

UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF OHIO  
WESTERN DIVISION

CIRCUIT CITY STORES, INC.,	)	
	)	
Plaintiff,	)	
	)	No. C-1-00-0141
v.	)	
	)	Judge Dlott
STEVEN C. SHANE,	)	
	)	
Defendant.	)	

**DEFENDANT’S MEMORANDUM  
IN OPPOSITION TO MOTION FOR REMAND**

This is an action in which plaintiff Circuit City, a national retailing operation based in Virginia, invokes both trademark law and the Ohio Code of Professional Responsibility as reasons to suppress criticisms of the plaintiff’s advertising and sales practices that Kentucky lawyer Steven Shane has placed on the World Wide Web. Circuit City filed this case in state court, and defendant filed a notice of removal (later amended within thirty days of service of the complaint). Plaintiff has now moved to remand. However, as explained in this memorandum, the Court has jurisdiction both because plaintiff’s trademark claims depend on claims under federal law, and because the amount in controversy between the diverse plaintiff and defendant is well in excess of \$75,000. Accordingly, the motion to remand should be denied.

**A. The Court Has Federal Question Jurisdiction.**

The motion for remand asserts that the complaint relies solely on state law – the Ohio Code of Professional Responsibility and the Ohio Deceptive Trade Practices Act. There is no question that, as plaintiff asserts in its motion papers, a plaintiff is the master of its own complaint, and is entitled to refrain from making any claims under federal law and to rely exclusively on its rights

under state law. Had plaintiff Circuit City chosen that course, it would have been entitled to do so. It could thus have avoided federal question jurisdiction.

That is not, however, what the plaintiff has done. First of all, the complaint asserts that plaintiffs' rights flow from "numerous federal registrations" for its "Circuit City" mark. This is an obvious reference to plaintiff's rights under federal trademark law, and an admission that even its claims under state law contain an important element of federal law.

Even more important, the memorandum in support of plaintiff's motion for a preliminary injunction rests almost entirely on federal law as a basis for relief. The trademark argument in that brief begins on page 4 with a perfunctory citation to state law, but then proceeds to an extensive discussion of various federal statutes and case law. *Id.* 5-7. These authorities supposedly demonstrate the likelihood that plaintiff will succeed on the merits of its argument that its mark is "incontestable" under federal law, and that there is a likelihood of confusion under federal trademark law standards between its own web site and the web site created by the defendant. Plaintiff places principal reliance on two federal district court decisions from New York and New Jersey that have nothing to do with Ohio law, and everything to do with federal trademark law. The state law aspect of plaintiff's claim is but a fig leaf for an attempt to enforce its rights under federal law.

Although, as defendant explains in the memorandum in opposition to the preliminary injunction that is being filed at the same time as this memorandum, plaintiff's federal law arguments are fundamentally misconceived, plaintiff's papers make clear how deeply its supposedly state law claims depend on elements of federal law. And the Supreme Court has repeatedly made clear that, where winning on a state law claim depends on substantial issues of federal law, the case arises under federal law, and thus may be removed. *Merrell Dow Pharm. v. Thompson*, 478 U.S. 804, 808-

812 (1986); *Franchise Tax Board v. Laborers Vacation Trust*, 463 U.S. 1, 13 (1983).

When undersigned counsel contacted plaintiff's counsel the day before its motion to remand was filed, and explained this basis for removal, plaintiff's counsel responded that removal may be based only on the complaint, not on the motion for a preliminary injunction. This argument is not correct. To the contrary, the court is **not** confined to the complaint; it may also look at "motion[s] . . . and other papers" that reveal a federal basis for the claim. § 1446(b). Here, plaintiff effectively admitted in its motion papers that, although its complaint purports to advance trademark claims that are rooted largely in state law, in actuality those claims are entirely dependent on whether it can show a violation of the federal trademark laws. Accordingly, the trademark claims arise under federal law, and the Court has jurisdiction under 28 U.S.C. §§ 1331, 1337, and 1338.

**B. The Court Also Has Diversity Jurisdiction.**

Even if the complaint stated only state law claims, the Court would still have jurisdiction under 28 U.S.C. § 1332 because there is complete diversity of citizenship and the amount in controversy exceeds \$75,000. Plaintiff is a Virginia corporation that is headquartered in that state, and so is a citizen of Virginia. 28 U.S.C. § 1332(c)(1). Because defendant works in Kentucky and lives in Ohio, the citizenship of the plaintiff and defendant is completely diverse.

The complaint appears to have been written in an effort to avoid alleging an amount in controversy in excess of \$75,000. The complaint does seek an award of attorney fees, but it confines the fees sought to \$50,000. The complaint does not specifically mention damages, and, as part of its effort to distance the case from federal trademark law, the motion to remand specifically disclaims any claim for damages (which is of course as available under state law as under federal law). Despite this effort to minimize the amount in controversy, it is clear that much more than \$75,000

is at stake in this case.

To begin with, the law is clear that a claim for statutory attorney fees is to be included in determining the total amount in controversy. *In re Abbott Labs.*, 51 F.3d 524, 526-526-527 (5<sup>th</sup> Cir. 1995); *Sarnoff v. American Home Products Corp.*, 798 F.2d 1075, 1078 (7<sup>th</sup> Cir. 1986); *cf. Klepper v. First American Bank*, 916 F.2d 337, 341 (6<sup>th</sup> Cir. 1990) (implying the fee claims are considered in aggregating claims to reach jurisdictional amount). Because the complaint acknowledges that the monetary relief sought by the plaintiff is as much as \$50,000, the jurisdictional amount of more than \$75,000 will be at stake so long as all of the remaining forms of relief sought in the complaint total more than \$25,000. It is clear that the injunctive relief sought in this case is worth at least that much money, for several reasons.

First of all, there is law in the Sixth Circuit that, when a complaint alleges violations of the plaintiff's trademark rights, the amount in controversy in the case is the value of the trademarks that the plaintiff is trying to protect against infringement. *Wisconsin Elec. Co. v. Dumore Co.*, 35 F.2d 555, 556 (6<sup>th</sup> Cir. 1929). In general, when a plaintiff seeks an injunction claiming that the defendant is causing irreparable injury to property, the amount in controversy is the overall value of the property to be protected. *Pennsylvania R. Co. v. City of Girard*, 210 F.2d 437, 439 (6<sup>th</sup> Cir. 1954). The record plainly discloses that the Circuit City trademark that defendant is allegedly infringing is worth far more than the jurisdictional amount in this case.

After all, Circuit City is a very large national company – according to plaintiff's own web site,

Circuit City is a leading national retailer of brand-name consumer electronics, personal computers, major appliances and entertainment software. At the end of fiscal 2000, Circuit City operated 571 Superstores and 45 Circuit City Express mall

stores in more than 155 markets.

[http://investor.circuitcity.com/ireye/ir\\_site.zhtml?ticker=cc&script=2100](http://investor.circuitcity.com/ireye/ir_site.zhtml?ticker=cc&script=2100)

The web site further represents that the company has over a billion dollars in sales every month.

[http://investor.circuitcity.com/ireye/content\\_alone.zhtml?ticker=cc&script=411&layout=8&frame=lr&item\\_id=78441](http://investor.circuitcity.com/ireye/content_alone.zhtml?ticker=cc&script=411&layout=8&frame=lr&item_id=78441). It is obvious that plaintiff's own public statements support the assertions in the attached affidavit of defendant Shane that the trademark's value far exceeds \$25,000. *See generally* Shane Affidavit, ¶ 8. *See also* Plaintiff's Memorandum in Support of Amended Motion for Remand, at 5, which implicitly acknowledges that its trademarks and trade dress are worth more than \$75,000.

Even if the amount in controversy in this case were limited to the business that would allegedly be lost if defendant's supposed infringement of its trademarks were to continue, that amount would still be well over \$25,000. Plaintiff's state law trademark claim necessarily rests on the assumption that misuse of trademarks and trade dress on defendant's web site is likely to cause confusion on the part of customers who are looking for Circuit City on the World Wide Web, and, implicitly, that it will cause them to stop at defendant's web site instead of continuing to search for its own, thus costing it sales. The television set whose advertisement is at stake in the underlying case was priced at \$799.99; the average price for the six items advertised on the one page shown on defendant's web site is slightly less than \$1000. If defendant's web site were to distract only thirty customers, and prevent them from reaching Circuit City's site and making a purchase, that would be enough to deprive Circuit City of almost \$30,000 in revenues. Although defendant hotly disputes the existence of confusion and infringement, it is plaintiff's claim that counts for the purposes of the jurisdictional amount, and it is quite obvious that the value of the alleged infringement to the

plaintiff is well in excess of \$25,000.<sup>1</sup>

Still another way of valuing the controversy is to note that the complaint represents an apparent effort by the plaintiff to derail the consumer class action, *Tepper v. Circuit City Stores*, Case No. A0001283 (Hamilton County Court of Common Pleas), that defendant Shane has filed against it in state court. Plaintiff has alleged that the suit represents defendant's effort to pursue that litigation, both by obtaining new clients and by securing evidence of other violations. And in attempting to remove *Tepper* to this Court, plaintiff represented that the aggregate value of the compensatory and injunctive relief sought in that complaint far exceeded \$75,000. Shane Affidavit, ¶ 10 and Exhibit C. Although that was not sufficient to permit removal of *Tepper*, because in class actions the relief for each member of the class cannot be aggregated to reach the requisite jurisdictional amount, it remains a fair statement of the value of *Tepper* as a whole. And because this lawsuit represents an effort by the plaintiff to derail *Tepper*, it is fair to attribute the entire value of *Tepper* to this case in determining whether the amount at stake in **this** case exceeds the jurisdictional amount.

In its amended motion to remand, plaintiff argues for the first time that, because its complaint seeks injunctive relief and not damages, it necessarily follows that the issues in controversy "have [no] monetary value to Circuit City," and hence cannot have any value for purposes of satisfying the jurisdictional amount. Memorandum at 5-6, citing *Nelson v. Associates Finan. Svces. Co.*, 79 F. Supp. 2d 813 (W.D. Mich. 2000). Of course, this argument is completely inconsistent with its

---

<sup>1</sup> Indeed, it is difficult to believe that a business would spend \$50,000 in attorney fees in order to obtain an injunction that it believes is worth only \$25,000 or less. The very amount of attorney fees sought is good evidence that the injunction is worth more than the \$25,000 that is the minimum value needed to bring the amount in controversy over \$75,000.

motion for a preliminary injunction, which contends that the damage defendant's alleged trademark infringement is causing is so severe and irreparable that plaintiff is entitled to a preliminary injunction, and it is flatly contradicted by the Sixth Circuit's decision in *Dumore Co.*, cited above at page 4. Moreover, the argument finds no support in the *Nelson* case that plaintiff cites. That was a class action case, in which the monetary damages for individual plaintiff class members were estimated as approximately \$5000 apiece. The complaint also sought an injunction against a repetition of the conduct that had damaged each class member in that amount. The issue was whether the cost of this injunctive relief to the defendant could bring the case over the jurisdictional amount, even though, under normal jurisdictional rules, the damages for the individual class members could not be aggregated. The court held that it was the value of the injunction to each of the individual plaintiffs, not the overall cost of the injunction to the defendant, that must be considered to decide whether the amount in controversy exceeded \$75,000. 79 F. Supp. 2d at 820. The court did not say, as plaintiff suggests, that the injunction was worthless to the individual plaintiffs; it simply concluded that, because the individual class members were not likely to have repeat transactions with the defendant, the injunction had no value to any one class member beyond the impact on their individual loan obligation. *Id.* Here, by contrast, the plaintiff's claim of irreparable injury necessarily rests on the contention that defendant's alleged infringement will repeatedly deprive it of business, and that repeated loss of business is aggregated to determine the total amount at stake in this case, regardless of whether plaintiff also seeks damages for past loss of business.

In sum, regardless of the theory, the record establishes by at least the requisite preponderance of the evidence that it is reasonable to expect that the value of this case will be more than \$75,000.

Accordingly, the Court has jurisdiction under 28 U.S.C. § 1332 as well as based on the federal trademark questions in the case.

**CONCLUSION**

The motion for remand should be denied.

Respectfully submitted,

Paul Alan Levy (DC Bar 946400)  
Alan B. Morrison (DC Bar 097114)

Public Citizen Litigation Group  
1600 - 20<sup>th</sup> Street, N.W.  
Washington, D.C. 20009  
(202) 588-1000

Paul Tobias (0032415)

Tobias, Kraus and Torchia  
911 Mercantile Library Building  
414 Walnut Street  
Cincinnati, Ohio 45202  
(513) 241-8137

Attorneys for Defendant

March 22, 2000