

# Jurisdictional Standard for Mixed Actions Coverage Update

June 16, 2025

## Sixth Circuit – Jurisdictional Standard for Mixed Actions

***Fire-Dex, LLC v. Admiral Ins. Co.***

No. 24-3781, --- F.4<sup>th</sup> ---, 2025 WL 1554337 (6th Cir. June 2, 2025)

The U.S. Court of Appeals for the Sixth Circuit held that the U.S. District Court for the Northern District of Ohio erred when it remanded Fire-Dex, LLC (Fire-Dex) and Admiral Insurance Company's (Admiral) declaratory judgment counterclaims to Ohio state court and stayed Fire-Dex's breach of contract and bad faith claims. In so holding, the appellate court set forth the standard that governs a district court's duty to exercise jurisdiction over mixed actions, which include actions that seek both coercive relief (damages) and non-coercive (declaratory) relief.

This jurisdictional quagmire arose from an insurance coverage dispute between Fire-Dex and Admiral after Fire-Dex was sued by several firefighters and their spouses for alleged exposure to carcinogens and per- and polyfluoroalkyl substances (PFAS) in personal protective equipment manufactured by Fire-Dex (the underlying lawsuits). The underlying lawsuits were consolidated in a multidistrict litigation in federal court in South Carolina.

Fire-Dex sought coverage for the underlying lawsuits from Admiral under general commercial liability policies that Admiral had issued to it. Admiral denied coverage based on various policy exclusions and filed a declaration judgment action in the U.S. District Court for the Northern District of Ohio. The district court declined to exercise its jurisdiction under 28 U.S.C. § 2201(a) and the appellate court affirmed that decision.

Fire-Dex then filed suit against Admiral in Ohio state court, seeking a declaration that Admiral had to defend and indemnify Fire-Dex in the underlying lawsuits. Fire-Dex's lawsuit included breach of contract and bad faith claims. Admiral removed the state court action to the same Ohio federal court that had previously declined to exercise its jurisdiction over Admiral's declaratory judgment action. Admiral answered the complaint and asserted four counterclaims that were identical to the declaratory judgment claims that Admiral had previously asserted.

In ruling on Fire-Dex's motion to remand, the district court remanded all of the claims for declaratory relief to Ohio state court and stayed Fire-Dex's damages claims for breach of contract and bad faith pending the resolution of the state court litigation. Admiral appealed this ruling. The appellate court, in a

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unanimous three-judge panel decision, reversed the district court's ruling that the district court should have exercised its jurisdiction over this mixed action.

In making its decision, the appellate court declined to adopt the three conflicting approaches used by other federal courts, as they found them to be flawed and unsound because they either conflate or overly carve up mixed claims. The appellate court noted that, if the district court has subject matter jurisdiction over a claim for coercive relief, it must exercise jurisdiction over that claim, but when faced with a claim for only declaratory relief, the district court has discretion to exercise its jurisdiction per the permissive language of 28 U.S.C. § 2201(a). Despite the discretion set forth in § 2201, the appellate court recognized that a district court's discretion may be significantly reduced in mixed actions, including in situations when the coercive and declaratory claims turn on the same substantive legal issues, noting that abstaining in such situations risks both piecemeal litigation and duplicitous litigation that should be avoided.

The appellate court also recognized that equitable principles, such as efficiency, fairness and federalism, which a district court considers in electing to exercise its discretion to hear a declaratory judgment action, should weigh in favor of not abstaining when a district court is also faced with a mixed action in which the coercive claim presents the same legal issues as the declaratory judgment claim. The appellate court concluded that "when the coercive and declaratory claims in a mixed action are tightly linked, it would most likely be an abuse of discretion [by the district court] to abstain on the declaratory claims."

In applying this standard to the present matter, the appellate court determined that the district court erred in declining to exercise jurisdiction because the coercive and declaratory claims turned on the same legal issue (i.e., whether Admiral owed Fire-Dex a defense and indemnity for the underlying lawsuits under the insurance contract). The appellate court disagreed with Fire-Dex's position that the district court's earlier decision to abstain in the declaratory action filed by Admiral is the law of the case and has preclusive effect because that action involved only a single claim for declaratory relief; it was not a mixed action. The appellate court vacated the district court's order and directed the district court to proceed with all claims under the correct standard.

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