UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF KENTUCKY, CENTRAL DIVISION

Kentucky Gambling Recovery LLC v. Kalshi Inc., et al.

Case No. 3:25-cv-00054-GFVT (E.D. Ky. Mar. 3, 2026) · No. 3:25-cv-00054-GFVT · Decided March 4, 2026

SUMMARY

The United States District Court for the Eastern District of Kentucky grants Kentucky Gambling Recovery LLC's motion to remand its action against Kalshi, Robinhood, Susquehanna, Webull, and related defendants to the Franklin Circuit Court. The court concludes that the complaint presents a Kentucky-law claim under the Loss Recovery Act and that anticipated defenses involving the Commodity Exchange Act do not establish federal-question jurisdiction. The court also rejects federal jurisdiction under the substantial-federal-question doctrine and the Class Action Fairness Act, and considers the defendants' diversity-jurisdiction arguments implausible.

CASE DETAILS

COURT	United States District Court for the Eastern District of Kentucky, Central Division
WRITING FOR THE COURT	Gregory F. Van Tatenhove
JURISDICTION	United States District Court for the Eastern District of Kentucky, Central Division
DECIDED	March 4, 2026
DOCKET	3:25-cv-00054-GFVT
DISPOSITION	remanded
PROCEDURAL POSTURE	Plaintiff moved to remand a removed state-law action to the Franklin Circuit Court. The federal district court granted the motion, rejected federal-question, Class Action Fairness Act, and traditional diversity jurisdiction theories, denied attorney fees, and remanded the action.
STANDARD OF REVIEW	The court independently assessed subject-matter jurisdiction and construed doubts regarding federal jurisdiction in favor of remand. For fraudulent joinder, disputed facts and ambiguities in state law were resolved in favor of the party seeking remand, and the removing defendants bore a heavy burden to show that the claims against nondiverse defendants were frivolous.

PRECEDENTIAL VALUE	Unpublished district-court opinion; persuasive rather than binding outside the case.

TOPICS

subject matter jurisdiction · civil procedure · gambling · class actions · statutory interpretation

PRACTICE AREAS

Civil procedure · Federal jurisdiction · Gambling law · Federal preemption · Removal and remand

QUESTIONS PRESENTED

1. Whether the plaintiff's Kentucky Loss Recovery Act claim necessarily raised a federal question sufficient for removal under the well-pleaded complaint rule or the substantial-federal-question doctrine.
2. Whether the action qualified for federal jurisdiction under the Class Action Fairness Act.
3. Whether the nondiverse Susquehanna and Webull defendants were fraudulently joined so that complete diversity existed.
4. Whether the plaintiff was entitled to attorney fees and costs under 28 U.S.C. section 1447(c).

HOLDINGS

1. The plaintiff's complaint asserted a Kentucky state-law claim and did not present a federal question on its face. Defendants' arguments concerning the Commodity Exchange Act and the Loss Recovery Act's safe-harbor provision were potential defenses and could not support removal.
2. Even assuming the complaint satisfied the well-pleaded-complaint requirement, the case did not fall within the narrow substantial-federal-question category identified in Grable. The claim did not necessarily raise a disputed federal issue, the asserted federal interest was not substantial, and federal jurisdiction would improperly disturb the balance between federal and state judicial responsibilities.
3. The action did not qualify for jurisdiction under the Class Action Fairness Act because it was brought solely by Kentucky Gambling Recovery LLC for its own benefit and did not involve a class of at least 100 members or a Rule 23 class.
4. Complete diversity was absent because the plaintiff and the Susquehanna defendants were both citizens of Florida, and the defendants failed to show that the Susquehanna defendants were fraudulently joined.
5. Attorney fees and costs were denied because the defendants had an objectively reasonable basis for removal.

KEY QUOTATIONS

> *"Because the Court is convinced that it does not have jurisdiction to hear this case, the Court GRANTS Plaintiff's motion to remand this case to the Franklin Circuit Court."* (at 1)

> *"The mere presence of a federal issue in a state law cause of action does not automatically confer federal removal jurisdiction."* (at 8)

> *“The logical reading of this holding suggests that the safe harbor provision arms defendants with a Rule 12(b)(6) defense, or its state-law equivalent.”* (at 9)

> *“This case “cannot be squeezed into the slim category [of cases that] Grable exemplifies.””* (at 14)

> *“It is not inconceivable that Brown’s expansive definition of a “winner” could include market makers who have a “joint[] interest[] in the winnings as wrongdoers.””* (at 18)

FACTUAL BACKGROUND

Kentucky Gambling Recovery LLC sued multiple entities involved in Kalshi's prediction-market event contracts, including Kalshi, Robinhood, Susquehanna, and Webull. The complaint alleged that the defendants' event contracts violated Kentucky gambling laws and sought treble damages under Kentucky Revised Statutes section 372.040, the Loss Recovery Act. KalshiEX operated a federally regulated derivatives exchange, while Robinhood accepted customer orders and Susquehanna allegedly acted as a market maker. The plaintiff denied representing Kentucky gamblers and asserted that it sued in its own name and for its own benefit.

PROCEDURAL HISTORY

Kentucky Gambling Recovery LLC filed a single-count action in Franklin County Circuit Court on June 11, 2025, alleging violations of Kentucky gambling laws and seeking relief under Kentucky's Loss Recovery Act. Defendants removed the action on October 20, 2025; the case was initially docketed under two related removal actions and consolidated on November 18, 2025. Plaintiff moved to remand on November 19, 2025, and the court granted that motion, remanding the case to the Franklin Circuit Court and striking it from the federal docket.

DISPOSITION

remanded

REMAND INSTRUCTIONS

The action is remanded to the Franklin Circuit Court. The federal action is stricken from the Eastern District of Kentucky's docket. Attorney fees and costs under 28 U.S.C. § 1447(c) are denied.

CASES CITED

- Martin v. Franklin Capital Corp., 546 U.S. 132, 134, 138-41 (2005)
- Commonwealth ex rel. Brown v. Stars Interactive Holdings (IOM) Ltd., 617 S.W.3d 792, 796, 798-99, 806-07 (Ky. 2020)
- Kirby v. Keeneland Associates, Inc., 672 S.W.3d 212, 216-17 (Ky. App. 2023)
- Tabet v. Morris, 285 S.W.2d 143, 144 (Ky. 1955)
- Triplett v. Seelbach, 14 S.W. 948, 949 (Ky. 1890)
- Roddy v. Grand Trunk Western Railroad Co., 395 F.3d 318, 322 (6th Cir. 2005)
- Caterpillar Inc. v. Williams, 482 U.S. 386, 392 (1987)

- Beneficial National Bank v. Anderson, 539 U.S. 1, 6, 8 (2003)
- Loftis v. United Parcel Service, Inc., 342 F.3d 509, 515 (6th Cir. 2003)
- Metropolitan Life Insurance Co. v. Taylor, 481 U.S. 58, 63 (1987)
- Franchise Tax Board of California v. Construction Laborers Vacation Trust for Southern California, 463 U.S. 1, 9, 13-14 (1983)
- Zwickler v. Koota, 389 U.S. 241, 245 (1967)
- Grable & Sons Metal Products, Inc. v. Darue Engineering & Manufacturing, 545 U.S. 308, 310-11, 314 (2005)
- Empire Healthchoice Assurance, Inc. v. McVeigh, 547 U.S. 677, 700-01 (2006)
- City of Covington, Kentucky v. Duke Energy Kentucky, Inc., 2025 WL 1588744, at *3-4 (E.D. Ky. June 5, 2025)
- Dennis v. Hart, 724 F.3d 1249, 1254 (9th Cir. 2013)
- W & W Farms, Inc. v. Chartered Systems Corp. of New York, 542 F. Supp. 56, 60 (N.D. Ind. 1982)
- KalshiEX LLC v. Martin, 793 F. Supp. 3d 667 (D. Md. 2025)
- Commonwealth v. KalshiEX, LLC, No. 2584CV02525, 2026 Mass. Super. LEXIS 2, at *18-20 (Jan. 20, 2026)
- KalshiEX, LLC v. Hendrick, No. 2:25-CV-00575-APG-BNW, 2025 WL 3286282, at *6-9 (D. Nev. Nov. 24, 2025)
- KalshiEX LLC v. Orgel, No. 3:26-CV-00034, 2026 WL 474869, at *7 (M.D. Tenn. Feb. 19, 2026)
- Nessel ex rel. Michigan v. AmeriGas Partners, L.P., 954 F.3d 831, 834-35 (6th Cir. 2020)
- Mississippi ex rel. Hood v. AU Optronics Corp., 571 U.S. 161, 165 (2014)
- V&M Star, LP v. Centimark Corp., 596 F.3d 354, 355 (6th Cir. 2010)
- Kent State University Board of Trustees v. Lexington Insurance Co., 512 F. App'x 485, 489-90 (6th Cir. 2013)
- Saginaw Housing Commission v. Bannum, Inc., 576 F.3d 620, 624 (6th Cir. 2009)
- Cunningham v. Cornell University, 604 U.S. 693, 701 (2025)
- Meacham v. Knolls Atomic Power Laboratory, 554 U.S. 84, 91 (2008)