

UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF
CALIFORNIA

James Reed et al. v. Reliant Life Shares LLC et al.

Reed · No. 2:23-cv-08577-SB-AGR · Decided April 18, 2025

SUMMARY

The United States District Court for the Central District of California ordered Gwendalyn Douglass, trustee and successor in interest to Raymond Douglass, to show cause why her remaining state-law claims against Andrew Murphy should not be severed from the Reed action, transferred back to the related Douglass action, and remanded to state court. The court noted that the federal and class claims had been eliminated and questioned whether supplemental jurisdiction remained appropriate. A written response was ordered by April 22, 2025, with a hearing set for April 25, 2025, unless the trustee agreed to the proposed approach.

CASE DETAILS

COURT	United States District Court for the Central District of California
WRITING FOR THE COURT	Stanley Blumenfeld, Jr.
JURISDICTION	United States District Court for the Central District of California
DECIDED	April 18, 2025
DOCKET	2:23-cv-08577-SB-AGR
DISPOSITION	other
PROCEDURAL POSTURE	The court issued an order to show cause concerning whether to sever the remaining trustee claims, reopen the related removed state-court action, and remand those claims to state court after the federal and class claims and the removing defendants had been dismissed.
STANDARD OF REVIEW	Discretionary evaluation of whether to exercise supplemental jurisdiction over remaining state-law claims, considering judicial economy, convenience, fairness, and comity.
PRECEDENTIAL VALUE	Likely nonprecedential district-court order; no precedential designation appears in the source.

TOPICS

- subject matter jurisdiction
- civil procedure
- federalism
- trust administration
- trusts

PRACTICE AREAS

civil procedure

federal jurisdiction

trust litigation

QUESTIONS PRESENTED

1. Whether the court should retain supplemental jurisdiction over the trustee's remaining state-law claims after the federal and class claims had been eliminated.
2. Whether the trustee's claims should be severed from the consolidated Reed action, the related Douglass action reopened, and the claims remanded to the state court in which they were originally filed.
3. Whether the proposed Third Amended Complaint adequately stated claims and provided sufficient notice to support allowing the trustee another opportunity to pursue default judgment against Murphy.

KEY QUOTATIONS

“In the usual case in which all federal-law claims are eliminated before trial, the balance of factors to be considered under the pendent jurisdiction doctrine—judicial economy, convenience, fairness, and comity—will point toward declining to exercise jurisdiction over the remaining state-law claims.”

FACTUAL BACKGROUND

The remaining claims are seven state-law claims asserted by Gwendalyn Douglass as trustee of the Raymond E. Douglass Revocable Trust and as successor in interest to Raymond Douglass against Andrew Murphy. The federal claims and class claims in the consolidated action had been eliminated, and the defendants who invoked federal jurisdiction had been dismissed. The trustee had originally filed the claims in state court, and the court determined that the proposed Third Amended Complaint improved the pleading sufficiently to warrant an opportunity to pursue the claims.

PROCEDURAL HISTORY

Gwendalyn Douglass, as trustee and successor in interest, originally asserted claims against Andrew Murphy and others in Los Angeles County Superior Court. The action was removed to the Central District of California, later consolidated with Reed, a separately removed action under the Class Action Fairness Act. After the court denied default judgment because the served complaint failed to state a claim or adequately notify Murphy of the alleged wrongdoing, the trustee submitted a proposed Third Amended Complaint limited to claims against Murphy. The court concluded that remand appeared appropriate but ordered the trustee to show cause why the proposed severance, reopening, and remand should not occur.

DISPOSITION

other

REMAND INSTRUCTIONS

No final remand was ordered in this document. The trustee was ordered to show cause in writing by April 22, 2025, why the court should not sever her claims from Reed, reopen the Douglass action, permit filing of the

Third Amended Complaint in that action, and remand Douglass to state court. A hearing was set for April 25, 2025, subject to automatic vacation if the trustee agreed with the proposed approach.

CASES CITED

- *Carnegie-Mellon Univ. v. Cohill*, 484 U.S. 343, 350 n.7 (1988)

OPINION

UNITED STATES DISTRICT COURT CENTRAL DISTRICT OF CALIFORNIA JAMES REED et al., Case No. 2:23-cv-08577-SB-AGR Plaintiffs, v. ORDER TO SHOW CAUSE RE REMAND RELIANT LIFE SHARES LLC et al., Defendants. The Court denied default judgment as to the sole remaining claims in this case—those alleged by Gwendalyn Douglass as trustee of the Raymond E. Douglass Revocable Trust and as successor in interest to Raymond Douglass (the trustee) against Andrew Murphy—because the complaint with which Murphy had been served did not state a claim against Murphy or provide adequate notice of the nature of his alleged wrongdoing.

Dkt. No. 204. The Court permitted the trustee one more chance to file a proposed Third Amended Complaint (TAC) limited to her claims against Murphy. *Id.* at 6 (“If it appears that the TAC complies with Rules 8 and 9 and would support entry of a default judgment if Murphy is served with the TAC and again fails to appear, the Court expects to allow amendment and permit the trustee to serve Murphy (which counsel should be prepared to do promptly).”).

The trustee timely filed a proposed TAC that alleges seven state-law claims against Murphy and improves upon the prior pleadings in providing notice of the wrongdoing alleged. Dkt. No. 206. It therefore appears that the trustee should be allowed the opportunity to pursue the claims in the TAC. Nevertheless, this Court no longer appears to be the proper forum for her to do so.

The trustee originally filed her claims against Murphy (and numerous other defendants) in the Los Angeles County Superior Court in the related case of *Gwendalyn Douglass v. Reliant Life Shares LLC*, which was removed based on federal-question jurisdiction under Case No. 2:23-CV-00460-SB (C.D. Cal.). Douglass was later consolidated into this action (Reed), which had been separately removed under the Class Action Fairness Act (CAFA).

There are no longer any federal claims or any class claims remaining in this case. The removing defendants—the only parties who invoked federal jurisdiction—have been dismissed. It is not obvious that the trustee, who filed suit in state court, wishes to or would benefit from remaining in federal court, and the sole jurisdictional basis identified in the proposed TAC is that the case was removed based on CAFA.

Nor does it appear that the exercise of supplemental jurisdiction over the state-law claims the trustee wishes to pursue remains appropriate. See *Carnegie-Mellon Univ. v. Cohill*, 484 U.S. 343,

350 n.7 (1988) (“[I]n the usual case in which all federal-law claims are eliminated before trial, the balance of factors to be considered under the pendent jurisdiction doctrine—judicial economy, convenience, fairness, and comity—will point toward declining to exercise jurisdiction over the remaining state-law claims.”).

Accordingly, it appears that the best way to proceed is to: (1) sever the trustee’s claims from the dismissed claims in Reed (which would allow entry of final judgment in Reed), (2) reopen the Douglass action and allow the trustee to file her TAC in that case, and (3) remand Douglass so that the trustee can pursue her remaining claims against Murphy in the forum in which she originally filed them.

The trustee is ordered to show cause in writing no later than April 22, 2025, why the Court should not proceed in that manner (and if not, why it should retain supplemental jurisdiction). The Court sets a hearing on the order to show cause at 8:30 a.m. on April 25, 2025, which will be automatically vacated if the trustee agrees with the Court’s proposed approach.

Date: April 18, 2025 Stanley Blumenfeld, Jr. United States District Judge