Western District News

Newsletter of the

WESTERN DISTRICT OF WISCONSIN BAR ASSOCIATION

Volume 13, Number 1 May 2004

Dean Kearney to Deliver Keynote Speech at Western District Luncheon on Thursday, May 27, 2004

Dean Joseph D. Kearney

Dean and Professor of Law Joseph D. Kearney is the featured luncheon speaker at the Western District of Wisconsin Bar Association (WDBA) Annual Meeting to be held Thursday, May 27, 2004 at the White Horse Inn, Madison. A reservation form is enclosed in the Newsletter and the event is open to both members and non-members.

Dean Kearney became the ninth dean of Marquette University Law School on July 1, 2003. He has been a member of the Marquette faculty since 1997. Prior to coming to Marquette, Dean Kearney practiced for six years at Sidley & Austin, Chicago's largest law firm. He has served as law clerk to the Honorable Antonin Scalia, Justice of the United States Supreme Court and to the Honorable Diarmuid F. O'Scannlain of the United States Court of Appeals for the Ninth Circuit.

Dean Kearney is a summa cum laude graduate of Yale University and a cum laude graduate of Harvard Law School where he served as the executive editor of the Harvard Journal of Law & Public Policy. His teaching at Marquette focuses on civil litigation, including courses in civil procedure and advanced civil procedure. His scholarly articles have appeared in the Columbia Law Review, University of Chicago Law Review, University of Pennsylvania Law Review, Hastings Law Journal and the Marquette Law Review, among other law journals. He is a member of the Wisconsin Board of Bar Examiners (appointed by the Wisconsin Supreme Court), a member of the United States Court of Appeals for the Seventh Circuit Rules Advisory Committee (appointed by the Seventh Circuit) and a board member of the Eastern District of Wisconsin Bar Association.

Dean Kearney will address the noon luncheon attendees on the topic of "Some Observations on the Wisconsin Court System."

- By Tom Bertz

WDBA CLE

Symposium on Developments In the Federal Practice

An exciting CLE Program highlighting recent developments in the Federal Practice is planned for this year's Annual Meeting of the Western District Bar Association (WDBA). Featuring eight separate speakers and an equal number of topics the afternoon program will provide a succinct (10-15 minutes each), important and timely overview with equal importance for seasoned counsel and for the newest attorney.

The CLE Program begins immediately after lunch on Thursday, May 27th in the Federal District Courthouse and will continue for three hours. Of course, at the conclusion of the speaker presentations, the always important and popular appearances by the Federal District Court Judges will complete the CLE Program.

(continued on next page)

Western District of Wisconsin Bar Association 2003-2004

Executive Committee
Todd Smith, President
(608) 257-3911 Tsmith@gklaw.com
James R. Troupis, V.P./President Elect
(608) 257-3501 Jrtroupis@mbf.com
Michael J. Modl, Treasurer
(608) 257-5661 Mmodl@axley.com
Jennifer Sloan Lattis, Secretary
(608) 267-3519 lattisjs@doj.state.wi.us
Leslie Herje, Past President
(608) 264-5158 Leslie.herje@usdoj.gov

Committee Chairs
James Troupis, Alternative Dispute Resolution
(608) 257-3501 Jrtroupis@mbf.com
Thomas W. Bertz, Co-Chair Communications
(715) 344-0890 Twb@andlaw.com
Leslie Herje, Co-Chair Communications
(608) 264-5158 Leslie.herje@usdoj.gov
David Harth, Pro Bono / Pro Se
(608) 663-7470 Dharth@hewm.com
Mark Tilkens, Membership
(608) 257-5035 mtilkens@foleylaw.com
Mark Neuser, Courthouse Facilities
(608) 266-9338 mark.neuser@courts.state.wi.us
Ted Long, Rules, Practice & Procedure
(608) 257-1507 tjl@lathropclark.com
Andrew Clarkowski, Website
(608) 283-6705 aclarkowski@axley.com

Board of Governors
Lynn Stathas 2001 - 2004
Percy L. Julian, Jr. 2001 - 2004
Robert E. Shumaker 2001 - 2004
Kevin Palmersheim 2002 - 2005
Russ Golla 2002 - 2005
J.B. Van Hollen 2002 - 2005
Greg Everts 2003 - 2006
Sarah Zylstra 2003 - 2006
Margery Mebane Tibbetts 2003 - 2006
Theresa Owens Permanent

(Past Presidents on Board of Governors)

Mark Cameli (Ex Officio) 1999 - 2004
Catherine M. Rottier (Ex Officio) 2000 - 2005
Paul Barnett (Ex Officio) 2001 - 2006
Thomas Bertz (Ex Officio) 2002 - 2007
Leslie Herje (Ex Officio) 2003 - 2008

WDBA CLE

Continued from page 1

The Symposium will begin at l:35 p.m. with a presentation by Theodore J. Long (Chair of the WDBA Civil Procedure Committee) of Lathrop & Clark LLP on recent developments in scheduling, briefing and other procedures in the Western District, including summary judgment. That presentation highlighting civil procedure will be followed by a special update critical to this election year on voter fraud presented by the U.S. Attorney's Office.

Recent developments in both the trial of intellectual property cases and the essential presentations in Markman hearings will be explained by John S. Skilton of Heller, Ehrman, White & McAuliffe and J. Donald Best of Michael Best & Friedrich LLP. Well-known criminal defense counsel, Lester A. Pines of Cullen, Weston, Pines & Bach LLP will discuss recent important aspects of the sentencing guidelines.

For the bankruptcy and creditors' rights practitioner, there will be a segment addressing recent developments in the bankruptcy practice by Roy L. Prange, Jr. of Quarles & Brady, LLP and for everyone involved in the federal practice, Eugenia G. Carter of LaFollette,0 Godfrey & Kahn will be discussing Personal Jurisdiction and the Internet: The Evolving Standard. Critical changes in the laws and the new emphasis on federal officials on firearms regulation will be addressed by the U.S. Attorney's Office in a segment on firearms initiatives.

The WDBA Symposium on developments in the federal practice provides a rare opportunity to enjoy presentations on a wide range of topics in a very limited amount of time from some of our most renowned Federal practitioners. Following the speakers will be a Judges' Panel. The event is concluded by a reception at 4:30 p.m.

The WDBA will apply for 3 Wisconsin CLE credits and 2.75 Minnesota CLE credits for the program. The presentation is free to WDBA members and $50 for non-members. WDBA membership dues for 2004-2005 are only $35 and dues may be submitted along with the reservation form contained in this Newsletter. The cost for the lunch is $15 for all participants. Payment by check should be made in advance accompanied by the reservation form.

The President's Corner

By
Todd Smith
President
Western District of Wisconsin Bar Association

As the WDBA approaches the end of its twelfth year, it faces a unique but welcome challenge. One of the WDBA's primary activities, and therefore largest expenditures, over the years has been its annual meeting and CLE seminar. The WDBA has been able to maintain the quality of its CLE programs through the generous donation by its members of their time and efforts as presenters. Moreover, particularly in recent years, the WDBA has been fortunate to attract keynote speakers of national prominence for the annual luncheon, at virtually no cost to the WDBA.

As a result of this extraordinary generosity and good fortune, the WDBA currently maintains a healthy surplus in its treasury. In addition, as membership renewal season approaches, we expect that we will add to our surplus, even after the costs of the 2004 annual meeting and CLE seminar are paid.

Accordingly, the board has considered several options regarding how to best use the funds it possesses for the benefit of the WDBA membership. Some of the options we have considered include establishing an independent website as a successor to our current website, www.wisbar.org/bars/west. Such a website would give the WDBA more independence and flexibility and would permit us to add to the number of online services we provide. Our current site allows members to access board membership information, review past newsletters and CLE materials, and provides links to federal court websites. However, an enhanced site could potentially include additional services such as a federal practice listserve, a searchable opinion database, or a database of form pleadings, jury instructions and verdict forms. However, an independent web presence would not only require a significant initial investment of time and money, but would also involve the costs associated with maintaining the site year to year.

As another option, the WDBA board has considered holding additional CLE programs throughout the calendar year, perhaps targeted toward specific areas of federal practice. Of course, the WDBA has already begun this process by co-sponsoring programs with the Eastern District of Wisconsin Bar Association and Seventh Circuit Bar Association. We expect these joint programs will continue. The board has also considered establishing a lecture series that would complement our annual meeting speakers. Finally, the board has considered options such as waiving dues for one year for continuing members or making a *pro bono* donation to a deserving cause.

With these possibilities in mind, we would like to know how you, our membership, believe the WDBA could best make use of our surplus. In particular, we would like to hear your thoughts on how the WDBA can improve its website or if there are other services you would like from the WDBA. Please feel free to contact me or any board member with your ideas. I can be reached via email at tsmith@gklaw.com or at (608) 257-3911.

Federal Defender Program Coming to Western District

By Paul L. Barnett
Assistant Attorney General
Wisconsin Department of Justice

The Western District of Wisconsin will soon have a full-time attorney available to represent indigent defendants in criminal cases filed here.

Dean Strang, executive director of the Federal Defender Services of Wisconsin, Inc. (FDS), a private, non-profit organization, explained that FDS employed counsel will be available to appear in criminal cases upon appointment by the presiding judge in the case. The attorney has not yet been hired, as FDS is awaiting final approval from Congress.

The federal defender program has been in place in the Eastern District of Wisconsin since 2000. The district judges there created the corporation and hired Strang to run the program. Presently there are seven attorneys (one is assigned to the Green Bay branch) and eight support staff in the Eastern District office.

Last year the Western District judges voted to participate. After receiving approvals from the Eastern District and Seventh Circuit, the FDS articles of incorporation and by-laws were amended to add three positions to its board of directors. Attorneys Gerald W. Mowris (Pellino, Rosen, Mowris & Kirkhuff, S.C.), Stephen P. Hurley (Hurley, Burish and Milliken, S.C.) and Margaret A. Danielson were appointed in 2003 to serve three-year terms on the eleven-member board of directors.

Once Congress signs off on the appropriation, Strang will proceed to lease office space and look to hire one attorney and one support staff. The attorney's starting salary will be $110-125,000, which is comparable to the salary of experienced federal prosecutors. Strang hopes to have the office up and running by this July.

"I'll be looking to hire someone with a great reputation and good solid experience in federal court," Strang explained. Although the successful applicant will answer to him, Strang said that the Western District office "will be as autonomous as possible. The attorney will function as the federal defender for the Western District of Wisconsin."

Unlike the Wisconsin state court system, federal judges have considerable leeway in deciding whether someone is indigent and qualifies for appointed counsel, Strang said. At present, the Western District judges maintain a list of attorneys available for appointment. Once the new office opens, FDS will assume that responsibility. FDS will also arrange for the appointment of counsel from the list where conflicts or multiple defendants prevent the FDS attorney from accepting the appointment.

Asked how he would measure success, Strang replied that "I'd like lawyers (prosecutors and defense attorneys), the judges and probation officers to say that indigent people are getting a better shake than before the federal defender program." Strang reported that he has had excellent cooperation from the judges, the clerk's and probation offices and the U.S. Marshal.

The benefits of the federal defender program will extend beyond improved representation of indigent defendants, Strang predicts. Additionally, he hopes to build "a real esprit de corps among the panel members who agree to accept appointments." Strang also anticipates that the program will spur increased training opportunities for the federal criminal defense bar.

Strang looks forward to working closely with the Western District of Wisconsin Bar Association to plan activities of mutual interest.

WDBA Web Site Address
www.wisbar.org/bars/west/

DETERMINING "AMOUNT IN CONTROVERSY" WHEN A PLAINTIFF SEEKS INJUNCTIVE OR DECLARATORY RELIEF

By
Robert E. Shumaker and Megan A. Senatori

Under 28 U.S.C. § 1332(a)(1), federal courts have original jurisdiction of all civil actions where there is diversity of citizenship and "where the matter in controversy exceeds the sum or value of $75,000, exclusive of interest and costs. . . ."[1]

It is well-settled that the amount in controversy is measured by the value of the right that the plaintiff seeks to enforce or to protect against the defendant or the value of the object that is the subject matter of the action. 14B Charles Alan Wright, et al., Federal Practice and Procedure ("Wright, Miller & Cooper") § 3708 (3d ed. 1998). Thus, when a plaintiff seeks to recover damages, the amount in controversy is the amount of damages sought.

When a plaintiff seeks injunctive or other form of specific relief, it is the value to the plaintiff of conducting his business free from the activity sought to be enjoined that is the yard stick for measuring whether the amount in controversy has been satisfied. *Id.*

It is often difficult, however, to apply this basic principle to an individual case. *Id.* Further, another difficult issue arises when the benefit to the plaintiff from securing the injunction differs from the loss that will be sustained by the defendant. *Id.*

This article will outline the standards that the United States Supreme Court and the Court of Appeals for the Seventh Circuit have established for determining the amount in controversy when injunctive relief is sought. The article will also summarize recent cases from the Eastern and Western Districts of Wisconsin applying these standards. Finally, this article will offer several conclusions and suggestions for dealing with diversity jurisdiction and requests for injunctive or declaratory relief.

A. General Principles.

In *McNutt v. General Motors Acceptance Corp.,* 298 U.S. 178 (1935), the plaintiff sought to enjoin enforcement of an allegedly unconstitutional statute regulating the purchase of installment sales contracts. The Supreme Court stated that the measure of the amount in controversy was the loss, if any, that would result from the enforcement of the statutes, not the entire worth of the plaintiff's business. This was so because the statutes did not completely prevent the plaintiff from conducting its business. The plaintiff failed to meet its burden of proof on the jurisdictional issue because it did not come forward with any facts to show what curtailment of the plaintiff's business and consequent loss would be caused to it by enforcement of the challenged statutes.

In cases in which the plaintiff seeks to protect a business, the amount in controversy is the loss in profits to

[1] Diversity of citizenship means the parties are (1) citizens of different States; (2) citizens of a State and citizens or subjects of a foreign country; (3) citizens of different States and in which citizens or subjects of a foreign state are additional parties; and (4) a foreign state, defined in section 1603(a) of [Title 28], as plaintiff and citizen of a State or of different States. *See* 28 U.S.C. §1332. An alien admitted to the United States for permanent residence is deemed to be a Citizen of the State in which such alien is domiciled. *Id.*

the plaintiff as a result of activity sought to be enjoined. Wright Miller & Cooper, § 3708. A mere allegation of decline in gross income is not sufficient. *Id; Hunt v. Washington State Apple Adver. Comm'n,* 432 U.S. 333 (1977).

In *City of Milwaukee v. Saxbe*, 546 F.2d 693 (7th Cir. 1976), the Seventh Circuit rejected the application of the then generally accepted good-faith test for determining the sufficiency of the jurisdictional amount in injunction suits. The court accepted the view that injunctive relief may be valued more accurately at the beginning of a case than damages can because the value of an injunction is likely to be objective and lead to fairly well-defined conduct, whereas the amount of damages sought is often more speculative such as when damages for pain and suffering are sought.

In some cases involving an injunction against the application of a regulatory statute, the cost of the plaintiff's compliance with the statute is considered to be the amount in controversy. Wright Miller & Cooper, § 3708. Another approach, in actions for unfair competition, or breach of a covenant, or to restrain a violation of fair trade practices, is to consider the value of the goodwill of the plaintiff's business, which in turn is measured by the amount expended in advertising the affected portion of the business. *Id.*

In *McCarty v. Amoco Pipeline Co.,* 595 F.2d 389 (7th Cir. 1979), the Seventh Circuit addressed the issue of whether the value of the injunction sought is measured from plaintiff's viewpoint or from the point of view of the party seeking to invoke jurisdiction (which when a case is removed to federal court is the defendant). As the court stated:

> Valuation of the matter in controversy in suits for declaratory or injunctive relief is a complex task. The court must not only undertake to evaluate intangible rights as opposed to objects commonly found in the marketplace, but it must decide what rights are involved in the controversy and from whose viewpoint their value is to be measured. A review of the cases and the commentary on the subject reveals that there is considerable disagreement as to how a court should accomplish this task.

595 F.2d at 391-92.

In adopting the either view point rule, the court stated:

> As has already been pointed out, "[s]ince the jurisdictional amount prerequisite was enacted primarily to measure substantiality of the suit, the question of whether the controversity is substantial should not be answered unqualifiedly by looking only to the value of that which the plaintiff stands to gain or lose." [citation omitted] In the instant case, the defendant Amoco has shown by an unchallenged affidavit that the pecuniary result to it which the judgment prayed for would directly generate would exceed the jurisdictional amount. We believe that the interests of equity and fairness, as well as the purposes behind the removal statute, would here be well served by allowing the plaintiff's claim to be evaluated for jurisdictional purposes by applying the either viewpoint rule.

595 F.2d at 395.

In *In re Brand Name Prescription Drugs Antitrust Litigation*, 123 F.3d 599 (1997), the plaintiffs in a class action suit did not want their case removed to federal court and, therefore, were careful to plead that the damages (resulting from overcharges for drug purchases) sought by each of them did not exceed the jurisdictional amount. In evaluating whether the injunctive relief sought by plaintiffs was sufficient to meet the amount in controversy requirement, the court held that the proper test was the benefit of the injunction to each plaintiff or the cost to each defendant of an injunction running in favor of one plaintiff. 123 F.3d at 610.

B. Recent Eastern District Cases.

Mailwaukee v. Neopost

In *Mailwaukee Mailing, Ship, and Equip., Inc. v. Neopost Inc.,* 259 F. Supp. 2d 769 (E.D. Wis. 2003) the seller of postage meters and other mailing products brought a state court action against the distributor of the products alleging a violation of a dealership agreement and the Wisconsin Fair Dealership Law. The plaintiff alleged that it had been damaged in the amount of $49,375, and requested a permanent injunction and reasonable attorneys' fees. The defendant removed the case to federal court and the plaintiff filed a motion to remand arguing that the amount in controversy did not exceed $75,000.

Judge Adelman analyzed the applicable legal principles for determining the value of injunctive relief as follows:

> When a plaintiff seeks injunctive relief, the value of such relief for purposes of determining the amount in controversy is "the pecuniary result to either party which the judgment would directly produce." *McCarty v. Amoco Pipeline Co.,* 595 F.2d 389, 393 (7th Cir.1979); *accord In re Brand Name Prescription Drugs Antitrust Litig.,* 123 F.3d 599, 609-10 (7th Cir.1997).
>
> The value of an injunction to a plaintiff equals the economic value of the rights the plaintiff seeks to protect and/or the potential injury it seeks to prevent. *See McCarty,* 595 F.2d at 393; 14B Charles Alan Wright, et al., *Federal Practice and Procedure* § 3708 (3d ed.1998). This value can be determined by anticipating the future financial benefits to the plaintiff from the injunction or the harms to the plaintiff if the challenged conduct is allowed to occur or continue. *E.g., Hunt v. Wash. State Apple Adver. Comm'n,* 432 U.S. 333, 348, 97 S.Ct. 2434, 53 L.Ed.2d 383 (1977) (relying on evidence of plaintiffs' anticipated, future lost earnings and costs of complying with regulation the enforcement of which plaintiff sought to enjoin); *In re Brand Name Prescription Drugs,* 123 F.3d at 609 (stating that court could rely on "the present value of the [anticipated] future cost savings" to plaintiffs that would result if the court enjoined the defendants' alleged price-fixing).
>
> The value of an injunction may not be capable of precise determination, but precision is not required. *Hedberg v. State Farm Mut. Auto. Ins. Co.,* 350 F.2d 924, 929 (8th Cir.1965) ("[A]lthough injury in an injunction suit may not be capable of exact valuation in money, this fact of itself does not negative federal jurisdiction."); 14B Wright, *supra,* § 3708; *see Miller-Bradford & Risberg, Inc. v. FMC Corp.,* 414 F.Supp. 1147, 1149 (E.D.Wis.1976).[2]

[2]The court addressed the issue of the length of time over which to measure lost profits as follows:

When determining the value of anticipated gains or losses, the question arises as to how far into the future should the court look? In *Hunt*, the Supreme Court stated that the plaintiffs met the amount in controversy because their anticipated future lost earnings and compliance costs would likely reach the jurisdictional minimum "over time." 432 U.S. at 348, 97 S.Ct. 2434. Cases in the Seventh Circuit have likewise approved the assessment of future profits or losses. *In re Brand Name Prescription Drugs,* 123 F.3d at 609 (collecting cases). I have found no case setting a time limit beyond which profits or losses cannot be considered. *See Buckeye Recyclers v. CHEP USA,* 228 F.Supp.2d 818, 827 (S.D.Ohio 2002) (noting "the lack of any definitive sentiment in the cases as to how much 'time' is 'too much time' "). However, I need not address the issue in the present case because I conclude that it will take a relatively short amount of time for the benefits of the injunction to reach the jurisdictional amount.

> To determine a plaintiff's anticipated pecuniary harm if injunctive relief is denied, courts have extrapolated based on evidence of the plaintiff's past financial circumstances. For example, "in a suit brought by an employer against a former employee to enforce a covenant not to compete, the court usually will look to the profits earned by the employer on business generated by the employee during the period immediately preceding his termination." 14B Wright, *supra,* § 3708 (citing *Premier Indus. Corp. v. Tex. Indus. Fastener Co.,* 450 F.2d 444, 446-47 (5th Cir.1971); *Hedberg,* 350 F.2d at 930; *Zimmer-Hatfield, Inc. v. Wolf,* 843 F.Supp. 1089, 1091 (S.D.W.Va.1994); *Zep Mfg. Corp. v. Haber,* 202 F.Supp. 847, 848-49 (S.D.Tex.1962)); *see also Basicomputer Corp. v. Scott,* 973 F.2d 507, 510 (6th Cir.1992); *Robert Half Int'l, Inc. v. Van Steenis,* 784 F.Supp. 1263, 1265-66 (E.D.Mich.1991); *Work v. U.S. Trade, Inc.,* 747 F.Supp. 1184, 1186 n. 2 (E.D.Va.1990).
>
> In the absence of unusual circumstances, it is reasonable to infer that if an employer earned a certain amount of profit from an employee's work in one year, the employer will lose an equivalent amount in the following year if the employee works for a competitor. Thus, the amount of such profit may be used to assess the value of an injunction for purposes of determining the amount in controversy. *See, e.g., Zimmer-Hatfield,* 843 F.Supp. at 1091-92 (valuing injunction based on an affidavit showing past profit); *Robert Half Int'l,* 784 F.Supp. at 1265 (holding that affidavits and testimony showing past profit constituted reliable proof of the value of an injunction); *see also* 14B Wright, *supra,* § 3708.

259 F. Supp. 2d at 772-73.

Judge Adelman applied the above principles to facts of *Mailwaukee* by noting that the plaintiff had alleged damages as of $49,375 as of the filing of the complaint and extrapolating future lost profits that the plaintiff would incur if the injunction was not granted. Because plaintiff had incurred $49,375, a simple mathematical analysis showed the an additional $26,625 would accrue in a relatively short period of time. Thus, the value of the injunction to plaintiff was more than $26,625 and the total amount in controversy was more than $75,000.

Holcombe v. Smithkline Beecham Corporation

In *Holcombe v. Smithkline Beecham Corp.,* 272 F.Supp. 2d. 792 (E.D. Wis. 2003), after a class action was removed to federal court, the court examined the allegation of the Complaint and rejected the plaintiffs' argument that they were not seeking injunctive relief:

> Plaintiffs dispute that they seek to enjoin SKB's advertising. However, in Count III of their Complaint, plaintiffs allege that SKB fraudulently advertised that Paxil was non-addictive and state:
>
> > As a result of [defendant's misleading advertising], each and every day, tens, if not hundreds, of patients are becoming involuntarily addicted/dependent upon Paxil because of defendants' false and misleading representations found both in print and electronic media and/or defendants' material omissions. *Hence, immediate injunctive relief is required to preclude the imminent and irreparable harm to these individuals and the general public.*

259 F. Supp. 2d. at 773, n. 1.

(Compl.¶ 66) (emphasis added). The statement that "immediate injunctive relief is required" cannot be reasonably construed as anything other than a request for an injunction against defendant's advertising.

Further, SKB has established by a preponderance of the evidence that the cost of complying with such an injunction would exceed $75,000. As stated, the value of injunctive relief is determined by either its benefit to the plaintiff or the defendant's cost of compliance. *See McCarty,* 595 F.2d at 393. The defendant's cost is the cost of complying with an injunction in favor of a single plaintiff. *See Brand Name Drugs,* 123 F.3d at 610.

SKB has submitted an unchallenged affidavit stating that an injunction would require it to pull its advertising at least on a regional basis and to redesign and implement new advertisements. The affidavit further states the cost of these tasks would exceed $75,000 and would do so whether the injunction ran in favor of one plaintiff or of the entire proposed class. An unchallenged affidavit with respect to the cost of complying with an injunction is sufficient to establish the amount in controversy. *See McCarty,* 595 F.2d at 395. Thus, SKB has shown that the cost of complying with plaintiffs' request for an advertising injunction exceeds $75,000.

272 F. Supp. 2d. at 798.

C. Recent Western District Case.

Levake v. Zawistowski

In *Levake v. Zawistowski,* 2003 WL 23095760 (W.D. Wis), a group of non-Wisconsin residents who own recreational property Musky Bay, a bay of Lac Courte Oreilles, in northern Wisconsin contended that the defendant's practice of using phosphorous-containing fertilizer on his cranberry bogs created a public and private nuisance by causing weeds and algae to proliferate in the lake.

Judge Crabb, after reviewing each of the categories of relief sought, concluded that there was insufficient evidence in the record to show that at the time the complaint was filed each plaintiff had a good faith basis for claiming that the amount in controversy was $75,000. Accordingly, the court ordered that plaintiffs submit evidence showing proof to a reasonable probability that jurisdiction exists under 28 U.S.C. § 1332. In addition, with respect to the request for dredging of the lake, she asked plaintiffs to clarify whether they simply wanted to recover damages in the amount it would cost for this undertaking, or whether they were seeking an injunction requiring defendant to perform the dredging.

In response, plaintiffs asserted that they were seeking an award of damages in the amount it would take to restore Musky Bay by dredging it. Alternatively, they contended that they would be satisfied by an injunction ordering the defendant to dredge the bay.

Judge Crabb rejected the argument that the claim for restorative costs was sufficient to establish jurisdiction because: (1) the cost of restoration that plaintiffs were proposing was vastly out of proportion to any actual damages to each plaintiff's property, (2) no plaintiff had attempted to estimate the cost of restoring his or her property to the condition it was in at the time of purchase, and (3) the state of Wisconsin owns the bay and holds it in trust for the benefit of the public as a whole, and, therefore, the state, not plaintiffs, is the real party in interest in a claim to recover money for the damage to the bay.

As to plaintiff's statement that they would be satisfied with an injunction ordering defendant to dredge Musky Bay, the court declined to allow plaintiffs to amend their complaint seeking such relief because the deadline for amending pleadings had passed and an amendment would be futile because it is Wisconsin's Department of Natural Resources, not the court, that has the authority and expertise to conduct the evaluation necessary to determine whether Musky Bay should be dredged.

Accordingly, the court dismissed plaintiffs' complaint for lack of subject matter jurisdiction. In subsequent proceedings, the court assessed costs (not attorneys' fees) against plaintiffs under 28 U.S.C. § 1919. 2004 WL 602649 (W.D. Wis.). Under that statute district courts have authority to order the payment of "just costs" (not including attorneys fees) when an action or suit is dismissed "for want of jurisdiction."

Judge Crabb concluded that awarding costs under § 1919 is appropriate when there is no justification for plaintiffs' pursuit of their case. Stating that plaintiffs "with a little forethought and research" could have discovered that their lawsuit was unjustified, at least in federal court, the court awarded costs.

D. Conclusions and Suggestions.

The party seeking to invoke federal court jurisdiction has the burden of establishing that jurisdiction exists. Therefore, a plaintiff filing a complaint in federal court seeking only injunctive relief must be prepared to show that the value of the injunction measured from either the point of view of the plaintiff or the defendant exceeds $75,000. Because it is likely that a motion to dismiss for lack of jurisdiction will be filed early in the proceedings, a plaintiff must be prepared to present proof of the amount in controversy.

Similarly, a defendant seeking to remove an action seeking only injunctive relief to federal court must be prepared to promptly respond to a motion to remand arguing that the amount in controversy does not exceed $75,000. Therefore, a defendant must be prepared to show that the value of the relief sought is more than $75,000. The value can be established by showing either the value to the plaintiff of the injunction or the cost to the defendant of complying with the injunction. If discovery or expert testimony is necessary to establish this fact, a defendant will need to promptly obtain it.

A plaintiff who desires to avoid federal court jurisdiction and whose damages are less than $75,000 should not plead a request for injunctive relief if the defendant will be able to show that the value of the injunction sought plus any alleged damages exceeds $75,000.

Either party seeking to invoke federal court jurisdiction must be certain to have a justification for asserting that the amount of controversy exceeds $75,000. Even if a case is dismissed for lack of jurisdiction, the court has authority to award just costs against the party who unsuccessfully sought to establish jurisdiction.

The authors are members of the Litigation Practice Group of DeWitt Ross & Stevens S.C.

Pre-suit Investigation in Patent Cases: Judge Shabaz Underscores the Requirements

By
Gina Carter
LaFollette, Godfrey & Kahn

Patent litigators appearing before Judge Shabaz should be aware that the court has recently emphasized its adherence to the pre-suit investigation standards articulated in *Antonius v. Spaulding,* 275 F. 3d 1066, 1073-1074 (Fed Cir. 2002). That case establishes certain minimum steps plaintiff's counsel must take in a patent infringement case, before suit is filed, to fulfill pre-suit investigation obligations.

Recent preliminary pre-trial conference orders in patent cases before Judge Shabaz make clear that, pursuant to Rule 11 Fed. R. Civ. Proc., counsel must: 1) compare the accused device with the construed patent claims; 2) determine whether the accused device satisfies each of the claim limitations; and 3) provide these determinations to the defendant as part of its initial disclosures under Rule 26 (a)(1). *See e.g. Avid Identification Systems Inc. v. Allflex USA Inc. and Pet Health Services, Inc.* Case No. 04-C-067-S (Preliminary Pretrial Conference Order March 23, 2004); *Ty-lan Enterprises Inc. v. Menards, Inc.* Case No. 04-C-084-S (Preliminary Pre-trial Conference Order March 9, 2004).

Relying on the *Antonius* case, Judge Shabaz has made crystal clear that the relevant inquiries are a pre-filing duty and that a plaintiff's pleas for further discovery to complete the aforementioned analysis will be rejected by the Court.

The direct reference to *Antonius* first appeared in a late January discovery dispute decision by Judge Shabaz in *Rexall Sundown, Inc. v. Weider Nutrition International, Inc., et al.*, where the Court ordered plaintiff's prompt disclosure of its analysis that the accused devices satisfied each of the claimed limitations of the patent at issue. *Rexall Sundown, Inc. v. Weider Nutrition International, Inc., Leiner Health Products, Inc., and Pharmavite, LLP*, Case No. 03-C-613-S (Order dated January 28, 2004). The Court noted in this order that all patent infringement cases thereafter, infringement determinations would be provided to the defendant "as initial disclosures under Rule 26(a)(1)." *Id.*, p. 2.

Based on the court's recent pronouncements on pre-suit obligations, practitioners are advised to leave sufficient time and dedicate the necessary resources to complete the analysis of the accused device to determine whether there is a reasonable basis for a finding of infringement. Other Federal Circuit cases in addition to *Antonius* have set forth the framework for such pre-filing investigation and analysis. *See, e.g., View Eng'g Inc. v. Robotic Visions Sys. Inc.* 208 F. 3d 981, 986 (Fed. Cir. 2000). Construing the claims to determine whether an accused device infringes necessarily involves careful review of the patent specifications, prosecution histories and prior art in order to engage in an element by element comparison of the claims with the accused device. This normally involves obtaining the allegedly infringing products and carefully analyzing them. The task is more difficult with process or method patents where infringement is often more difficult to determine because information may be confidential or maintained as a trade secret. These constraints are taken into account under Federal Circuit cases. *See, e.g., Hoffman-LaRoche Inc. v. Invamed, Inc.* 213 F. 3d. 1359 (Fed. Cir. 2000).

While pre-suit investigation is not a new obligation for practitioners in the Western District of Wisconsin, Judge Shabaz' explicit acknowledgment of the patent plaintiff's obligation to provide relevant information at the 26(a) disclosure stage underscores the importance of a thorough and complete analysis prior to filing a patent infringement case in this District.

Western District News

Western District Bar Association
Post Office Box 44578
Madison, WI 53744-4578

Pre-Sorted
Standard
U.S. Postage
P A I D
Permit #1
Madison, WI

Address Service Requested

MISSION STATEMENT

It is the mission of the Western District of Wisconsin Bar Association to promote the just, speedy, respectful and efficient determination of every action filed in the District Court: by acting as an effective liaison among the District Court, federal practitioners, litigants and the public; by encouraging, fostering and supporting educational opportunities that improve the practice of law in this District; and by serving the needs of the District Court, federal practitioners, litigants and the public.