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Western District Case Notes

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SUBJECT MATTER JURISDICTION AND THE ROOKER-FELDMAN DOCTRINE

In *Jones v. Rahman*, 25-cv-149-LJV (June 2, 2026), a *pro se* plaintiff commenced an action asserting claims related to a mortgage foreclosure proceeding against her in state court. In her amended complaint, she asserted claims against the current owner of the foreclosed property, the mortgage lender, the referee of the sale, the Supreme Court Justice who ordered the foreclosure, the attorney who represented the mortgage lender, and that attorney's law firm. Before the Court were a motion by plaintiff to vacate the foreclosure sale and enjoin any sale or transfer of the property, and motions to dismiss the lawsuit by, among others, the mortgage lender and Supreme Court Justice. The Court began its analysis by noting that plaintiff has the burden of proving by a preponderance of evidence that subject matter jurisdiction exists. When faced with a motion to dismiss under both Rules 12(b)(1) and 12(b)(6), the Court must decide the jurisdictional question first because a disposition under Rule 12(b)(6) is a decision on the merits and therefore an exercise of jurisdiction. Thus, although defendants moved to dismiss on multiple grounds, the Court first considered their claim that, under the Rooker-Feldman doctrine, "federal district courts lack subject matter jurisdiction over disputes where a plaintiff essentially seeks review of a state court decision." Under a four-part test articulated by the Second Circuit, a district court cannot exercise jurisdiction if: (1) the federal court plaintiff lost in state court; (2) the plaintiff complains of injuries caused by a state court judgment; (3) the plaintiff invites review and rejection of that judgment; and (4) the state judgment was rendered before the district court proceedings commenced." Here, the Court concluded that plaintiff's claim that the Supreme Court Justice wrongfully ordered the foreclosure of the property meets all of the Rooker-Feldman criteria because the plaintiff alleges injuries from the foreclosure judgment itself. As a result, the Court lacked subject matter jurisdiction over the claims against the Supreme Court Justice, which were dismissed without prejudice. Against the mortgage lender, plaintiff asserted claims for wrongful foreclosure and fraud. To the extent that those claims sought review of the foreclosure judgment, they also were precluded by the Rooker-Feldman doctrine. To the extent the claims instead alleged that defendant committed fraud in obtaining the foreclosure judgment or to quiet title, those claims were barred under New York's transactional approach to res judicata, because plaintiff was seeking to re-litigate issues that either were or could have been raised in the state action below. Thus, the mortgage lender's motion to dismiss also was granted.


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MOTIONS TO CONSOLIDATE

In *Lewis Tree Service, Inc. v. Cervantes*, 25-cv-6443-MAV-CDH and *Lewis Tree Service, Inc. v. United Clearing Services, LLC*, 25-cv-6444-MAV-CDH (June 16, 2026), plaintiff alleged that the defendant in the first lawsuit (a former longtime employee) was improperly using its confidential information and trade secrets in connection with his work for the defendant in the second lawsuit (a competitor company). Plaintiff further alleged that the new company had entered into a subcontract with plaintiff as a "guise" pursuant to which defendants were using plaintiff's employees to perform work for the defendants. Defendants moved to consolidate both lawsuits for all pretrial purposes under Rule 42, which provides that "if actions before the court involve a common question of law or fact, the court may: (1) join for hearing or trial any or all matters at issue in the action; (2) consolidate the action; (3) issue any other orders to avoid unnecessary cost or delay." The Court noted that consolidation was "a valuable and important tool of judicial administration to be invoked to expedite trial and eliminate unnecessary repetition and confusion," and was "particularly appropriate where savings of expense and gains of efficiency can be accomplished without sacrifice of justice." Over plaintiff's objections, the Court also noted that "differences in claims [or] defendants ... do not render

consolidation inappropriate if the cases present sufficiently common questions of fact and law, and the differences do not outweigh the interests of judicial economy served by consolidation." The Court held that defendants had met their burden by demonstrating that the actions involved common questions of law *and* fact, and that consolidation would promote judicial economy for a host of reasons, including that separate actions would force duplicate efforts in discovery. The Court thus held that significant considerations of judicial economy favored consolidation without unduly prejudicing plaintiff, and granted defendants' motion.

MOTIONS TO AMEND

In *Hawkins v. City of Buffalo*, 22-cv-905-MAV (June 17, 2026), defendants moved for judgment on the pleadings upon reaching the dispositive motion deadline, in response to which plaintiffs cross-moved to amend the complaint and reopen discovery. The Court initially observed that, ordinarily, Rule 15 applies to motions to amend pleadings once the time for amending a pleading as of right has expired and provides that leave to amend should be "freely given when justice so requires." Where, as here, a plaintiff moves to amend the complaint after the deadline set by the scheduling order, Rule 15's "lenient standard" must be "balanced against" Rule 16(b)(4)'s requirement that "a scheduling order shall not be modified except upon a showing of good cause." Under these circumstances, the Second Circuit has concluded that Rule 16(b)'s "'good cause' standard, rather than the more liberal standard of Rule 15(a), governs a motion to amend filed after the deadline a district court has set for amending the pleadings." Under that "good cause" analysis, "the primary consideration is whether the moving party can demonstrate diligence," and courts also should consider "whether allowing the amendment of the pleading at the late stage in the litigation would prejudice defendants." In this case, plaintiffs' original complaint was filed by prior counsel who was retained through the end of the discovery period but never commenced any discovery, despite plaintiffs having requested that their former counsel correct the complaint, conduct discovery, and compel depositions, all to no avail. And after plaintiffs' current counsel filed a notice of appearance, plaintiffs still needed to file a motion to compel their client file from prior counsel, which the Court granted along with several unopposed motions to extend the deadline to respond to the pending motion for judgment on the pleadings. Under those circumstances, the Court held that plaintiffs had demonstrated the requisite diligence to establish good cause for leave to file an amended complaint and reopen discovery, and that any prejudice to defendants would be minimal, with the caveat that plaintiffs' amended complaint must first survive any motion to dismiss before any discovery may proceed.

CHOICE-OF-LAW AND USURY

In *WBI SPE III LLC v. Schenfield*, 24-cv-00471-LJV (May 28, 2026), a husband and wife filed for bankruptcy under Chapter 13 of the Bankruptcy Code. Their proposed Chapter 13 plan called for payment in full of a loan secured by their home with 5% interest, but the creditor objected and filed an amended secured proof of claim. The debtors then moved to disallow the creditor's claim, arguing that the underlying debt—which carried a 49.99% interest rate—was usurious under New York law. The creditor replied that the claim was not invalid because the New Jersey choice-of-law provision in the loan agreement was enforceable and the interest rate was not usurious under New Jersey law since it did not exceed 50%. The bankruptcy court held that the New Jersey choice-of-law provision was unenforceable both because New Jersey lacked sufficient contacts with the transaction and because the loan's "flagrant disregard" of New York's usury law violated public policy. Choosing to apply New York law instead, the bankruptcy court then found the loan was criminally usurious and disallowed the creditor's claim. In response, the creditor appealed to the District Court, arguing that the New Jersey choice-of-law clause was not unenforceable and should have been applied by the bankruptcy court. Noting first that New York courts may refuse to enforce a choice-of-law clause where (1) the parties' choice has no reasonable basis or (2) application of the chosen law would violate a fundamental public policy of another jurisdiction with materially greater interests in the dispute, the Court then found that both grounds were present. Regarding the latter, the Court observed that "permitting interest rates of up to fifty percent is 'truly obnoxious' in a state that caps those rates at half that." And as for the former, the Court held that the loan agreement had no reasonable relationship with New Jersey. Instead, the majority of factors relevant to the "reasonable relationship" test pointed towards New York (*i.e.*, the borrower was a New York corporation with a principal place of business in New York; the lender was a limited liability company organized under the laws of the State of New York; both guarantors were New York residents; both mortgagors were New York residents; the real property encumbered by the mortgage was located in New York; the mortgage was executed in New York; and the loan documents included New York forum selection clauses). As a result, the Court affirmed the bankruptcy court's finding that the New Jersey choice-of-law clause was unenforceable and held that the loan was void as usurious under New York law.

NOT-FOR-PROFIT CORPORATION LAW AND THE *CY PRES* DOCTRINE

In *In re the Diocese of Buffalo*, N.Y., 25-cv-00535-MAV (June 10, 2026), as part of its Chapter 11 bankruptcy proceeding, the Diocese of Buffalo filed a motion with the bankruptcy court seeking approval of bidding procedures in connection with an auction sale of real property that was donated to the Diocese in 1959 and used as a seminary for

forty years. At the hearing, the bankruptcy court questioned whether the sale proceeds might be subject to restrictions under the *cy pres* doctrine and, while approving the proposed sale procedures, ordered that the net proceeds of the sale be placed in a segregated account pending further order of the court. Following the sale of the seminary, the Diocese moved the bankruptcy court for unrestricted access to the sale proceeds. Observing that § 513(b) of the New York Not-for-Profit Corporation Law applied to the Diocese and mandates that the Diocese apply gifted funds to the purpose specified in the gift instrument, the bankruptcy court found that the donation of the property for use as a seminary created an implied trust which restricted the Diocese to use the funds only for that purpose. Because operation of the seminary was no longer practicable or possible, however, the bankruptcy court applied the *cy pres* doctrine, which allows a court to reform a trust in a manner that will most effectively accomplish its general purpose, and concluded that the majority of the proceeds were subject to the restriction that they be used for the benefit of clergy education. The Diocese then appealed to the District Court, arguing among other things that the bankruptcy court erred in concluding that gifts of money and property to the Diocese for the purpose of building a seminary were restricted in use in perpetuity for the benefit of clergy education. The District Court agreed and reversed, finding the proceeds from the sale are not subject to the *cy pres* doctrine, and therefore the Diocese is not bound to use any portion of the proceeds for the benefit of clergy education. This was because, while the gifts were made with the intent that they be used for construction of a seminary, that intent had long since been satisfied and there was no indication in the record that the property was required to be used as a seminary in perpetuity. Thus, the cy pres doctrine could not, and need not, be invoked at all. In other words, once the seminary was constructed, the Diocese satisfied the requirements of New York Not-for-Profit Corporation § 513(b) and the property and funds were not subject to an implied trust imposing constraints enforceable in bankruptcy.

PUNITIVE DAMAGES AGAINST MUNICIPAL EMPLOYEES

In *Rossy v. City of Buffalo*, 17-cv-00937-MAV-HKS (June 15, 2026), plaintiff commenced an action as Administrator of an Estate alleging seven causes of action including a claim under 42 U.S.C. § 1983 for violations of the decedent's Fourth, Eighth and Fourteenth Amendment rights. After years of discovery, the parties filed motions for summary judgment, which were granted in part and denied in part. Specifically, the Court found that the parties' materially different versions of events precluded summary judgment on plaintiff's Fourth and Fourteenth Amendment claims and also precluded granting qualified immunity to two police officers named as defendants. The Court, however, granted summary judgment in favor of defendants on plaintiff's Eighth Amendment claim, as well as all of the other causes of action in the complaint, and dismissed those claims. The Court also found that plaintiff could not recover punitive damages on her Fourth and Fourteenth Amendment claims because she had not presented any evidence from which it could reasonably be concluded that the police officers took the complained-of actions in their personal capacities, and municipal employees sued in their official capacity are not liable for punitive damages. Defendants appealed, arguing that it was improper not to award the police officers qualified immunity from the Fourth and Fourteenth Amendment claims and plaintiff cross-appealed arguing, among other things, that the Court improperly concluded that the complaint failed to assert any individual capacity claims. In resolving the appeal, the Second Circuit vacated the portion of the decision holding that plaintiff had not sued the police officers in their individual capacities and remanded. In doing so, the Second Circuit expressly noted that the justification for granting summary judgment to defendants on the punitive damages issue was no longer applicable (given that immunity from a claim for punitive damages afforded to municipal employees in their official capacities does not extend to a municipal official sued in his or her individual capacity) but declined to exercise pendent jurisdiction over that issue since "the question is not inextricably intertwined with, or necessary for, [its] review of the district court's ruling on qualified immunity." Following remand, plaintiff filed a motion in the District Court for reconsideration of the dismissal of her punitive damages claim. Noting first that the Federal Rules of Civil Procedure do not expressly recognize a motion for "reconsideration," the Court then observed that motions for reconsideration are nonetheless available under Federal Rules of Civil Procedure 59(e), 54(b) or 60(b) depending on the scenario, and that, in this instance, plaintiff's motion was governed by Rule 54(b) because the Court's decision being reconsidered did not result in an appealable final judgment. Turning to the merits, the Court then held that, because the Second Circuit rendered the justification for dismissing the punitive damages claim "no longer applicable," reinstatement of plaintiff's request for punitive damages was warranted. Finally, the Court noted that if defendants believe, after trial, that no reasonable jury could award punitive damages, they can make the appropriate motion at that time.

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