UNITED STATES DISTRICT COURT FOR THE DISTRICT OF PUERTO RICO

Universal Insurance v. Department of Justice

866 F. Supp. 2d 49 (D.P.R. 2012) · Decided February 23, 2012

SUMMARY

The United States District Court for the District of Puerto Rico considered a motion to dismiss an action challenging Puerto Rico's Uniform Seizure and Forfeiture Act of 2011. The court held that the insurer plaintiffs had standing and sufficiently alleged a protected property interest and procedural due process violation, but dismissed their Takings Clause claim. The opinion also addresses the plaintiffs' Ex Post Facto and Contract Clause claims, although the provided text ends before the analysis is complete.

CASE DETAILS

COURT	United States District Court for the District of Puerto Rico
WRITING FOR THE COURT	D. Puerto Rico District Judge Besosa
JURISDICTION	Puerto Rico
DECIDED	February 23, 2012
DISPOSITION	other
PROCEDURAL POSTURE	Plaintiffs brought an action for declaratory judgment and permanent injunctive relief challenging Puerto Rico's Uniform Seizure and Forfeiture Act of 2011. Defendants moved to dismiss under Federal Rule of Civil Procedure 12(b)(6). After the court partially granted and partially denied the motion, both sides moved for reconsideration.
STANDARD OF REVIEW	On a Rule 12(b)(6) motion, the court accepts nonconclusory factual allegations as true, draws reasonable inferences in the nonmovant's favor, and asks whether the complaint states a facially plausible claim. Motions for reconsideration filed within 28 days are analyzed under Rule 59(e), while later motions are analyzed under Rule 60(b).
PRECEDENTIAL VALUE	published district court opinion; persuasive authority within the District of Puerto Rico and the First Circuit
PARTIES	Universal Insurance Company, MAPFRE PRAICO Insurance Company, Cooperativa de Seguros Multiples de Puerto Rico v. Commonwealth of Puerto Rico, Department of Justice of the

Commonwealth of Puerto Rico, Guillermo Somoza-Colombani, in his official capacity as Attorney General

TOPICS

motions to dismiss | procedural due process | takings clause | civil procedure

PRACTICE AREAS

constitutional law | civil procedure | insurance | asset forfeiture | commercial law | remedies

QUESTIONS PRESENTED

1. Whether the insurers had Article III standing to challenge Law 119.
2. Whether the insurers stated a procedural due process claim based on an alleged deprivation of lien-related property interests without constitutionally adequate process.
3. Whether Law 119 effected an unconstitutional taking under the Fifth Amendment.
4. Whether Law 119 violated the Ex Post Facto Clause.
5. Whether Law 119 substantially impaired the insurers' contractual relationships and, if so, whether the impairment was reasonable and necessary to serve a legitimate public purpose.
6. Whether reconsideration was warranted under Federal Rules of Civil Procedure 59(e) or 60(b).

HOLDINGS

1. The insurers sufficiently pleaded standing because they alleged an economic injury to their subrogation and lien-related interests, a causal connection to Law 119, and redressability through declaratory and injunctive relief.
2. The insurers sufficiently pleaded a constitutionally protected property interest in their lien-related rights.
3. The insurers sufficiently pleaded that Law 119 deprived them of constitutionally adequate process by preventing them from defending their own lien-related interests in forfeiture proceedings.
4. The initial dismissal of the Takings Clause claim was maintained, but the claim was dismissed without prejudice because it was unripe rather than definitively meritless.
5. The insurers failed to state an Ex Post Facto Clause claim because Law 119 was civil and nonpunitive, and they did not provide facts or clear proof showing that it operated as a criminal punishment.
6. The insurers sufficiently pleaded a Contract Clause claim because Law 119 plausibly substantially impaired their insurance-related contractual rights and, at the pleading stage, the alleged impairment was not shown to be reasonable and necessary to serve a legitimate public purpose.
7. Defendants' Rule 59(e) motion for reconsideration was denied, and plaintiffs' Rule 60(b) motion was denied in part.

KEY QUOTATIONS

> *“An essential principle of due process is that a deprivation of life, liberty, or property be preceded by notice and opportunity for hearing appropriate to the nature of the case.”* (63)

> *“only the clearest proof will suffice to override legislative intent and transform what has been denominated a civil remedy into a criminal penalty.”* (65)

> *“The doctrine of ripeness comes from the Constitution’s Article III requirement that federal courts may hear only cases and controversies, and from prudential reasons for refusing to exercise jurisdiction.”* (80)

FACTUAL BACKGROUND

Puerto Rico enacted Public Law No. 119, the Uniform Seizure and Forfeiture Act of 2011, which replaced prior forfeiture legislation and limited who could challenge an automobile seizure. The statute permitted insurance companies to challenge seizures only on behalf of the vehicle owner and required a guaranty equal to the appraised value of the seized property. The plaintiff insurers alleged that they insured financial institutions' interests, paid claims when insured vehicles were forfeited, and possessed subrogation and lien-related rights that Law 119 impaired.

PROCEDURAL HISTORY

Plaintiffs filed a complaint and then a verified amended complaint seeking a declaration that Law 119 was unconstitutional and an injunction against its enforcement. The court denied dismissal for lack of standing and denied dismissal of the procedural due process and Contract Clause claims, but dismissed the Takings Clause and Ex Post Facto Clause claims. On reconsideration, the court denied defendants' motion and denied plaintiffs' motion in part, maintaining the standing and due process rulings, retaining dismissal of the Takings Clause claim without prejudice, and leaving the Contract Clause claim active.

DISPOSITION

other

CASES CITED

- R.G. Fin. Corp. v. Vergara-Nunez, 446 F.3d 178, 182 (1st Cir. 2006)
- Ocasio-Hernandez v. Fortuno-Burset, 640 F.3d 1, 11-13 (1st Cir. 2011)
- Ashcroft v. Iqbal, 556 U.S. 662 (2009)
- Bell Atlantic Corp. v. Twombly, 550 U.S. 544, 556 (2007)
- Valley Forge Christian College v. Americans United for Separation of Church & State, 454 U.S. 464, 471-73 (1982)
- Lujan v. Defenders of Wildlife, 504 U.S. 555, 561 (1992)
- Bennis v. Michigan, 516 U.S. 442, 452, 456-57 (1996)
- Calero-Toledo v. Pearson Yacht Leasing Co., 416 U.S. 663, 677-80, 680-90 (1974)
- United States v. One Parcel of Real Property with Buildings, Appurtenances, and Improvements, Known as Plat 20, Lot 17, Great Harbor Neck, New Shoreham, R.I., 960 F.2d 200, 210 (1st Cir. 1992)

- Smith v. Doe, 538 U.S. 84, 92, 97 (2003)
- Kennedy v. Mendoza-Martinez, 372 U.S. 144, 168-69 (1963)
- United States v. Ursery, 518 U.S. 267, 268-69, 291-92 (1996)
- United States v. $250,000 in United States Currency, 808 F.2d 895, 900 (1st Cir. 1987)
- United States v. One 1974 Porsche 911-S Vehicle, 682 F.2d 283, 285 (1st Cir. 1982)
- General Motors Corp. v. Romein, 503 U.S. 181, 186 (1992)
- United States Trust Co. v. New Jersey, 431 U.S. 1, 22, 25 (1977)
- Williamson County Regional Planning Commission v. Hamilton Bank of Johnson City, 473 U.S. 172, 186, 194 (1985)
- Reno v. Catholic Social Services, Inc., 509 U.S. 43, 57 n.18 (1993)
- United States v. Zannino, 895 F.2d 1, 17 (1st Cir. 1990)
