

UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF
CALIFORNIA

Irma Ventura v. Mercedes-Benz USA, LLC

Ventura · No. 8:25-cv-00394-DOC-KES · Decided March 12, 2025

SUMMARY

The United States District Court for the Central District of California sua sponte remanded Irma Ventura’s California Song-Beverly Act action against Mercedes-Benz USA, LLC to state court. The court held that the removing defendant failed to establish by a preponderance of the evidence that the amount in controversy exceeded \$75,000 for diversity jurisdiction. The order also discussed the effects of inflation and the federalism concerns associated with the current jurisdictional threshold.

CASE DETAILS

COURT	United States District Court for the Central District of California
WRITING FOR THE COURT	David O. Carter
JURISDICTION	United States District Court for the Central District of California
DECIDED	March 12, 2025
DOCKET	8:25-cv-00394-DOC-KES
DISPOSITION	remanded
PROCEDURAL POSTURE	Defendant removed Plaintiff’s California Song-Beverly Act action from California state court based on diversity jurisdiction. The federal district court sua sponte determined that Defendant had not established the amount-in-controversy requirement and remanded the action to state court.
STANDARD OF REVIEW	The removing defendant bears the burden of establishing federal subject matter jurisdiction by a preponderance of the evidence. When the complaint does not clearly or unambiguously allege more than \$75,000, the defendant must show that it is more likely than not that the amount in controversy exceeds the jurisdictional minimum.
PRECEDENTIAL VALUE	Unknown; unpublished district-court minute order
PARTIES	Mercedes-Benz USA, LLC v. Irma Ventura

TOPICS

subject matter jurisdiction

civil procedure

federalism

consumer protection

PRACTICE AREAS

civil procedure

removal and remand

subject matter jurisdiction

diversity jurisdiction

consumer protection

QUESTIONS PRESENTED

1. Whether the defendant established by a preponderance of the evidence that the amount in controversy exceeded \$75,000 for purposes of diversity jurisdiction.
2. Whether the district court was required to remand the action sua sponte because it lacked subject matter jurisdiction.

HOLDINGS

1. Because Plaintiff did not clearly or unambiguously allege more than \$75,000 in controversy, Defendant was required to prove by a preponderance of the evidence that the jurisdictional minimum was satisfied. Defendant failed to meet that burden because its calculation relied on speculative civil penalties and attorney's fees and on the total value of a vehicle that Plaintiff leased.
2. A federal district court must remand a removed action when, before final judgment, it appears that the court lacks subject matter jurisdiction. The court may raise the jurisdictional issue sua sponte.

KEY QUOTATIONS

“This statute “is strictly construed against removal jurisdiction,” and the party seeking removal “bears the burden of establishing federal jurisdiction.”” (2)

“The presence of any single plaintiff from the same state as any single defendant destroys “complete diversity” and strips the federal courts of original jurisdiction over the matter.” (2)

“In short, the defendant must show that it is “more likely than not” that the amount in controversy exceeds the statutory minimum.” (3)

“Because Defendant has not satisfied its burden to show that more than \$75,000 is at issue in this case, the Court lacks diversity jurisdiction.” (4)

FACTUAL BACKGROUND

Irma Ventura sued Mercedes-Benz USA, LLC under California's Song-Beverly Act in connection with her lease of a Mercedes-Benz vehicle. The complaint did not expressly allege that more than \$75,000 was in controversy. Mercedes-Benz asserted that the vehicle was worth \$72,090.96 and that civil penalties, attorney's fees, and costs increased the potential recovery above \$75,000, but the court found that the asserted penalties and fees were speculative and that the lease arrangement presumably made the amount in controversy less than the vehicle's total value.

PROCEDURAL HISTORY

Plaintiff filed suit in the Superior Court of California, County of Orange, on January 17, 2025. Defendant removed the action to the Central District of California on February 28, 2025, asserting diversity jurisdiction. On March 12, 2025, the district court sua sponte remanded the case because Defendant failed to show by a preponderance of the evidence that more than \$75,000 was in controversy.

DISPOSITION

remanded

REMAND INSTRUCTIONS

The case is remanded to the Superior Court of Orange County, California. The Clerk shall serve the minute order on the parties.

CASES CITED

- Ethridge v. Harbor House Rest., 861 F.2d 1389, 1393 (9th Cir. 1988)
- Exxon Mobil Corp. v. Allapattah Servs., Inc., 545 U.S. 546, 553 (2005)
- Guglielmino v. McKee Foods Corp., 506 F.3d 696, 699 (9th Cir. 2007)
- St. Paul Mercury Indem. Co. v. Red Cab Co., 303 U.S. 283, 288-89 (1938)
- Crum v. Circus Enters., 231 F.3d 1129, 1131 (9th Cir. 2000)
- Gaus v. Miles, Inc., 980 F.2d 564, 567 (9th Cir. 1992)
- Sanchez v. Monumental Life Ins. Co., 102 F.3d 398, 403-04 (9th Cir. 1996)
- Richmond v. Allstate Ins. Co., 897 F. Supp. 447, 450 (S.D. Cal. 1995)
- Geographic Expeditions, Inc. v. Estate of Lhotka ex rel. Lhotka, 599 F.3d 1102, 1106-07 (9th Cir. 2010)
- Coleman v. Estes Express Lines, Inc., 730 F. Supp. 2d 1141, 1148-49 (C.D. Cal. 2010)
- Matheson v. Progressive Specialty Ins. Co., 319 F.3d 1089, 1090-91 (9th Cir. 2003)
- Singer v. State Farm Mut. Auto. Ins. Co., 116 F.3d 373, 377 (9th Cir. 1997)
- Gonzalez v. Crosby, 545 U.S. 524, 534 (2005)
- Steel Co. v. Citizens for a Better Env't, 523 U.S. 83, 94, 101-02 (1998)
- Snell v. Cleveland, Inc., 316 F.3d 822, 826 (9th Cir. 2002)
- Galt G/S v. JSS Scandinavia, 142 F.3d 1150, 1156 (9th Cir. 1998)

OPINION

UNITED STATES DISTRICT COURT CENTRAL DISTRICT OF CALIFORNIA CIVIL MINUTES – GENERAL Case No. 8:25-cv-00394-DOC-KES Date: March 12, 2025 Title: Irma Ventura v. Mercedes-Benz USA, LLC et al. PRESENT: THE HONORABLE DAVID O. CARTER, JUDGE Priscilla Deason Not Present for Karlen Dubon Courtroom Clerk Court Reporter ATTORNEYS PRESENT FOR ATTORNEYS PRESENT FOR PLAINTIFF: DEFENDANT: None Present None Present PROCEEDINGS (IN CHAMBERS): ORDER

REMANDING CASE TO STATE COURT SUA SPONTE On the Court's own motion, the Court hereby REMANDS this case to the Superior Court of California, County of Orange.

I. Background Plaintiff sued Defendant Mercedes-Benz USA, LLC ("Defendant") for alleged violations of California's Song-Beverly Act connected to her lease of a Mercedes-Benz vehicle. See generally Complaint ("Compl.") (Dkt. 1-2). Plaintiff originally filed suit in the Superior Court of California, County of Orange, on January 17, 2025. *Id.* On February 28, 2025, Defendant removed the action to this Court asserting diversity jurisdiction.

See Notice of Removal ("Notice" or "Not.") (Dkt. 1), at 6. II. Legal Standard "If at any time before final judgment it appears that the district court lacks subject matter jurisdiction, the case shall be remanded." 28 U.S.C. § 1447(c). Removal of a case from state court to federal court is governed by 28 U.S.C. § 1441, which provides in CIVIL MINUTES – GENERAL Case No. 8:25-cv-00394-DOC-KES Date: March 12, 2025 Page 2 relevant part that "any civil action brought in a State court of which the district courts of the United States have original jurisdiction, may be removed... to the district court of the United States for the district and division embracing the place where such action is pending." 28 U.S.C. § 1441.

This statute "is strictly construed against removal jurisdiction," and the party seeking removal "bears the burden of establishing federal jurisdiction." *Ethridge v. Harbor House Rest.*, 861 F.2d 1389, 1393 (9th Cir. 1988) (emphasis added) (citations omitted). Federal diversity jurisdiction requires that the parties be citizens of different states and that the amount in controversy exceed \$75,000.

28 U.S.C. § 1332(a). For diversity jurisdiction purposes, a corporation is "deemed to be a citizen of every State and foreign state by which it has been incorporated and of the State or foreign state where it has its principal place of business." 28 U.S.C. § 1332(c)(1).

The presence of any single plaintiff from the same state as any single defendant destroys "complete diversity" and strips the federal courts of original jurisdiction over the matter. *Exxon Mobil Corp. v. Allapattah Servs., Inc.*, 545 U.S. 546, 553 (2005). Generally, a removing defendant must prove by a preponderance of the evidence that the amount in controversy satisfies the jurisdictional threshold.

Guglielmino v. McKee Foods Corp., 506 F.3d 696, 699 (9th Cir. 2008). If the complaint affirmatively alleges an amount in controversy greater than \$75,000, the jurisdictional requirement is "presumptively satisfied." *Id.* In that situation, a plaintiff who then tries to defeat removal must prove to a "legal certainty" that a recovery of more than \$75,000 is impossible.

St. Paul Mercury Indem. Co. v. Red Cab Co., 303 U.S. 283, 288-89 (1938); *Crum v. Circus Enters.*, 231 F.3d 1129, 1131 (9th Cir. 2000). This framework applies equally to situations where the complaint leaves the amount in controversy unclear or ambiguous. See *Gaus v. Miles, Inc.*, 980

F.2d 564, 567 (9th Cir. 1992); *Sanchez v. Monumental Life Ins. Co.*, 102 F.3d 398, 403-04 (9th Cir.

1996). A removing defendant “may not meet [its] burden by simply reciting some ‘magical incantation’ to the effect that ‘the matter in controversy exceeds the sum of [\$75,000],’ but instead, must set forth in the removal petition the underlying facts supporting its assertion that the amount in controversy exceeds [\$75,000].” *Richmond v. Allstate Ins. Co.*, 897 F. Supp. 447, 450 (S.D.

Cal. 1995) (quoting *Gaus*, 980 F.2d at 567). If the plaintiff has not clearly or unambiguously alleged \$75,000 in its complaint or has affirmatively alleged an amount less than \$75,000 in its complaint, the burden lies with the defendant to show by a preponderance of the evidence that the jurisdictional CIVIL MINUTES – GENERAL Case No. 8:25-cv-00394-DOC-KES Date: March 12, 2025 Page 3 minimum is satisfied.

Geographic Expeditions, Inc. v. Estate of Lhotka ex rel. Lhotka, 599 F.3d 1102, 1106-07 (9th Cir. 2010); *Guglielmino*, 506 F.3d at 699. While the defendant must “set forth the underlying facts supporting its assertion that the amount in controversy exceeds the statutory minimum,” the standard is not so taxing so as to require the defendant to “research, state, and prove the plaintiff’s claims for damages.” *Coleman v. Estes Express Lines, Inc.*, 730 F. Supp. 2d 1141, 1148 (C.D.

Cal. 2010) (emphases added). In short, the defendant must show that it is “more likely than not” that the amount in controversy exceeds the statutory minimum. *Id.* Summary judgment-type evidence may be used to substantiate this showing. *Matheson v. Progressive Specialty Ins. Co.*, 319 F.3d 1089, 1090–91 (9th Cir. 2003); *Singer v. State Farm Mut. Auto. Ins. Co.*, 116 F.3d 373, 377 (9th Cir.

1997). For example, defendants may make mathematical calculations using reasonable averages of hourly, monthly, and annual incomes of comparable employees when assessing the amount in controversy in a wrongful termination suit. *Coleman*, 730 F. Supp. 2d. at 1148–49. If the court lacks subject matter jurisdiction, any action it takes is ultra vires and void. See *Gonzalez v. Crosby*, 545 U.S. 524, 534 (2005); *Steel Co. v. Citizens for a Better Env’t*, 523 U.S. 83, 94, 101–02 (1998).

The lack of subject matter jurisdiction may be raised at any time by either the parties or the court. Fed. R. Civ. P. 12(h)(3). If subject matter jurisdiction is found to be lacking, the court must dismiss the action, *id.*, or remand pursuant to 28 U.S.C. § 1447(c). A court may raise the question of subject matter jurisdiction sua sponte. See *Snell v. Cleveland, Inc.*, 316 F.3d 822, 826 (9th Cir.

2002). III. Discussion Here, Plaintiff does not expressly allege an amount in controversy over \$75,000. See generally Compl. Accordingly, Defendant must show by a preponderance of the evidence that the jurisdictional minimum is satisfied. See *Geographic Expeditions, Inc.*, 599 F.3d

at 1106-07; Guglielmino, 506 F.3d at 699. Defendant has not met its burden to show that the amount in controversy requirement is satisfied.

Defendant argues that the vehicle value is \$72,090.96 and civil penalties of two times actual damages and attorney's fees and costs in Plaintiff's Prayer for Relief lead to damages in excess of \$216,272.88. Not. at 5.

However, the Court will not include speculative civil penalties or attorneys' fees when calculating the amount in controversy. See *Galt G/S v. JSS Scandinavia*, 142 F.3d 1150, 1156 (9th Cir. 1998) ("We hold that where an underlying statute authorizes an award of attorneys' fees, either with mandatory or discretionary language, such fees may be included in the amount in CIVIL MINUTES – GENERAL Case No. 8:25-cv-00394-DOC-KES Date: March 12, 2025 Page 4 controversy.").

Further, Plaintiff was in a lease agreement for the vehicle, presumably making the amount in controversy less than the total value of the vehicle asserted by Defendant. Because Defendant has not satisfied its burden to show that more than \$75,000 is at issue in this case, the Court lacks diversity jurisdiction.

The Court's decision not to include speculative awards in the amount in controversy is reinforced by the fact that Congress has not raised the amount in controversy since 1996—nearly three decades ago.¹ See The Federal Courts Improvement Act of 1996, 110 Stat. 3850. Since then, the inflation rate is over 100% (i.e., prices have more than doubled).

Thus, adjusted for inflation, the amount in controversy should be over \$150,000 today. Stated conversely, a case worth \$75,000 in 1996 is worth less than \$37,500 in today's dollars. Because inflation has plainly decreased the "real" value of the amount in controversy, more and more cases are able to meet the jurisdictional threshold and can be brought in federal court.

As federal diversity jurisdiction expands, state court jurisdiction to decide purely state law issues and develop state law correspondingly decreases. Thus, the federal jurisdictional creep is incompatible with the most basic principles of federalism. Federalism is not the only loser in Congress's failure to increase the amount in controversy. When a case is improperly removed, as happened here, ultimate resolution is delayed.

Moreover, if a court does not immediately remand a case sua sponte, a plaintiff may move to remand. Because cases subject to motion to remand are typically small dollar cases, this increased motion work can quickly cause attorneys' fees to outrun any potential recovery and places an immense burden on a plaintiff's lawyer working on contingency.

In this respect, the current low jurisdictional threshold reduces access to justice. Therefore, the Court respectfully encourages Congress to reconsider the amount in controversy minimum. IV.

Disposition For the reasons set forth above, the Court hereby REMANDS this case to the Superior Court of Orange County.

The Clerk shall serve this minute order on the parties. 1 For reference, in 1996, the minimum wage was \$4.75 per hour, and only 16% of Americans had cell phones. Indeed, the current amount-in-controversy is older than both of my law clerks. CIVIL MINUTES – GENERAL Case No. 8:25-cv-00394-DOC-KES Date: March 12, 2025 Page 5 MINUTES FORM 11 Initials of Deputy Clerk: pd CIVIL-GEN