC., VERIZON WIRELESS (VAW) L.L.C.,
and GTE.NET L.L.C.,

Relators,

v.

THE HONORABLE MARGARET M. NEILL,
Judge, Division 1, Circuit Court of the City of St. Louis,

Respondent.

On a Petition for a Writ of Prohibition,
or, in the Alternative, for a Writ of Mandamus

BRIEF OF RELATORS VERIZON COMMUNICATIONS INC.,
VERIZON TRADEMARK SERVICES LLC, VERIZON SERVICES CORP.,
TELESECTOR RESOURCES GROUP, INC.,
VERIZON WIRELESS (VAW) L.L.C., and GTE.NET L.L.C.

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INTRODUCTION

This case presents the issue of whether the trial court should stay this trademark action (the “State Action”) filed by Plaintiff Inverizon International, Inc. (“Inverizon”), pending the final determination of a previously-filed trademark action between the parties in federal district court in St. Louis (the “Federal Action”)¹, which the United States Court of Appeals for the Eighth Circuit has determined should proceed. This issue of federalism and respect for the federal courts was squarely addressed by this Court in Johnson v. American Surety Co. of New York, 238 S.W. 500, 502 (Mo. 1921), where this Court held that “[w]here an action is instituted in the federal court, a subsequent action in the state court involving the same subject-matter **will be stayed** pending the final determination of the prior action in the federal court.” (emphasis added).

In direct conflict with the rule set forth by this Court in Johnson, Respondent the Honorable Margaret M. Neill refused to stay the State Action even though it is undisputed that: (a) Inverizon filed the State Action six weeks after and in reaction to the first-filed Federal Action (and after Inverizon changed its state of incorporation to defeat federal jurisdiction); and (b) the State Action involves the exact same subject matter—the parties’ respective trademarks—as the first-filed Federal Action. Accordingly, Relators-

¹ Verizon Communications, Inc. and Verizon Trademark Services, LLC v. Inverizon International, Inc., in the United States District Court for the Eastern District of Missouri, Case No. 4:00CV01380HEA.

Defendants Verizon Communications Inc., Verizon Trademark Services LLC (formerly Bell Atlantic Trademark Services LLC²), Verizon Services Corp., Telesector Resources Group, Inc. d/b/a Verizon Services Group, Verizon Wireless (VAW) L.L.C., and GTE.net L.L.C. d/b/a Verizon Internet Solutions (collectively, “Verizon”) request that this Court issue a writ of mandamus (or, in the alternative, a writ of prohibition) commanding Respondent to stay the State Action and to take no further action in the State Action pending the final determination of the previously-filed Federal Action between the parties.

This Court should grant the requested writ because of Respondent’s refusal to follow this Court’s opinion in Johnson and because Respondent’s ruling implicates the principle of federalism and impacts federal-state relations. Respondent’s refusal to stay the State Action disregards the recent decision and mandate of the Eighth Circuit in the parties’ dispute, which concluded that federal trademark issues are controlling and that the federal courts should exercise jurisdiction over the first and properly-filed Federal Action. See Verizon Communications, Inc. v. Inverizon International, Inc., 295 F.3d 870 (8th Cir. 2002) (copy included in the Appendix to Verizon’s Writ Petition at A3-8).

² The caption of the challenged order of the trial court dated September 17, 2002 (A1-2) incorrectly lists Bell Atlantic Trademark Services LLC as a defendant. By order dated August 15, 2001, Verizon Trademark Services LLC was substituted in place of Bell Atlantic Trademark Services LLC.

Moreover, both the Federal Action and the State Action are presently scheduled for simultaneous trials in May 2003. This Court should enter a writ against Respondent commanding her to stay the State Action in order:

- to prevent a conflict with this Court's jurisprudence;
- to prevent Respondent from acting outside of her authority;
- to avoid unnecessary, duplicative, inconvenient and expensive litigation between the parties;
- to avoid a clash between the state and federal courts; and
- to prevent the inevitable chaos that will ensue if both the Federal Action and the State Action proceed to trial at the same time.

This Court should affirm the holding in Johnson and rule that a state action must be stayed in favor of a federal action if, as is the case here, the federal action was first and properly filed and the claims in the later-filed state action are compulsory counterclaims in the federal action. Under this rule, the Court should hold that Respondent had no discretion in ruling on Verizon's motion to stay the State Action, but was required to stay the State Action pending the final determination of the Federal Action.

Alternatively, if the Court concludes that a decision whether to stay a subsequently-filed state suit in favor of a previously-filed federal suit is discretionary, the Court should hold that Respondent abused her discretion as a matter of law by denying Verizon's motion to stay the State Action because it is undisputed that:

- whereas Verizon filed the Federal Action first, properly, and in good faith, Inverizon is guilty of improper forum shopping in filing the State Action;
- the Federal Action includes the same parties and claims involved in the State Action, the Federal Action will resolve the parties' dispute, and Inverizon's claims in the State Action have always been compulsory counterclaims in the Federal Action;
- absent a stay of the State Action, there will be a race to judgment in the federal and state courts, simultaneous discovery, motion practice, and trials in the Federal Action and the State Action, and an unnecessary duplication of judicial efforts;
- the Eighth Circuit held that the parties' dispute is governed by federal law and belongs in federal court; and
- the Federal Action has been pending longer and has progressed further than the State Action.

Respondent's ruling failed to consider these undisputed facts and defies logic; it totally disregards the reasoned holdings of the Eighth Circuit and indicates an arbitrary, unreasonable decision to retain jurisdiction over a suit that was filed only as a retaliatory measure and that should have never been brought in state court. To remedy Respondent's abuse of discretion, prevent irreparable harm to Verizon, prevent unnecessary, duplicative, inconvenient, and expensive litigation, and maintain proper deference to federal court proceedings, this Court should issue a writ of mandamus (or, in

the alternative, a writ of prohibition) commanding Respondent to stay the State Action and to take no further action in the State Action pending the final determination of the Federal Action.

JURISDICTIONAL STATEMENT

This is a proceeding for the issuance of a petition for a writ of mandamus (or, in the alternative, a writ of prohibition). The Court has jurisdiction to decide this case pursuant to Article V, Section 4.1 of the Missouri Constitution, which provides in pertinent part: “The supreme court shall have general superintending control over all courts and tribunals. . . . The supreme court . . . may issue and determine original remedial writs.”

STATEMENT OF FACTS

A. The parties

1. The Verizon Defendants

Defendant Verizon Communications Inc. (“Verizon Communications”), a Delaware corporation, acting through its affiliates, is a leading provider of nationwide telecommunications services, including wireline and wireless voice and data services. Respondent’s Answer to Verizon’s Writ Petition, ¶ 7. The VERIZON mark has become associated exclusively with these telecommunications services.

Defendant Verizon Trademark Services LLC (“Verizon Trademark Services”) owns all rights in the VERIZON mark and name and licenses those rights to Verizon Communications and its affiliates, including Defendants Verizon Services Corp.,

Telesector Resources Group, Inc. d/b/a Verizon Services Group, Verizon Wireless (VAW) L.L.C., and GTE.net L.L.C. d/b/a Verizon Internet Solutions.

2. Inverizon International, Inc.

Plaintiff Inverizon International, Inc. (“Inverizon”), offers agricultural consulting services. Respondent’s Answer to Verizon’s Writ Petition, ¶ 9. It was originally incorporated in Missouri in 1995 and was a Missouri corporation five years later when Verizon commenced the Federal Action on August 30, 2000. Id. On September 29, 2000, after the commencement of the Federal Action, Inverizon changed its state of incorporation from Missouri to Delaware in an obvious move to defeat diversity jurisdiction and prevent removal of the State Action that it intended to file. Id.; A115-116.³ Both before and after changing its state of incorporation, Inverizon maintained and conducted the same business by the same individual at the same principal place of business in Chesterfield, Missouri. Respondent’s Answer to Verizon’s Writ Petition, ¶ 9.

B. Inverizon’s claims of trademark infringement, unfair competition, and dilution

On August 4, 2000, more than three months after the VERIZON mark was first used nationwide by an affiliate of Verizon Communications, Verizon received a letter dated July 25, 2000 (the “July 25 Letter”) from Inverizon’s counsel contending that

³ Citations to “A__” are to the Appendix that accompanies Verizon’s Petition for a Writ of Prohibition, or in the Alternative, for a Writ of Mandamus.

Verizon's use of the VERIZON mark "constitutes infringement of [Inverizon's] trademark rights, **as well as unfair competition under § 43 of the Lanham Act, 15 U.S.C. § 1125.**" A89-90 (emphasis added); Respondent's Answer to Verizon's Writ Petition, ¶ 10. Inverizon's counsel also contended that Verizon's use of the VERIZON mark violated "various state anti-dilution statutes and other state laws." Id. Inverizon's counsel demanded that Verizon cease all use of the VERIZON mark. Id.

C. Verizon's attempt to resolve the dispute

On August 7, 2000, three days after receiving the July 25 Letter, Verizon's counsel contacted Inverizon's counsel to discuss the July 25 Letter and a possible resolution of the matter. A92 (¶ 5). Verizon's counsel proposed a coexistence agreement between the parties, believing that their respective services (telecommunications versus agricultural consulting) were sufficiently distinct such that there would be no public confusion from the concurrent, respective use of the VERIZON and the INVERIZON marks. Id.

Inverizon's counsel immediately dismissed this idea, contending that there was an "overlap" between the services that each company provided. Id. When Verizon's counsel inquired of the nature of this "overlap," Inverizon's counsel responded that it was "in the wireless business." Id. Yet, when pressed for details regarding Inverizon's "wireless business," he could not provide this information, but simply stated that he would get back to Verizon. Id. Neither Verizon's counsel nor Inverizon's counsel raised the subject of litigation. A93 (¶ 6).

D. The first-filed Federal Action

Verizon waited more than three weeks for Inverizon to provide additional information to support its allegations. On August 30, 2000, after hearing nothing from Inverizon, Verizon filed the Federal Action to clear the cloud over its VERIZON name and mark and to establish that its and its affiliates' use of the VERIZON mark does not violate any rights that Inverizon may have in the INVERIZON mark. A95-104. Because Inverizon's July 25 Letter expressly alleged trademark infringement and unfair competition under the federal Lanham Act and dilution under various state laws, Verizon's Federal Action specifically seeks a declaration that its use of the VERIZON mark does not run afoul of federal law (including the Lanham Act) or any state laws (including Missouri law). A105-114.

E. The later-filed State Action

On October 16, 2000, after changing its state of incorporation from Missouri to Delaware to defeat diversity and thwart removal, Inverizon filed the present State Action against Verizon. A9-18; Respondent's Answer to Verizon's Writ Petition, ¶ 14. Although Inverizon had contended in its July 25 Letter that Verizon's use of the VERIZON mark violated the federal Lanham Act, Inverizon, in a further attempt to retain the litigation in state court, expressly denied that it was seeking any relief under federal law, asserting in paragraph 4 of its petition: "Plaintiff specifically states that this petition pleads no federal cause of action under the Lanham Act, 15 U.S.C. § 1125 *et seq.* or any other Federal Act." A10; Respondent's Answer to Verizon's Writ Petition, ¶ 14.

Instead, Inverizon asserted five counts for relief, all under state law: (1) common law trademark infringement; (2) dilution under RSMo § 417.061.1; (3) trademark infringement in violation of RSMo § 417.056; (4) tortious interference with business expectancy; and (5) punitive damages. Respondent’s Answer to Verizon’s Writ Petition, ¶ 14. Each of Inverizon’s claims is based upon an alleged injury to the INVERIZON mark. Id.

F. Proceedings in the Federal Action and the federal district court’s stay order

On October 16, 2000, the same day it commenced the State Action, Inverizon moved to dismiss or stay the Federal Action, contending that the State Action should proceed instead. A117-127. Even though Inverizon did not file the State Action until six weeks after the Federal Action commenced, Inverizon maintained that the federal district court should ignore the well-established “first-filed” rule because Verizon “raced to the courthouse” and filed the Federal Action as a “preemptive strike” to deprive Inverizon of its choice of forum. Id.

While Inverizon’s motion to dismiss or stay the Federal Action was pending, the parties proceeded with discovery in the Federal Action. They exchanged initial disclosures, multiple sets of written discovery requests and responses, and documents. They conducted depositions of three key third party witnesses, and they served subpoenas seeking documents from additional third parties, including some of Inverizon’s clients.

Prior to entry of the federal district court's stay order, Verizon was poised to take discovery from many of Inverizon's clients in several states.

On May 15, 2001, after the parties had litigated the Federal Action in the federal district court for eight-and-a-half months, the federal district court entered an order staying the Federal Action pending disposition of the State Action. A128-131; Respondent's Answer to Verizon's Writ Petition, ¶ 17. In granting its stay order, the federal district court concluded:

The pending state action presents the same issues between the same parties as this case. In addition, significant proceedings have not occurred in this matter and it is not set for trial until March 7, 2002. Therefore, the Court concludes that the state action can resolve all issues between the parties. It would be inefficient to require the parties to litigate their claims in this Court as well as in a separate state court action. . . . [J]udicial economy favors staying plaintiffs' claims.

A130; Respondent's Answer to Verizon's Writ Petition, ¶ 17. The federal district court also concluded in its stay order that Verizon had deprived Inverizon of its choice of forum. A130-131; Respondent's Answer to Verizon's Writ Petition, ¶ 17.

G. Proceedings in the State Action

On November 29, 2000, Verizon filed a motion asking Respondent to dismiss or stay the State Action. A20-46; Respondent's Answer to Verizon's Writ Petition, ¶ 18. The motion was heard on June 5, 2001, after the federal district court had already stayed

the Federal Action. Respondent's Answer to Verizon's Writ Petition, ¶ 9. In opposing Verizon's motion, Inverizon relied primarily on the federal district court's order staying the Federal Action. A47-60.

On August 6, 2001, Respondent denied Verizon's motion to dismiss or stay the State Action. A61-64; Respondent's Answer to Verizon's Writ Petition, ¶ 19. In her order, Respondent expressly noted that the federal district court had stayed the proceedings in the Federal Action pending resolution of the State Action and that the federal district court had found that Verizon's Federal Action had improperly denied Inverizon of its choice of forum. A62; Respondent's Answer to Verizon's Writ Petition, ¶ 19. Respondent held that the doctrine of abatement and Missouri's compulsory counterclaim rule (Rule 55.32(a)) did not require dismissal of the State Action because the other suit between the parties had been filed in federal, rather than state, court. A62-64; Respondent's Answer to Verizon's Writ Petition, ¶ 19.

H. The Eighth Circuit's decision overturning the federal district court's stay order in the Federal Action

Nearly a year after Respondent's decision, on July 11, 2002, the United States Court of Appeals for the Eighth Circuit reversed the federal district court's decision, vacating the stay order in the Federal Action and remanding the Federal Action for further proceedings not inconsistent with its opinion. See Verizon Communications, Inc. v. Inverizon International, Inc., 295 F.3d 870 (8th Cir. 2002) (A3-8); Respondent's Answer to Verizon's Writ Petition, ¶ 20. The Eighth Circuit held that the federal district

court had abused its discretion in staying the Federal Action because the federal district court: (a) failed to consider that the Federal Action involved federal questions; (b) failed to consider that the federal claims are the primary claims raised by Verizon in the Federal Action; and (c) clearly erred in finding that Verizon had engaged in any improper forum shopping when it filed the Federal Action. Respondent’s Answer to Verizon’s Writ Petition, ¶ 20.

The Eighth Circuit also noted that, in denying Verizon’s motion to dismiss the State Action, Respondent had relied heavily on the federal district court’s decision to stay the Federal Action and the federal district court’s finding that Verizon had wrongfully deprived Inverizon of its choice of forum. Verizon Communications, 295 F.3d at 872 (A5); Respondent’s Answer to Verizon’s Writ Petition, ¶ 21. The appellate court then concluded that “the facts here do not support a finding that Verizon engaged in improper forum shopping or an anticipatory filing, and the [federal] district court’s contrary finding amounts to a clear error of judgment.” Verizon Communications, 295 F.3d at 874 (A7); Respondent’s Answer to Verizon’s Writ Petition, ¶ 21. Instead of faulting Verizon for filing the Federal Action, the Eighth Circuit observed that, if anyone was guilty of manipulative tactics, it was Inverizon, not Verizon; Inverizon was using the State Action “as a sword rather than a shield.” Verizon Communications, 295 F.3d at 874 n.2 (A7); Respondent’s Answer to Verizon’s Writ Petition, ¶ 21.

I. Verizon’s motion to stay the State Action

Promptly after the Eighth Circuit issued its decision vacating the stay in the Federal Action and directing that the Federal Action proceed, Verizon sought a stay of the State Action pending the final determination of the Federal Action based on the rule stated in Johnson v. American Surety Co. of New York, 238 S.W. 500, 502 (Mo. 1921), that “[w]here an action is instituted in the federal court, a subsequent action in the state court involving the same subject-matter will be stayed pending the final determination of the prior action in the federal court.” A65-131. In its motion, Verizon also emphasized the strong, unequivocal language of the Eighth Circuit’s opinion, which clearly signaled that federal trademark cases such as the parties’ dispute belong in federal court, and which found that the federal district court abused its discretion in abstaining in deference to the State Action. Verizon further stressed that it will be more efficient—both for the federal and state courts and for the parties—to litigate the parties’ dispute in the Federal Action because only the Federal Action can resolve all of the legal issues—both federal and state.

On September 17, 2002, Respondent issued a two-page order denying Verizon’s motion to stay. A1-2; Respondent’s Answer to Verizon’s Writ Petition, ¶ 23.

Respondent stated in her order:

Defendants argue that this suit should be stayed pending a final determination of the suit pending in federal court. In support of this argument, defendants cite Johnson v. American Surety Company of New York, 238 S.W. 500 (Mo. 1921). In Johnson, the Missouri Supreme Court

held that under principals [sic] of comity, after an action is instituted in federal court, a subsequent action in state court may be stayed. Id. at 502. Comity is a courtesy that may be extended, not a right. Esmar v. Haeussler, 106 S.W.2d 412, 414 (Mo. 1937). It is up to the discretion of the trial court whether to exercise comity. Searles v. Searles, 495 S.W.2d 759, 762 (Mo. App. 1973).

Here, suit has been pending in this Court for almost two years. The parties have completed extensive discovery, including more than thirty-five depositions, and the case is set for trial in less than eight months. The Court finds no reason to stay this action. Thus, defendants' motion to stay must be denied.

A2; Respondent's Answer to Verizon's Writ Petition, ¶ 23. Notably, Respondent did not mention the Eighth Circuit's decision whatsoever and, in fact, ignored the mandate of the Eighth Circuit that the Federal Action proceed to resolve the parties' dispute.

Respondent also took no notice of Inverizon's manipulative tactics, but, to the contrary, rewarded Inverizon for these manipulative tactics by denying the stay. In other words, Respondent ignored the fact that, but for Inverizon's change in its state of incorporation, this case would never have survived in state court, but would have been immediately removed on diversity grounds.

J. The court of appeals' denial of Verizon's writ petition

On October 3, 2002, Verizon petitioned the Missouri Court of Appeals for the Eastern District for a writ of prohibition or, in the alternative, for a writ of mandamus commanding Respondent to stay the State Action and to take no further action in the case pending the final determination of the Federal Action. Respondent's Answer to Verizon's Writ Petition, ¶ 24. In Verizon submitted a memorandum in opposition. A210-91; Respondent's Answer to Verizon's Writ Petition, ¶ 24. On October 17, 2002, two weeks after Verizon filed its writ petition, the court of appeals denied Verizon's petition without opinion. A292-93; Respondent's Answer to Verizon's Writ Petition, ¶ 24.

K. The overlapping trial dates in the State Action and the Federal Action

At Inverizon's request, Respondent has set the State Action for trial on May 5, 2003. A209; Respondent's Answer to Verizon's Writ Petition, ¶ 25.

As a result of the Eighth Circuit's decision, the Federal Action is proceeding once again. Respondent's Answer to Verizon's Writ Petition, ¶ 26. The parties filed a supplemental joint proposed scheduling plan with the federal district court. A294-303; Respondent's Answer to Verizon's Writ Petition, ¶ 26. Verizon proposed a trial date in the Federal Action of no later than March 24, 2003, which Inverizon opposed in an effort to have the State Action proceed to judgment before the Federal Action. A302. In the plan, Inverizon stated that it anticipated that trial will take two to three weeks. A303.

On October 30, 2002, the federal district court entered a scheduling order setting, among other things, a close of discovery and deadline for filing dispositive motions and a trial date of May 13, 2003 in the Federal Action. A304-09; Respondent's Answer to Verizon's Writ Petition, ¶ 27. Although this is a week after the State Action is set for trial, based on Inverizon's representation that trial of the parties' dispute will take two to three weeks, the trials in the Federal Action and the State Action will overlap unless either action is resolved or stayed before trial.

In conflict with the Eighth Circuit's clear mandate that the Federal Action should proceed, Inverizon has also filed another motion to stay the Federal Action, which Verizon has opposed. The federal district court has not ruled on that motion, so the Federal Action is presently active and pending.

L. Inverizon's counterclaims in the Federal Action and its proposed second amended petition in the State Action

On November 12, 2002, Inverizon finally filed its Answer and Counterclaims in the Federal Action. See Exhibit 1 to Letter Dated November 27, 2002 from Jordan B. Cherrick to Clerk of the Supreme Court of Missouri. Inverizon has asserted counterclaims against all of the Verizon entities that are presently defendants in the State Action and also against other Verizon entities. Inverizon's counterclaims in the Federal Action include most all of the claims that Inverizon has asserted against Verizon in the State Action, including claims for common law trademark infringement, injunctive relief pursuant to RSMo § 417.061, violations of RSMo § 417.056, and punitive damages. (Inverizon has not asserted its tortious interference claim from the State Action as a counterclaim in the Federal Action, but this claim is based on the same allegations underlying Inverizon's other claims.)

On November 18, 2002, Inverizon filed a motion for leave to file a second amended petition in the State Action. See Exhibit 2 to Letter Dated November 27, 2002 from Jordan B. Cherrick to Clerk of the Supreme Court of Missouri. Inverizon's proposed second amended petition seeks to add additional parties so that the State Action is against all of the Verizon entities that are counterclaim defendants in the Federal Action. With the exception of two federal law claims that are included only in the Federal Action, Inverizon's proposed second amended petition includes the same claims that Inverizon has asserted as counterclaims against Verizon in the Federal Action.

Inverizon previously argued to Respondent and to the Missouri Court of Appeals for the Eastern District that a stay of the State Action is not warranted because the parties in the Federal Action were not identical to the parties in the State Action. Specifically, Inverizon pointed out that, in the State Action, it had named four affiliates of Verizon that use the VERIZON mark and that were not parties in the Federal Action. See A146. Inverizon has since named those four Verizon affiliates as counterclaim defendants in the Federal Action. Thus, the Federal Action includes the same parties in the State Action and the factual premise for Inverizon's argument no longer exists. Indeed, Inverizon abandoned this argument in its opposition to Verizon's writ petition before this Court, although it did not advise the Court about its recent pleadings in the Federal Action and the State Action and did not acknowledge that both the parties and the claims in the two actions are now essentially identical.

M. Verizon's writ petition before this Court

Verizon petitioned this Court for a writ of prohibition or, in the alternative, for a writ of mandamus commanding Respondent to stay the State Action and to take no further action in the State Action pending the final determination of the Federal Action. On November 27, 2002, this Court issued its preliminary writ of mandamus commanding Respondent to vacate her order denying Verizon's motion to stay and to take no further action in the State Action until the further order of this Court.

POINTS RELIED ON

I. Respondent erroneously denied Verizon’s motion to stay because under this Court’s opinion in Johnson v. American Surety Co. of New York, 238 S.W. 500 (Mo. 1921), which held that where an action is instituted in the federal court, a subsequent action in the state court involving the same subject-matter will be stayed pending the final determination of the prior action in the federal court, Respondent is required to stay the State Action pending the final determination of the Federal Action in that: (1) the Federal Action was filed properly and in good faith six weeks before the State Action; (2) the Federal Action involves the same facts and subject matter as the State Action; (3) Inverizon’s claims in the State Action have always been compulsory counterclaims in the Federal Action; and (4) absent a stay of the State Action, there will be a race to judgment in the federal and state courts, simultaneous discovery, motion practice, and trials in the Federal Action and the State Action, and an unnecessary duplication of judicial efforts.

Johnson v. American Surety Co. of New York, 238 S.W. 500 (Mo. 1921)

State ex rel. J.E. Dunn, Jr., & Assoc., Inc. v. Schoenlaub,

668 S.W.2d 72 (Mo. banc 1984)

State ex rel. Buchanan v. Jensen, 379 S.W.2d 529 (Mo. banc 1964)

Creative Walking, Inc. v. American States Ins. Co.,

25 S.W.3d 682 (Mo. App. 2000)

Federal Rule of Civil Procedure 13(a)

II. Respondent abused her discretion and erroneously denied Verizon’s motion to stay because Respondent failed to consider the following undisputed facts, which militate in favor of staying the later-filed State Action pending the final determination of the first-filed Federal Action: (1) whereas Verizon filed the Federal Action first, properly, and in good faith, Inverizon is guilty of improper forum shopping in filing the State Action; (2) the Federal Action includes the same parties and claims involved in the State Action, the Federal Action will resolve the parties’ dispute, and Inverizon’s claims in the State Action have always been compulsory counterclaims in the Federal Action; (3) absent a stay of the State Action, there will be a race to judgment in the federal and state courts, simultaneous discovery, motion practice, and trials in the Federal Action and the State Action, and an unnecessary duplication of judicial efforts; (4) the Eighth Circuit held that the parties’ dispute is governed by federal law and belongs in federal court; and (5) the Federal Action has been pending longer and has progressed further than the State Action.

Johnson v. American Surety Co. of New York, 238 S.W. 500 (Mo. 1921)

State ex rel. J.E. Dunn, Jr., & Assoc., Inc. v. Schoenlaub,

668 S.W.2d 72 (Mo. banc 1984)

State ex rel. Buchanan v. Jensen, 379 S.W.2d 529 (Mo. banc 1964)

Creative Walking, Inc. v. American States Ins. Co.,

25 S.W.3d 682 (Mo. App. 2000)

Federal Rule of Civil Procedure 13(a)

ARGUMENT

I. Respondent erroneously denied Verizon's motion to stay because under this Court's opinion in Johnson v. American Surety Co. of New York, 238 S.W. 500 (Mo. 1921), which held that where an action is instituted in the federal court, a subsequent action in the state court involving the same subject-matter will be stayed pending the final determination of the prior action in the federal court, Respondent is required to stay the State Action pending the final determination of the Federal Action in that: (1) the Federal Action was filed properly and in good faith six weeks before the State Action; (2) the Federal Action involves the same facts and subject matter as the State Action; (3) Inverizon's claims in the State Action have always been compulsory counterclaims in the Federal Action; and (4) absent a stay of the State Action, there will be a race to judgment in the federal and state courts, simultaneous discovery, motion practice, and trials in the Federal Action and the State Action, and an unnecessary duplication of judicial efforts.

A. Mandamus is appropriate when a trial court fails to stay a case that it is required to stay.

Mandamus lies to require Respondent to stay the State Action pending the final determination of the Federal Action.

A writ of mandamus will issue where a court has exceeded its jurisdiction or authority. State ex rel. Schnuck Markets, Inc. v. Koehr, 859 S.W.2d 696,

698 (Mo. banc 1993). The writ will lie both to compel a court to do that which it is obligated by law to do and to undo that which the court was by law prohibited from doing. State ex rel. Leigh v. Dierker, 947 S.W.2d 505, 506 (Mo. banc 1998).

State ex rel. Planned Parenthood of Kansas and Mid-Missouri v. Kinder, 79 S.W.3d 905, 906 (Mo. banc 2002).

In the present case, Respondent has exceeded and acted outside of her authority in denying a stay because this Court's decision in Johnson v. American Surety Co. of New York, 238 S.W. 500 (Mo. 1921), requires Missouri trial courts to stay a later-filed state suit pending the final determination of a previously-filed federal suit that involves the same subject matter. Thus, mandamus is appropriate to compel Respondent to stay the later-filed State Action pending the final determination of the first-filed Federal Action, which involves the same subject matter as the State Action. See, e.g., Planned Parenthood, 79 S.W.3d at 906-07 (issuing writ of mandamus directing trial court to grant motion to dismiss case); Leigh, 974 S.W.2d at 506 (issuing writ of mandamus directing trial court to vacate order recalling previous order transferring case to other venue and to reinstate previous order); Schnuck Markets, 859 S.W.2d at 698 (same).⁴

⁴ Verizon has petitioned for a writ of prohibition as an alternative to a writ of mandamus. Prohibition also lies in the present case because Respondent exceeded her authority in denying a stay. See State ex rel. Painewebber, Inc. v. Voorhees, 891 S.W.2d 126, 130

B. Under Johnson, Respondent is required to stay the later-filed State Action pending the final determination of the first-filed Federal Action.

Respondent’s ruling denying Verizon’s motion to stay the State Action is clearly erroneous under Johnson v. American Surety Co. of New York, 238 S.W. 500 (Mo. 1921). In Johnson, this Court stated it “cannot be questioned” that “[w]here an action is instituted in the federal court, a subsequent action in the state court involving the same subject-matter **will be stayed** pending the final determination of the prior action in the federal court.” Id. at 502 (emphasis added). This Court noted that this rule of law “results from the principle of comity which obtains between courts of concurrent jurisdiction, a principle which requires that a subject-matter drawn and remaining within the cognizance of a court of general jurisdiction shall not be drawn into controversy or litigated in another court of concurrent jurisdiction.” Id.

Here, there is no dispute that the Federal Action was filed six weeks before the State Action; that both the Federal Action and the State Action involve the same subject matter, i.e., whether the VERIZON mark infringes Inverizon’s rights; and that the Federal Action remains pending and, as a result of Eighth Circuit’s unanimous decision, is proceeding. Indeed, both the parties and the claims in the two actions are essentially

(Mo. banc 1995) (issuing writ of prohibition directing trial court to stay action pending arbitration).

identical. Under Johnson, Respondent must stay the later-filed State Action pending the final determination of the first-filed Federal Action.

In her order denying Verizon's motion to stay, Respondent acknowledged the Johnson case, but misstated its holding: "In Johnson, the Missouri Supreme Court held that under principals [sic] of comity, after an action is instituted in federal court, a subsequent action in state court **may** be stayed." A2 (emphasis added). Based on her misreading of Johnson, Respondent erroneously concluded that she had discretion to decide whether to stay the State Action.

In Johnson, this Court did not indicate that a stay is discretionary. It did not say that the subsequent action in state court "may be stayed." Instead, it clearly held that the later-filed state action "**will** be stayed pending the final determination of the prior action in the federal court." 238 S.W. at 502 (emphasis added). Under Johnson, a stay in the present circumstances is mandatory, not discretionary.

C. A stay of the State Action should be mandatory because the Federal Action was first and properly filed in good faith and Inverizon's claims in the later-filed State Action are compulsory counterclaims in the Federal Action.

1. The Court should affirm the holding in Johnson and rule that a state action must be stayed in favor of a federal action if the federal action was first and properly filed in good faith and the

**claims in the later-filed state action are compulsory
counterclaims in the federal action.**

A modern restatement of the rule in Johnson is as follows: a state action must be stayed in favor of a federal action if the federal action was first and properly filed in good faith and the claims in the later-filed state action are compulsory counterclaims in the federal action. This Court has held that a party is not allowed to commence an action to assert a claim that is a compulsory counterclaim in a pending, previously-filed action. State ex rel. J.E. Dunn, Jr., & Assoc., Inc. v. Schoenlaub, 668 S.W.2d 72, 75-76 (Mo. banc 1984) (writ of prohibition issued requiring party to assert claims in second-filed action as compulsory counterclaims in first-filed action). As this Court has emphasized:

A party can no longer avoid the impact of the compulsory counterclaim rule by bringing an independent action in another court after the commencement of the original action but before such party files his responsive pleading.

This is the clear intent of the amendment and is consistent with the general purpose of the rule which is to avoid a multiplicity of suits and to dispose of litigation more expeditiously and properly.

State ex rel. Buchanan v. Jensen, 379 S.W.2d 529, 531 (Mo. banc 1964) (writ of prohibition issued requiring party to assert claims in second-filed action as compulsory

counterclaims in first-filed action).⁵

While J.E. Dunn and Buchanan each involved Missouri Rule of Civil Procedure 55.32(a) (or its predecessor), which does not apply in the Federal Action, Rule 55.32(a) is identical to Federal Rule of Civil Procedure 13(a), see J.E. Dunn, 668 S.W.2d at 75, and the purposes of both Missouri Rule 55.32(a) and Federal Rule 13(a) are to avoid piecemeal litigation, Joel Bianco Kawasaki Plus v. Meramec Valley Bank, 81 S.W.3d 528, 536 (Mo. banc 2002). Accordingly, a party (i.e., Inverizon) should not be allowed to commence an action (i.e., the State Action) to assert a claim that is a compulsory counterclaim in a previously-filed action (i.e., the Federal Action), regardless of whether the previously-filed action is pending in federal court or in Missouri state court.

Appellate courts in other jurisdictions have reversed trial court decisions refusing to stay second-filed state actions and held that such second-filed state actions must be stayed pending the outcome of a first-filed federal action where the claims in the state

⁵ Of course, where two actions are pending, if a party's claim in the second-filed action is a compulsory counterclaim in the first-filed action, the opposing party must assert the compulsory counterclaim rule while the first action is still pending or it will have waived the benefit of the rule. See Joel Bianco Kawasaki Plus v. Meramec Valley Bank, 81 S.W.3d 528, 531-36 (Mo. banc 2002). In the present case, Verizon has repeatedly insisted that Inverizon's claims in the State Action are compulsory counterclaims in the Federal Action.

action are compulsory counterclaims in the federal action. See Sparrow v. Nerzig, 89 S.E.2d 718, 722 (S.C. 1955); Conrad v. West, 219 P.2d 477 (Cal. Ct. App. 1950); see also Coates v. Ellis, 61 A.2d 28, 31-32 (D.C. Ct. App. 1948) (trial court should have stayed state action because claims were compulsory counterclaims in previously-filed federal action). As the Supreme Court of South Carolina has reasoned:

[T]he assumption of jurisdiction by our court of a cause of action essentially the subject of a compulsory counterclaim in the pending federal action unnecessarily hinder[s] the jurisdiction of the district court and effectually defeat[s] the purpose of its rule of procedure before mentioned. Such a course is inconsistent with that “spirit of reciprocal comity and mutual assistance” required for the effective operation of our two systems of courts.

Sparrow, 89 S.E.2d at 722.

Consistent with its decisions in J.E. Dunn and Buchanan, this Court should affirm the holding in Johnson and rule that a state action must be stayed in favor of a federal action if the federal action was first and properly filed in good faith and the claims in the later-filed state action are compulsory counterclaims in the federal action. Such a rule will prevent the unnecessary hindrance of federal courts, prevent parties from evading the purpose of the federal compulsory counterclaim rule (Federal Rule 13(a)), and promote the spirit of reciprocal comity and mutual assistance required for the effective operation of the nation’s dual systems of courts.

- 2. Respondent was required to stay the State Action because the Federal Action was first and properly filed in good faith and Inverizon's claims in the later-filed State Action are compulsory counterclaims in the Federal Action.**

Under this rule, Respondent was required to stay the State Action because the Federal Action was first and properly filed in good faith and Inverizon's claims in the later-filed State Action are compulsory counterclaims in the Federal Action.

a. The Federal Action was first and properly filed in good faith.

The Federal Action was filed six weeks before the State Action. As the Eighth Circuit has previously held, Verizon properly brought the Federal Action in good faith to clear a potential cloud on its VERIZON mark created by Inverizon's accusations of trademark infringement and dilution. Verizon Communications, 295 F.3d at 874-75 (A7-8). Verizon filed the Federal Action five weeks after Inverizon accused Verizon of trademark infringement under federal law and three weeks after Inverizon failed to substantiate its accusation despite Verizon's request to do so.

Courts have repeatedly held that it is proper for a party (such as Verizon) that is accused of trademark infringement to pursue a declaratory judgment action to establish its right to use its mark. See Starter Corp. v. Converse, Inc., 84 F.3d 592 (2d Cir. 1996); Chesebrough-Pond's, Inc. v. Faberge, Inc., 666 F.2d 393 (9th Cir. 1982); Simmonds Aerocessories, Ltd. v. Elastic Stop Nut Corp. of Am., 257 F.2d 485 (3d Cir. 1958). Such actions are frequently and brought in federal court instead of state court. As the Eighth Circuit noted in the Federal Action:

Patent and trademark cases are commonly brought in federal court as declaratory judgment actions seeking to establish the validity of a federally registered patent or mark. Additionally, federal courts now decide all but a few trademark disputes. State trademark law and state courts are less influential than ever. Today the Lanham Act is the paramount source of

trademark law in the United States, as interpreted almost exclusively by the federal courts.

Verizon Communications, 295 F.3d at 873 (A6) (citations and internal quotations omitted).

In its opposition to Verizon's writ petition before this Court, Inverizon suggests that Verizon somehow improperly deprived Inverizon of its chosen forum and that Verizon launched a "preemptive strike" by filing the Federal Action. The Eighth Circuit squarely considered and rejected Inverizon's arguments. The Eighth Circuit concluded that "the facts here do not support a finding that Verizon engaged in improper forum shopping or an anticipatory filing, and the [federal] district court's contrary finding amounts to a clear error." Verizon Communications, 295 F.3d at 874 (A7). The Eighth Circuit noted that:

- Inverizon's "cease and desist letter did not indicate that litigation was imminent";
- Verizon filed the Federal Action approximately five weeks after it received Inverizon's cease and desist letter and only after Inverizon provided no further information to substantiate Inverizon's claims that Verizon's use of the VERIZON mark infringed upon the INVERIZON mark; and
- "Verizon chose to bring [the Federal] [A]ction in Missouri, the state of Inverizon's incorporation at the time, and not some inconvenient forum."

Id. at 874-75 (A7-8). Thus, Verizon properly filed the Federal Action before Inverizon filed the State Action.

b. Inverizon’s claims in the State Action have always been compulsory counterclaims in the Federal Action.

Inverizon’s claims in the State Action have always been compulsory counterclaims in the Federal Action under Federal Rule of Civil Procedure 13(a) because they arise out of the same transaction as Verizon’s claims in the Federal Action. Federal Rule 13(a) provides: “A pleading shall state as a counterclaim any claim which at the time of serving the pleading the pleader has against any opposing party, if it arises out of the transaction or occurrence that is the subject matter of the opposing party’s claim and does not require for its adjudication the presence of third parties of whom the court cannot acquire jurisdiction.” Both the Federal Action and the State Action arise out of Verizon’s use of the VERIZON mark and raise the same question of whether Verizon’s use of the VERIZON mark infringes, dilutes or otherwise affects Inverizon’s rights in the INVERIZON mark. Consequently, even if Inverizon had not asserted its counterclaims in the Federal Action, res judicata and collateral estoppel would bar Inverizon from pursuing its claims and relitigating issues in the State Action after judgment is entered in the Federal Action. See Creative Walking, Inc. v. American States Ins. Co., 25 S.W.3d 682, 686-87 (Mo. App. 2000) (insured’s claims against insurer for conspiracy and vexatious refusal to pay were defenses or compulsory counterclaims in the insurer’s federal court action for declaratory judgment that it owed no more money to the insured,

and, thus, the declaratory judgment was res judicata and barred the insured's claims); In re Caranchini, 956 S.W.2d 910 (Mo. banc 1997) (federal court findings of fact, made in connection with imposition of sanctions, had offensive nonmutual collateral estoppel effect precluding relitigation of findings in state disciplinary proceeding against attorney).

This is true even though Inverizon just recently named four of the six defendants in the State Action as parties (counterclaim defendants) in the Federal Action. Inverizon was always free to join these four additional defendants as counterclaim defendants in the Federal Action (and, in fact, has done so). See Fed. R. Civ. P. 13(h). As a practical matter, Inverizon was required to do so. Under the doctrine of collateral estoppel, a ruling by the federal courts that Verizon's use of the VERIZON mark does not violate any of Inverizon's rights in the INVERIZON mark would preclude Inverizon from pursuing the same claims against Verizon's affiliates, including the four defendants in the State Action that Inverizon recently named as counterclaim defendants in the Federal Action. See James v. Paul, 49 S.W.3d 678, 682-88 (Mo. banc 2001) (insured's guilty plea to first-degree assault collaterally estopped insured's judgment creditor from relitigating questions of insured's intent and exclusion of liability coverage in action against insurer to recover liability coverage proceeds for assault); St. Louis Univ. v. Hesselberg Drug Co., 35 S.W.3d 451, 455 (Mo. App. 2001) ("A non-party to an earlier adjudication may assert collateral estoppel, or issue preclusion, against a party to the prior suit to bar relitigation of an issue in a subsequent proceeding.") (collateral estoppel

precluded hospital's contribution claim against retailer of allegedly defective vaccine where court in hospital's prior proceeding against another party had found against hospital on issue of whether allegedly defective vaccine had caused patient's injuries); Helm v. Wismar, 820 S.W.2d 495, 498-99 (Mo. banc 1991) (collateral estoppel precluded motorist who was injured in automobile accident and had obtained judgment against another motorist from relitigating issue of damages against other motorist's employer); Oates v. Safeco Ins. Co. of America, 583 S.W.2d 713, 719 (Mo. banc 1979) ("The concept of collateral estoppel has been extended, allowing strangers to the prior suit to assert collateral estoppel against parties to the prior suit to bar relitigation of issues previously adjudicated.").

c. Respondent was required to stay the State Action.

In sum, because the Federal Action was first and properly filed in good faith and Inverizon's claims in the later-filed State Action are compulsory counterclaims in the Federal Action, Respondent was required to stay the State Action. This Court, therefore, should issue a writ commanding her to do so.

D. Esmar and Searles do not hold that Respondent had discretion to deny Verizon's motion to stay.

Johnson is the leading (and, apparently, only) reported case in Missouri that addresses whether a Missouri court should stay a later-filed action in state court in favor of a first-filed action in federal court that involves the same subject matter. Neither

Respondent nor Inverizon cites any Missouri authority that contradicts or otherwise limits the holding in Johnson.

In her order denying Verizon's motion to stay, Respondent cited Esmar v. Haeussler, 106 S.W.2d 412, 414 (Mo. 1937), for the proposition that “[c]omity is a courtesy that may be extended, not a right,” and Searles v. Searles, 495 S.W.2d 759, 762 (Mo. App. 1973), for the proposition that “[i]t is up to the discretion of the trial court whether to exercise comity.” A2. Esmar and Searles are inapposite, however, because neither case involved a federal suit.

Indeed, Esmar did not even involve two suits. Instead, that case centered on a conflict of laws issue: whether the trial court should have applied New York or Missouri law. The Esmar court held that whether the trial court should have applied New York law as interpreted by New York courts implicated the rule of comity instead of the Full Faith and Credit Clause of the United States Constitution. 106 S.W.2d at 413-14. The present case does not involve any issue as to what state's law applies.

The court in Esmar did provide a general definition of “comity,” but that is irrelevant to the present case because Esmar presented an entirely different issue than Johnson. While the rule in Johnson is derived from the principle of comity, it is not merely a “courtesy that may be extended,” but is a hard and steadfast rule that must be followed.

Searles, too, is irrelevant here. Searles involved dueling suits in two **state** courts, not—as in this case—an earlier, properly-filed action in federal court followed by a case

in state court involving the same subject matter. In Searles, the court held that the trial court did not abuse its discretion in denying a stay in a divorce proceeding brought by a husband in Missouri pending the outcome of a maintenance proceeding brought by a wife in Michigan. The appellate court reasoned that the husband could not have obtained in Michigan the relief that he sought in Missouri because Michigan law did not permit him to file a counterclaim for divorce in the Michigan proceeding. 495 S.W.2d at 761-62.

In the present case, unlike in Searles, Inverizon can obtain the same full relief in the Federal Action that it seeks in the State Action. Inverizon has asserted its claims in the State Action as compulsory counterclaims in the Federal Action. Thus, Searles does not support Respondent's denial of Verizon's motion to stay. In addition, because the State Action expressly excludes any federal claims, Verizon can obtain full relief only in the Federal Action and not in the State Action.

E. The rule of law stated in Johnson is binding precedent, not dicta.

Inverizon implicitly concedes that Respondent's ruling is contrary to the rule of law stated by this Court in Johnson, but incorrectly insisted that this rule of law was dicta and, therefore, not binding on Missouri courts. Inverizon's Sugg. in Opp. to Verizon's Writ Petition, pp. 25-29. The rule of law set forth in Johnson is binding precedent, not mere dicta.

“[S]tatements are obiter dicta [if] they [are] not essential to the court's decision of the issue before it.” Richardson v. Quiktrip Corp., 81 S.W.3d 54, 59 (Mo. App. 2002) (en banc) (quoting Campbell v. Labor & Indus. Relations Comm'n, 907 S.W.2d 246, 251

(Mo. App. 1995) (case cited by Inverizon)). An appellate court’s statement in an opinion is not dicta if the appellate court sets forth a legal standard in the statement and then applies that legal standard to the facts of the case to reach its decision. Richardson, 81 S.W.3d at 59. A declaration of law by this Court that is relevant to the determination of a case before it is not dicta. Blair v. Steadley Co., 740 S.W.2d 329, 332-33 (Mo. App. 1987).

In Johnson, the issue that the appellant presented to the court was whether the state suit should have been stayed in favor of the federal suit. To resolve that issue, this Court first stated the legal standard that “[w]here an action is instituted in the federal court, a subsequent action in the state court involving the same subject-matter will be stayed pending the final determination of the prior action in the federal court.” 238 S.W. at 502. This Court then applied that legal standard to the facts of the case and, based on that legal standard, concluded that a stay of the state suit was not warranted because the state suit was filed **before** the federal suit. Accordingly, the legal standard stated by this Court in Johnson is **not** dicta but, instead, is binding precedent. See Richardson, 81 S.W.3d at 59 (statement in Supreme Court of Missouri opinion setting forth legal standard was not dicta because court applied the facts of the case before it to that legal standard to reach its decision); Blair, 740 S.W.2d at 332-33 (statement in Supreme Court of Missouri opinion was not dicta); cf. Campbell, 907 S.W.2d at 251 (statements in footnote of prior appellate opinion were dicta because “they were not essential to the court’s decision of the issue before it”). The fact that the defendant failed to satisfy the legal standard set forth in

Johnson for obtaining a stay of the state suit does not deprive the legal standard of its force.

F. Inverizon's Missouri cases are inapposite.

In support of its position, Inverizon relies heavily on State ex rel. Dykhouse v. Edwards, 908 S.W.2d 686 (Mo. banc 1995), which did not determine whether a later-filed state action should be stayed in favor of a first-filed federal action. Inverizon's Sugg. in Opp. to Verizon's Writ Petition, pp. 14-15. In Dykhouse, an insurer was in rehabilitation proceedings in Michigan. The Michigan trial court entered an order prohibiting all further litigation involving the insurer. Five actions **unrelated to the rehabilitation proceeding** were pending against the insurer in Missouri court. The rehabilitator for the insurer sought a writ requiring the Missouri trial court to recognize the Michigan court's stay order and stay the Missouri actions. This Court denied a writ, concluding that the trial court was not required to honor the Michigan court's stay order under the Missouri Insurers Supervision, Rehabilitation and Liquidation Act or the rule of comity. Id.

Significantly, in Dykhouse, the competing actions—the Michigan action and the Missouri actions—did not involve the same subject matter or similar parties. The claims in the Missouri actions were not compulsory counterclaims in the Michigan action. In contrast, the State Action here involves the exact same subject matter as the Federal Action (Verizon and Inverizon's respective marks), Inverizon's claims in the State Action are compulsory counterclaims in the Federal Action, and the parties in the State Action

are also parties in the Federal Action. (Verizon Communications, Inc., Verizon Trademark Services LLC, and Inverizon have always been the principal parties in both actions.) Moreover, there is no issue in the State Action about Respondent's failure to honor an order of another court. Dykhouse, therefore, is inapposite.

Inverizon also relies on Green v. Miller, 851 S.W.2d 553, 556 (Mo. App. 1993), and State ex rel. Fire Ins. Co. v. Terte, 176 S.W.2d 25, 30 (Mo. 1943)—for its erroneous assertion that “Missouri courts have consistently held that when there are two filed actions between the same parties, the court in which the stay motion is pending has discretion not to stay the second filed action out of principles of comity.” Inverizon's Sugg. in Opp. to Verizon's Writ Petition, p. 16. Neither case supports this assertion.

Green held that the trial court had discretion in deciding whether to stay a civil suit pending in Missouri state court until the disposition of criminal charges pending in Missouri state court that were based on the same underlying facts as the civil suit. 851 S.W.2d at 556. Terte likewise held that the trial court had discretion to stay a first-filed declaratory judgment action pending in Missouri state court in favor of a second suit also pending in Missouri state court. 176 S.W.2d at 30. Clearly, in both Green and Terte, all of the proceedings were in Missouri state court; there was no federal suit between the parties. Because the present case involves a first, properly-filed suit in federal court and a later-filed suit in state court and not two suits in Missouri state court, Johnson, not Green or Terte, is controlling.

Moreover, Terte and Green notwithstanding, this Court has clearly held that where there are two actions pending in Missouri state court and the claims in the later-filed suit are compulsory counterclaims in the first-filed suit, the trial court in the second suit has no discretion as to whether to stay the second suit, but lacks jurisdiction and must dismiss the second suit if so requested. State ex rel. J.E. Dunn, Jr., & Assoc., Inc. v. Schoenlaub, 668 S.W.2d 72, 75-76 (Mo. banc 1984) (writ of prohibition issued requiring party to assert claims in second-filed action as compulsory counterclaims in first-filed action); State ex rel. Buchanan v. Jensen, 379 S.W.2d 529, 531 (Mo. banc 1964) (same). Johnson provides a similar, companion rule when the first-filed action is in federal court instead of state court. Under Missouri law, a previously-filed action has priority over a subsequent action that involves the same subject matter as the previously-filed action or asserts claims that are compulsory counterclaims in the previously-filed action, regardless of whether the previously-filed action is in Missouri state court or federal court. The second suit must be: (a) dismissed if the first suit is in Missouri state court, see J.E. Dunn and Buchanan; or (b) stayed if, as is the case here, the first suit is in federal court, see Johnson.

G. Inverizon’s non-Missouri authorities are inapposite because Verizon seeks a stay, not a dismissal, of the State Action.

Unable to find any pertinent Missouri authority to support its position, Inverizon relies on cases from other jurisdictions that stand for the unremarkable proposition that state courts may “entertain suits despite the presence of a prior action pending in another

jurisdiction concerning the same claim and the same parties.” Inverizon’s Sugg. in Opp. to Verizon’s Writ Petition, p. 18.⁶ Inverizon misses the point. Verizon does not maintain that Respondent must **dismiss** (i.e., abate) the State Action. Instead, Verizon is asking Respondent merely to **stay** the State Action pending the final determination of the Federal Action.

Abatement, or dismissal, of an action is not the same as a stay of an action. When applied, abatement “destroys the cause of action” in the second suit and requires dismissal of the second suit. J.E. Dunn, 668 S.W.2d at 74; Bellon Wrecking & Salvage Co. v. David Orf, Inc., 983 S.W.2d 541, 548 (Mo. App. 1998) (“Abatement, also known as the ‘pending action doctrine,’ holds that where a claim involves the same subject matter and parties as a previously-filed action so that the same facts and issues are presented, resolution should occur through the prior action and the second suit should be dismissed.”). Verizon does not seek an abatement or dismissal of the State Action, but merely a stay of the State Action. As Johnson makes clear, under **Missouri** law, a second-filed state action should be stayed pending the final determination of a first-filed

⁶ In one of the cases relied upon by Inverizon, Princess Lida v. Thompson, 305 U.S. 456, 467-68 (1939), the United States Supreme Court held that the federal district court in which the later-filed suit was brought was “without jurisdiction of the suit subsequently brought for the same relief [as in the first-filed suit in state court], and the petitioners were properly enjoined from further proceeding in that court.”

federal action even if the second-filed state action cannot be dismissed under the doctrine of abatement. See also Tonnemacher v. Touche Ross & Co., 920 P.2d 5 (Ariz. App. 1996); Corcoran v. Federal Land Bank of Columbia, 478 So.2d 1161, 1163 (Fla. App. 1985); Municipal Lighting Comm'n of Peabody v. Stathos, 433 N.E.2d 95 (Mass. App. 1982); Local Union 199, Laborers' International Union of North America v. Plant, 297 A.2d 37 (Del. 1972). Even the non-Missouri authorities cited by Inverizon confirm that a state court may stay the second-filed state action in favor of the first-filed federal action:

It cannot be disputed that the pendency of the federal court action is no bar to the prosecution of the present suit, even though the federal cause was first commenced and involves the same parties and the same causes of action. This rule would not, however, prevent a stay of this action pending the determination of the federal suit. The power of the court to stay this action is unquestioned.

Ackert v. Ausman, 218 N.Y.S.2d 814, 819 (Sup. 1961) (citations omitted); see also Efros v. Nationwide Corp., 465 N.E.2d 1309, 1311 (Ohio 1984).

H. The Eighth Circuit held that the federal district court may not stay the Federal Action.

Respondent's determination to proceed with the State Action is not only contrary to the rule articulated in Johnson, but is also flatly inconsistent with the Eighth Circuit's well-reasoned decision and mandate that this dispute belongs in federal court. The Eighth Circuit concluded that "the district court failed to consider a factor that should

have been given significant weight”—the presence of federal issues in the Federal Action—and that the federal district court “also committed a clear error of judgment.” Verizon Communications, 295 F.3d at 873 (A6). In its mandate, the Eighth Circuit **reversed** the federal district court’s judgment, **vacated** the federal district court’s stay order, and remanded the Federal Action to the federal district court for further proceedings not inconsistent with the Eighth Circuit’s opinion. Id. at 875 (A8). The Eighth Circuit did not remand the case with directions to the federal district court to reconsider Inverizon’s motion to stay the Federal Action. Nor did the Eighth Circuit leave open the possibility that the federal district court may still stay the Federal Action upon considering the federal issues asserted therein. Instead, the Eighth Circuit has made clear that the federal district court must proceed with the Federal Action.⁷

⁷ Inverizon has filed with the federal district court an amended motion to stay the Federal Action and has claimed that its amended motion to stay is “consistent with the Eighth Circuit’s decision to allow the federal district court ‘to consider the presence of the federal trademark issues.’” Inverizon’s Sugg. in Opp. to Verizon’s Writ Petition, pp. 10-11. Inverizon’s amended motion to stay, however, is not “consistent” with the Eighth Circuit’s decision in the Federal Action, which “reversed” and “vacated” the federal district court’s stay order. Inverizon attempts to find solace in the concurring opinion of Judge Bye where he states that the Eighth Circuit’s “reversal and remand is carefully based upon the district court’s failure to consider the presence of the federal trademark

* * *

In summary, Respondent is required to stay the later-filed State Action pending the final determination of the first-filed Federal Action. Respondent acted outside her authority by denying Verizon's motion to stay and proceeding with the State Action. This Court should issue a writ of mandamus (or, alternatively, a writ of prohibition) commanding Respondent to stay the State Action and to take no further action in the State Action pending the final determination of the Federal Action.

II. Respondent abused her discretion and erroneously denied Verizon's motion to stay because Respondent failed to consider the following undisputed facts, which militate in favor of staying the later-filed State Action pending the final determination of the first-filed Federal Action: (1) whereas Verizon filed the Federal Action first, properly, and in good faith, Inverizon is guilty of improper forum shopping in filing the State Action; (2) the Federal Action includes the same parties and claims involved in the State Action, the Federal Action will resolve the parties'

issues." Inverizon's Sugg. in Opp. to Verizon's Writ Petition, p. 10. Yet, Judge Bye proceeded to say in the next sentence of his opinion that "a district court should not stay a federal action when federal questions predominate over state law issues, and for that reason I would not have stayed Verizon's suit if I were the district judge." Verizon Communications, 295 F.3d at 875 (A8). Moreover, he implicitly stated that Inverizon's State Action was a "strike suit." Id.

dispute, and Inverizon's claims in the State Action have always been compulsory counterclaims in the Federal Action; (3) absent a stay of the State Action, there will be a race to judgment in the federal and state courts, simultaneous discovery, motion practice, and trials in the Federal Action and the State Action, and an unnecessary duplication of judicial efforts; (4) the Eighth Circuit held that the parties' dispute is governed by federal law and belongs in federal court; and (5) the Federal Action has been pending longer and has progressed as far as the State Action.

Assuming, arguendo, that a stay of the State Action is discretionary, not mandatory, Verizon is still entitled to a writ commanding Respondent to stay the State Action pending the final determination of the Federal Action. Respondent's failure to stay the State Action constitutes an abuse of discretion as a matter of law and, unless remedied by a writ, will cause irreparable harm to Verizon by allowing further unnecessary, duplicative, inconvenient, and expensive litigation between the parties. Indeed, absent a writ, the State Action will directly clash with the Federal Action as both cases are set for simultaneous trials in May 2003.

A. Mandamus is appropriate to remedy a trial court's abuse of discretion.

Missouri appellate courts “will issue a writ [of mandamus] to correct an abuse of judicial discretion or to prevent the exercise of extra-judicial power.” State v. Saffaf, 81 S.W.3d 526, 528 (Mo. banc 2002).⁸

⁸ Likewise, a writ of prohibition will be issued “to prevent an abuse of judicial discretion, to avoid irreparable harm to a party, or to prevent exercise of extra-jurisdictional power.” State ex rel. SSM Health Care St. Louis v. Neill, 78 S.W.3d 140, 142 (Mo. banc 2002). In addition, “prohibition may be appropriate to prevent unnecessary, inconvenient, and expensive litigation.” State ex rel. Linthicum v. Calvin, 57 S.W.3d 855, 857 (Mo. banc 2001); see also State ex rel. Police Retirement System of St. Louis v. Mummert, 875 S.W.2d 553, 555 (Mo. banc 1994) (same); State ex rel. New Liberty Hosp. Dist. v. Pratt, 687 S.W.2d 184, 187 (Mo. banc 1985) (same).

B. Respondent abused her discretion in denying Verizon’s motion to stay.

In her order, Respondent offered little explanation for denying Verizon’s motion to stay. She simply recited the unremarkable facts that “suit has been pending in this Court for almost two years” and “[t]he parties have completed extensive discovery, including more than thirty-five depositions, and the case is set for trial in less than eight months.” A2. Apparently, based on these few facts, Respondent found “no reason to stay [the State] [A]ction.” A2. Respondent failed to consider numerous undisputed factors that militate in favor of staying the State Action.⁹ Indeed, Respondent’s meager opinion is remarkably similar to the federal district court’s original order staying the Federal Action — an order unanimously reversed and vacated by the Eighth Circuit.

Appellate courts in other jurisdictions have held that the following facts weigh in favor of staying a state action pending the final outcome of a federal action between the parties:

- the federal action was properly filed before the state action in good faith;
- the federal action includes the same parties and claims involved in the state action;
- the federal action will resolve the parties’ dispute;

⁹ A trial court abuses its discretion when, in refusing to stay a state suit in favor of an earlier-filed federal suit, issues an opinion with no reasons to support its decision. See Oviedo v. Ventura Music Group, 797 So.2d 634, 635 (Fla. Ct. App. 2001).

- the claims in the state action are compulsory counterclaims in the federal action;
- the federal court is likely to entertain the federal action;
- the federal action involves questions of federal law, as to which the federal courts have special knowledge and experience; and
- absent a stay, there will be unnecessary duplication of judicial efforts in the actions.

See, e.g., Johnson v. American Surety Co. of New York, 238 S.W. 500 (Mo. 1921); Village of Mapleton v. Cathy's Tap, Inc., 729 N.E.2d 854, 857 (Ill. Ct. App. 2000); Tonnemacher v. Touche Ross & Co., 920 P.2d 5, 10 (Ariz. Ct. App. 1996); Florida Crushed Stone Co. v. Travelers Indem. Co., 632 So. 2d 217, 220 (Fla. Ct. App. 1994); Goodridge v. Fernandez, 505 N.Y.S.2d 144, 146-47 (App. Div. 1986); Henry v. Stewart, 454 P.2d 7, 11 (Kan. 1969); E.H. Schopler, Stay of Civil Proceedings Pending Determination of Action in Federal Court in Same State, 56 A.L.R.2d 335 (1957 and Supp. 2002). Each of these facts is present here but was ignored by Respondent.

- 1. Whereas Verizon filed the Federal Action first, properly, and in good faith, Inverizon is guilty of improper forum shopping in filing the State Action.**

As discussed above, the Federal Action was first and properly filed. The Federal Action was filed six weeks before the State Action. As the Eighth Circuit has previously held, Verizon properly brought the Federal Action in good faith to clear a potential cloud

on its VERIZON mark created by Inverizon's accusations of trademark infringement and dilution. Verizon Communications, 295 F.3d at 874-75 (A7-8).

Respondent gave no weight to the fact that Verizon filed the Federal Action first, properly, and in good faith. Appellate courts have repeatedly held that trial courts abuse their discretion when they fail to stay later-filed state actions pending the final resolution of previously-filed federal actions. See, e.g., Florida Crushed Stone Co. v. Travelers Indem. Co., 632 So. 2d 217, 221 (Fla. Ct. App. 1994); City of Miami Beach v. Miami Beach Fraternal Order of Police, 619 So.2d 447, 448 (Fla. Ct. App. 1993); Krisel v. Phillips Petroleum Co., 299 N.Y.S.2d 895 (App. Div. 1969); City of Lincoln v. Lincoln Gas & Elec. Light Co., 158 N.W. 964 (Neb. 1916).

In its opposition to Verizon's writ petition before this Court, Inverizon suggests that Verizon somehow improperly deprived Inverizon of its chosen forum and that Verizon launched a "preemptive strike" by filing the Federal Action. As the Eighth Circuit concluded, however, it is Inverizon, not Verizon, that is guilty of improper forum shopping. As the Eighth Circuit observed, Inverizon changed its state of incorporation after Verizon filed the Federal Action and then made a "specific tactical decision to plead no federal cause of action in the state suit" in a blatant, unabashed attempt "to defeat removal to federal court on the basis of either diversity or federal question jurisdiction." Verizon Communications, 295 F.3d at 874 n.2 (A7). Inverizon openly admits that it changed its state of incorporation from Missouri to Delaware to defeat diversity.

Respondent's Answer to Verizon's Writ Petition, ¶ 14. For these reasons, the Eighth

Circuit correctly concluded that Inverizon has improperly been using the State Action “as a sword rather than a shield.” Verizon Communications, 295 F.3d at 874 n.2 (A7). In his concurring opinion, Judge Bye found that Inverizon’s State Action is a “strike suit.” Id. at 875 (A8). This Court should not reward Inverizon for its “strike suit” and should not permit Inverizon to use the State Action improperly as a “sword.” The equities in this case favor Verizon, not Inverizon. The State Action should be stayed.

2. The Federal Action includes the same parties and claims involved in the State Action, the Federal Action will resolve the parties’ dispute, and Inverizon’s claims in the State Action have always been compulsory counterclaims in the Federal Action.

A stay of the State Action is also warranted because the Federal Action and the State Action involve the same parties and claims. As a result of Inverizon’s recently-filed counterclaims in the Federal Action, all of the Verizon entities that are presently defendants in the State Action have been named by Inverizon as counterclaim defendants in the Federal Action. (Inverizon is the sole plaintiff in the State Action and the sole defendant in the Federal Action.) Moreover, Inverizon’s counterclaims in the Federal Action include the same state law claims that Inverizon has asserted against Verizon in the State Action, including claims for common law trademark infringement, injunctive relief pursuant to RSMo § 417.061, violations of RSMo § 417.056, and punitive damages.

Before Inverizon asserted its counterclaims in the Federal Action, Inverizon argued to Respondent and the court of appeals that a stay of the State Action was not warranted because, in the State Action, it had named four affiliates of Verizon Communications that use the VERIZON mark and were not parties in the Federal Action. Inverizon has been forced to abandon this argument because it has since named those four Verizon affiliates as counterclaim defendants in the Federal Action.

Inverizon's claims in the State Action have been asserted as counterclaims in the Federal Action and will be resolved in the Federal Action. Once judgment is entered in the Federal Action, res judicata will bar Inverizon from relitigating its claims in the State Action and collateral estoppel will preclude Inverizon from relitigating the issues in the State Action, which are identical to the issues that the Federal Action will decide. See Creative Walking, Inc. v. American States Ins. Co., 25 S.W.3d 682, 686-87 (Mo. App. 2000); In re Caranchini, 956 S.W.2d 910 (Mo. banc 1997). Because a judgment in the Federal Action will resolve the parties' dispute, Respondent should have stayed the State Action. See, e.g., People ex rel. Dep't of Public Aid v. Stantos, 440 N.E.2d 876, 881 (Ill. 1982) (trial court should have stayed later-filed state action where federal action might be dispositive of the state action); Henry v. Stewart, 454 P.2d 7, 12 (Kan. 1969) (trial court properly stayed state action in part because federal action was filed first and "the trial in the federal court will be determinative of the issues in the state court action"); Municipal Lighting Comm'n of Peabody v. Stathos, 433 N.E.2d 95, 96 (Mass. Ct. App. 1982) (trial court should have stayed state court action "pending disposition of the Federal action,

which in all probability will be determinative (by reason of collateral estoppel) of the substantive issues in this case”); City of Lincoln v. Lincoln Gas & Elec. Light Co., 158 N.W. 964 (Neb. 1916) (state action should be stayed pending final resolution of earlier-filed federal court case that would operate as res judicata to state court case); Krisel v. Phillips Petroleum Co., 299 N.Y.S.2d 895 (App. Div. 1969) (trial court abused its discretion in refusing to stay state action pending final disposition of federal court action that would be dispositive of state action).

Indeed, only the Federal Action can provide a complete resolution of the parties’ dispute. The Federal Action will resolve both the federal trademark issues between the parties as well as the state law issues involved in the State Action. The Eighth Circuit concluded that the federal issues in the parties’ dispute “should be given significant weight.” Verizon Communications, 295 F.3d at 873 (A6). Yet, the State Action will not and cannot resolve those issues of federal law since Inverizon specifically disclaimed any federal law issues in the State Action. Because the parties’ dispute involves issues of both federal and state law, it makes sense to allow the one suit that will resolve all of those issues, the Federal Action, to proceed to judgment first.

At the time that Respondent denied Verizon’s motion to stay, Inverizon had yet to assert its counterclaims in the Federal Action. Nevertheless, Respondent failed to consider that, as discussed above, Inverizon’s claims in the State Action have always been compulsory counterclaims in the Federal Action under Federal Rule of Civil Procedure 13(a) because they arise out of the same transaction as Verizon’s claims in the

Federal Action. Both suits arise out of Verizon's use of the VERIZON mark and raise the same question of whether Verizon's use of the VERIZON mark infringes, dilutes or otherwise affects Inverizon's rights in the INVERIZON mark. Consequently, even if Inverizon had not asserted its counterclaims in the Federal Action, res judicata and collateral estoppel would bar Inverizon from pursuing its claims and relitigating issues in the State Action after judgment is entered in the Federal Action. See Creative Walking, 25 S.W.3d at 686-87; In re Caranchini, 956 S.W.2d 910. Because Inverizon's claims in the State Action are compulsory counterclaims in the Federal Action, Respondent should have stayed the State Action and thereby require Inverizon to pursue its claims against Verizon as counterclaims in the Federal Action. See State ex rel. J.E. Dunn, Jr., & Assoc., Inc. v. Schoenlaub, 668 S.W.2d 72, 75-76 (Mo. banc 1984) (writ of prohibition issued requiring party to assert claims in second-filed action as compulsory counterclaims in first-filed action); State ex rel. Buchanan v. Jensen, 379 S.W.2d 529, 531 (Mo. banc 1964) (same); Sparrow v. Nerzig, 89 S.E.2d 718, 722 (S.C. 1955) (reversing trial court's decision refusing to stay second-filed state action because claims in state action were compulsory counterclaims in first-filed federal action); Conrad v. West, 219 P.2d 477 (Cal. Ct. App. 1950) (same); Coates v. Ellis, 61 A.2d 28, 31-32 (D.C. Ct. App. 1948) (trial court should have stayed state action because claims were compulsory counterclaims in previously-filed federal action).

3. Absent a stay of the State Action, there will be a race to judgment in the federal and state courts, simultaneous discovery, motion practice, and trials in the Federal Action and the State Action, and an unnecessary duplication of judicial efforts.

Respondent's refusal to stay the State Action fosters an undesirable race to judgment in the federal and state courts and an unnecessary duplication of judicial efforts. Verizon is seeking a prompt judgment in the Federal Action. Inverizon has continuously resisted litigating the Federal Action and is seeking to push the State Action to trial and judgment. To prevail in the race to judgment, the parties will spend enormous additional resources — to conduct discovery, draft motions, and prepare for trial in two lawsuits — above and beyond what they would spend if only the Federal Action proceeds.

If the State Action is not stayed, discovery will be conducted in both actions (although the discovery will be interchangeable between the two actions), summary judgment motions will be prepared and filed in both actions, and, if the summary judgment motions are denied, there will be simultaneous trials and trial preparation in both actions. Both the federal district court and the state trial court will be compelled to expend time and resources to resolve similar discovery matters, to consider and rule upon similar dispositive motions, and to conduct similar trials and all related pretrial proceedings.

The rule in Johnson is designed to prevent such a waste of judicial resources and “competition” between the state trial court and the federal district court. Under such circumstances, a writ is appropriate to prevent such “unnecessary, inconvenient, and expensive litigation.” Police Retirement System of St. Louis, 875 S.W.2d at 555. The State Action must be stayed, thereby allowing the Federal Action to proceed in its normal course. See, e.g., Village of Mapleton v. Cathy’s Tap, Inc., 729 N.E.2d 854, 857 (Ill. Ct. App. 2000) (holding that trial court erred in refusing to stay later-filed state court case because a stay would avoid multiplicity of proof and would remove the possibility of conflicting judgments); Barnes v. Peat, Marwick, Mitchell & Co., 344 N.Y.S.2d 645, 647 (App. Div. 1973) (trial court erred in refusing to stay later-filed state action where state action “would necessarily involve going over the same grounds covered in the Federal actions and result in a duplication of effort and a consequent waste of court time”).

4. The Eighth Circuit held that the parties’ dispute is governed by federal law and belongs in federal court.

Respondent failed to give any deference whatsoever to the Eighth Circuit’s decision overturning the federal district court’s erroneous stay of the Federal Action. Verizon Communications, Inc. v. Inverizon International, Inc., 295 F.3d 870 (8th Cir. 2002) (A3-8). Indeed, Respondent’s order does not even mention the Eighth Circuit’s decision, even though that decision was the impetus for Verizon’s motion to stay.

The Eighth Circuit held that “federal law is [] controlling” in the parties’ dispute and clearly signaled that the parties’ dispute belongs in federal court. Verizon

Communications, 295 F.3d at 873 (A6). Under the principles of federalism and comity, Respondent should respect the Eighth Circuit’s decision and allow the Federal Action to proceed without interference from the State Action.

5. The Federal Action has been pending longer and has progressed further than the State Action.

In her order denying Verizon’s motion to stay, Respondent observed that “suit has been pending in this Court for almost two years” and “[t]he parties have completed extensive discovery, including more than thirty-five depositions, and the case is set for trial in less than eight months.” A2. The fact that the State Action has been pending for two years does not support Respondent’s denial of a stay. Having been filed six weeks before the State Action, the Federal Action has been pending even longer than the State Action.

The federal district court’s erroneous (and now vacated) stay order in the Federal Action is the primary reason why the State Action has proceeded for two years. Verizon moved for dismissal or a stay of the State Action in November 2000. A20-A46. Respondent denied this motion in August 2001 because the federal district court had stayed the Federal Action—a stay that, as it developed, was erroneous. A61-64. In July 2002, the Eighth Circuit reversed and vacated the federal district court’s stay order. A3-8. Verizon promptly asked Respondent to stay the State Action once the Eighth Circuit mandated that the Federal Action should proceed. Verizon should not be penalized because of another court’s erroneous ruling. A65-131.

More importantly, the Federal Action is now further along than the State Action. Prior to this Court's granting of the preliminary writ staying the State Action, the Federal Action and the State Action were at the same point; both cases were in the discovery stage. As Inverizon has conceded, all of the discovery taken in the State Action—all 35-plus depositions that Respondent cited in her order (A2)—can and will be used in the Federal Action. Since the stay in the State Action was imposed, the parties have engaged in additional discovery in the Federal Action alone. In accordance with the scheduling order entered in the Federal Action, Verizon has disclosed its experts in the Federal Action and Inverizon has deposed them; there have been no expert disclosures or depositions in the State Action. Additionally, mediation is scheduled in the Federal Action for February 5, 2003.

Respondent noted that the State Action has been set for trial on May 5, 2003. A2, A209. The Federal Action, however, has now been set for trial on May 13, 2003. Inverizon has stated that it expects trial of the parties' dispute to last two to three weeks. A303. This means that there will be simultaneous trials in the Federal Action and the State Action unless one of the actions is resolved or stayed before trial.

* * *

As discussed above, appellate courts have repeatedly reversed trial court decisions refusing to stay later-filed state actions pending the outcome of earlier-filed federal actions involving the same subject matter. In the present case, reversal of Respondent's order denying Verizon's motion to stay is likewise warranted because Respondent failed

to consider the above factors, which are undisputed and militate in favor of staying the State Action. By refusing to stay the State Action, Respondent has abused her discretion; caused irreparable harm to Verizon; fostered further unnecessary, duplicative, inconvenient, and expensive litigation between the parties; and failed to maintain proper deference to federal court proceedings. This Court, therefore, should correct Respondent's erroneous ruling and order Respondent to stay the State Action.

CONCLUSION

For these reasons, the Court should issue a writ of mandamus (or, in the alternative, a writ of prohibition) commanding Respondent to stay the State Action and to take no further action in the State Action pending the final determination of the Federal Action.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that one copy of the foregoing brief in paper form and one copy of the foregoing brief on disk have been hand-delivered on December 16, 2002 to:

The Honorable Margaret M. Neill
Presiding Judge
Circuit Court of the City of St. Louis, Division 1
Civil Courts Building
10 N. Tucker, Fourth Floor
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CERTIFICATE OF COMPLIANCE

I certify that this brief complies with Rules 55.03 and 84.06, is proportionately spaced, using Times New Roman, 13 point type, and contains 15,500 words, excluding the cover, the certificate of service, the certificate of compliance required by Rule 84.06(c), signature block, and appendix.

I also certify that the computer diskettes that I am providing have been scanned for viruses and have been found to be virus-free.
