2004-1 Trade Cases P 74,456

2004 WL 515769
United States District Court,
E.D. Louisiana.

Dwayne P. SMITH, Trustee
v.
LUCENT TECHNOLOGIES, INC.

No. Civ.A. 02-0481.March 16, 2004.

Attorneys and Law Firms

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Opinion

ORDER AND REASONS

AFRICK, J.

***1** This matter is before the Court pursuant to motions, filed on behalf of defendant, Lucent Technologies, Inc. ("Lucent"), seeking dismissal, pursuant to Fed.R.Civ.P. 12(b)(1) and 12(b)(3), of plaintiff's claims for lack of subject matter jurisdiction and improper venue. Additionally, Lucent moves the Court to dismiss plaintiff's Lanham Act claim pursuant to Fed.R.Civ.P. 12(b)(6), to refer this action to the Bankruptcy Court pursuant to L.R. 83.4.1 and to strike plaintiff's jury demand.[1] Plaintiff, Dwayne P. Smith, in his capacity as Trustee for the bankruptcy estate of Actel Integrated Communications, Inc. ("Actel") opposes the motions. For the following reasons, defendant's motion to dismiss plaintiff's Lanham Act claim is GRANTED. Defendant's remaining motions are DENIED.

1 *See* Rec. Doc. No. 10. On April 3, 2002, Lucent filed a motion pursuant to Fed.R.Civ.P. 12(b)(6) seeking dismissal of plaintiff's Lanham Act claim for failure to state a claim upon which relief can be granted, and seeking dismissal pursuant to Fed.R.Civ.P. 12(b)(1) and (3) of all of plaintiff's claims for lack of subject matter jurisdiction based on incomplete diversity and improper venue. *See* Rec. Doc. No. 4.

On May 10, 2002, the Trustee filed an amended complaint omitting an allegation of diversity jurisdiction and, instead, asserting jurisdiction pursuant to 28 U.S.C. § 1334 because this proceeding is related to a bankruptcy proceeding pending in the Eastern District of Louisiana. Rec. Doc. No. 8, ¶ 1. In the alternative, plaintiff alleged that federal jurisdiction existed pursuant to 28 U.S.C. §§ 1331 and 1367 on the basis of federal question and supplemental jurisdiction. *See id.*

In response to the amended complaint, Lucent filed a second motion to dismiss which is presently before the Court. The instant motion to dismiss reasserts the arguments raised in its first motion to dismiss. However, in the present motion, Lucent contends that this court lacks subject matter jurisdiction due to a lack of a federal question because the Trustee's Lanham Act claim fails to state a claim upon which relief can be granted. *See* Rec. Doc. No. 10, at 9. Combined with the motion to dismiss are motions to refer this action to the bankruptcy court and to strike the jury demand. *See id.*

After a status conference with counsel for the parties, this Court dismissed without prejudice Lucent's first motion to dismiss and incorporated defendant's memorandum with respect to that motion into the present, broader motion to dismiss because the relief sought in the two motions is duplicative. *See* Rec. Doc. No. 50, minute entry dated January 29, 2003, at 1. The Court stated that the motion to dismiss plaintiff's Lanham Act claim would be treated as a motion brought pursuant to Fed.R.Civ.P. 12(b). *Id.* Additionally, the Court noted that to the extent that Lucent's second motion seeks dismissal for lack of subject matter jurisdiction and improper venue, seeks to enforce the court's general order of reference to the Bankruptcy Court, and seeks to strike the jury demand, the motion would be treated as a motion for summary judgment pursuant to Fed.R.Civ.P. 56 so that the

Court could consider the parties' extra-pleading evidentiary submissions. *See id.* at 2. Finally, the Court clarified that Lucent's motion for summary judgment on the applicability of dispute resolution provisions (Rec.Doc. No. 46) would be treated as a supplemental memorandum in support of the motion for summary judgment rather than a separate motion for relief. *Id.*

A motion for summary judgment is not the proper procedural vehicle to rely upon when determining whether venue is proper pursuant to a forum selection clause. *See Hanson Eng'rs Inc. v. UNECO, Inc.,* 64 F.Supp.2d 797, 799 (C.D.Ill.1999); *Kessmann & Assoc., Inc. v. Barton-Aschman Assoc., Inc.,* 10 F.Supp.2d 682, 688-89 (S.D.Tex.1999). Pursuant to Fed.R.Civ.P. 12(b), whenever matters outside the pleadings are considered by a district court on a motion to dismiss for failure to state a claim upon which relief can be granted pursuant to Rule 12(b)(6), such motion "shall be treated as one for summary judgment and disposed of as provided in Rule 56." There is no parallel requirement for motions brought under either Rule 12(b)(1)(lack of subject matter jurisdiction) or 12(b)(3)(improper venue). *See Hanson,* 64 F.Supp.2d at 799; *Kessman,* 10 F.Supp.2d at 688.

> The reason for the exclusion of the other defenses listed in the subdivision is fairly clear. There never has been any serious doubt as to the availability of extra-pleading material on these motions. Moreover, the other Rule 12(b) defenses only challenge the propriety of the court adjudicating the claim before it and do not reach the validity of the claim itself. Since a motion for summary judgment is designed to test the merits of the claim, the defenses enumerated in Rule 12(b)(1) through Rule 12(b)(5) and Rule 12(b)(7) generally are not proper for motions for summary judgment.

Kessman, 10 F.Supp.2d at 688-89 (quoting 5A Charles A. Wright & Arthur R. Miller, FEDERAL PRACTICE AND PROCEDURE § 1366, at 485 (2d Ed.1990)); *accord R.A. Argueta v. Banco Mexicano, S.A.,* 87 F.3d 320, 324 (9th Cir1996)("Analysis under Rule 12(b)(3) ... permits the district court to consider facts outside of the pleadings, and is consistent with the Supreme Court standard for resolving forum selection clause cases."). Accordingly, for purposes of this motion, this Court may consider evidence outside the pleadings which has been submitted by the parties in ruling on defendant's motion to dismiss for lack of subject matter jurisdiction and improper venue without treating the motion as one brought under Rule 56. Similarly, this Court may consider extra-pleading material with respect to Lucent's motion to strike the jury demand without proceeding pursuant to Rule 56. *See e.g., Westside-Marrero Jeep Eagle, Inc. v. Chrysler Corp. Inc.,* 56 F.Supp.2d 694, 705-09 (E.D.La.1999)(considering extra-pleading material in a motion to enforce a contractual jury waiver). Finally, because the motion to refer this action to the bankruptcy court does not go to the merits of the claims alleged, the summary judgment procedure is not appropriate with respect to that claim.

FACTS AND PROCEDURAL HISTORY

Actel, incorporated in 1998, was a privately owned, facilities based, Competitive Local Exchange Carrier ("CLEC") that furnished business customers in the Southeastern United States with leading edge telecommunications services.[2] Actel filed for chapter 11 bankruptcy protection (later converted to chapter 7) on April 11, 2001, in the United States Bankruptcy Court for the Eastern District of Louisiana.[3] Plaintiff, Dwayne P. Smith, (the "Trustee") was appointed to administer the Actel bankruptcy estate on or about June 15, 2001.[4]

2 Rec. Doc. No. 8, Pl. amended complaint ("Am.Comp.") ¶ 6.

3 Am. Comp. ¶ 39.

4 *Id.* at ¶ 4.

Lucent is a global leader in the telecommunications industry and is a leading supplier of communications networking equipment. Lucent provides internet infrastructure for service providers, wireless networks, communications, networking support and services, and communications integrated circuits. Lucent's business entails providing optical, data, and wireless networking technologies along with the software and services to support them.[5]

5 *Id.* at ¶ 7.

Between 1998 and 1999, Actel entered into a series of business transactions with Lucent for the purchase and lease of telecommunications equipment.[6] Actel's original business plan consisted of an initial network in three cities, using three 5ESS switches manufactured by Lucent. Actel contemplated the expansion of that network to include six additional cities.[7]

6 *Id.* at ¶ 8.

7 *Id.* at ¶ 9.

In May, 1999, Lucent and Actel began discussions concerning Lucent's PathStar Access Server ("PathStar"), a system comprised of hardware and software which, according to Actel, was designed to facilitate the transmission of voice communications over the internet.[8] The Trustee alleges that Lucent represented to Actel that the PathStar system would convert analog voice signals to and from internet-recognized transmission units, merge voice and data transmission units, then route and deliver these merged units over the internet.[9] Allegedly, PathStar was also to provide functionality including call waiting, speed dialing, conference calling and other telephonic features that are required in a "carrier grade" telecommunications switch.[10] The Trustee asserts that Lucent represented that implementation of PathStar would enable Actel to generate new revenues and higher profit margins by offering high quality local and long distance voice and data services over IP networks and, as a result, allow Actel to expand into a greater number of markets with less cost and in a shorter period of time than called for in Actel's original business plan.[11]

8 *Id.* at ¶ 10.

9 *Id.* at ¶ 11.

10 *Id.*

11 *Id.* at ¶ 13.

***2** On August 18, 1999, Actel signed a three year, thirty million dollar, agreement with Lucent pursuant to which Lucent, according to Actel, agreed to provide communications software and support services for the network based upon the PathStar system.[12] On September 17, 1999, Actel obligated itself to purchase PathStar pursuant to purchase orders executed with Ascend Financing.[13] According to the Trustee, Lucent offered Actel certain financing packages as an incentive to purchase PathStar.[14] Thereafter, Actel entered into a financing arrangement with Ascend Communications, Inc., a wholly owned subsidiary of Lucent, pursuant to a promissory note executed on September 22, 1999.[15] Pursuant to the September 22, 1999, transaction, Lucent provided a working capital loan and other financing terms to Actel to finance its purchase of the PathStar system.[16]

12 *Id.* at ¶ 17.

13 *Id.* at ¶ 20.

14 *Id.* at ¶ 19.

15 *See id.;* Rec. Doc. No. 4, Ex. A, Loan and Security Agreement dated March 8, 2000, § 8, at p. 13. (defining the "September Note" as "that certain Secured Promissory note dated as of September 22, 1999, in the original amount of one million dollars ($1,000,000), by and between [Actel] and Ascend Communications, Inc., a wholly owned subsidiary of [Lucent]").

16 Am. Comp. ¶ 19.

The Trustee alleges that based upon Lucent's representations concerning the capabilities and delivery date for PathStar, Actel entered into an "exclusive business relationship" with Lucent. In connection with that exclusive relationship, Actel leased PathStar and Actel's Board of Directors adopted a Lucent-prepared business plan which envisioned Actel's expansion into twenty-eight cities with a fully deployed network by June, 2000.[17]

17 Am. Comp. ¶¶ 21-25. With respect to the nature of the relationship between Lucent and Actel, the Trustee alleges that "Actel entered into a partnership with Lucent for the expansion of the Actel network and pursued an exclusive business relationship with Lucent to the exclusion of Lucent's primary competitor, Cisco Systems." *Id.* at ¶ 24.

In October or November, 1999, Lucent delivered seventeen PathStar switch cabinets to Actel which contained only the hardware for the PathStar system.[18] The Trustee alleges that Actel accepted delivery of only two of the cabinets because its facilities were not yet prepared to receive the remainder of the equipment.[19] In November, 1999, Actel signed purchase

orders for the PathStar software because, according to the Trustee, Lucent led Actel to believe that the software would be delivered in December, 1999.[20] The software was delivered in March, 2000.[21] The Trustee asserts that upon delivery, the PathStar software did not function correctly and, consequently, PathStar could not perform the basic functions of a carrier grade telecommunications switch and it did not work with Actel's existing 5ESS switch.[22]

18 *Id.* at ¶ 26.

19 *Id.*

20 *Id.* at ¶ 29.

21 *Id.* at ¶ 30.

22 *Id.*

On March 8, 2000, Lucent and Actel entered into a loan and security agreement (the "2000 Agreement"), pursuant to which Lucent advanced certain funds to Actel. The maturity date set forth in the 2000 Agreement was May 31, 2000.[23] The 2000 Agreement contains the following choice of law, jurisdiction, and forum selection clause:

23 2000 Agreement, § 6.1; *id.*, Schedule to Loan and Security Agreement, ¶ 8, at S-8.

> 9.12 Governing Law; Jurisdiction; Venue. This Agreement and all acts and transactions hereunder and all rights and obligations of Lender and Borrower hereunder shall be governed by the laws of the State of New York. As a material part of the consideration to Lender to enter into this Agreement, Borrower (i) agrees that all actions and proceedings relating directly or indirectly to this Agreement shall, at Lender's option, be litigated in courts located within New York, and that the exclusive venue therefor shall be New York County; (ii) consents to the jurisdiction and venue of any such court and consents to service of process in any such action or proceeding by personal delivery or any other method permitted by law; and (iii) waives any and all rights Borrower may have to object to the jurisdiction of any such court, or to transfer or change the venue of any such action or proceeding.

***3** The funds advanced by Lucent to Actel pursuant to the 2000 Agreement were repaid to Lucent sometime between April 5, 2000, and April 12, 2000.[24] Lucent does not dispute that the specific loan made to Actel pursuant to the 2000 Agreement was repaid.

24 Rec. Doc. No. 25, Ex. C., Affidavit of Daniel J. Shapiro, former Executive Vice President and General Counsel for Actel.

During the middle to latter part of calendar year 2000, Actel returned the PathStar equipment to Lucent in exchange for alternative Lucent telecommunications equipment.[25] In April, 2001, Lucent recalled the entire PathStar system.

25 *See* Rec. Doc. No. 46, Ex. N., Credit Memos for PathStar equipment.

In the instant matter, the Trustee alleges that Lucent's misrepresentations concerning the capabilities of PathStar and the failure to support the PathStar system with properly functioning software caused the failure of Actel's business plan, the loss of capital, profits, and revenues, and, in turn, Actel's failure and its subsequent bankruptcy.[26]

26 Am. Comp. ¶¶ 38, 39.

On April 11, 2001, Actel filed for Chapter 11 bankruptcy protection in the Eastern District of Louisiana. On February 21, 2002, the Trustee commenced this lawsuit seeking damages for breach of contract, breach of implied warranty, fraudulent or negligent misrepresentation, suppression, and a violation of the Lanham Act.[27]

27 *Id.* at ¶¶ 41-54.

LAW AND ANALYSIS

I. Motion to Dismiss for Lack of Subject Matter Jurisdiction

A motion to dismiss for lack of subject matter jurisdiction should be granted "only if it appears certain that the plaintiff cannot prove any set of facts in support of his claim that would entitle plaintiff to relief." *Ramming v. United States,* 281 F.3d 158, 161 (5th Cir.2001). To assess whether subject matter jurisdiction exists, this Court may look to the complaint and the undisputed facts in the record. *See id.* When analyzing the complaint, this Court will take the allegations in the complaint as true. *Sawar Partnership v. United States,* 67 F.3d 567, 569 (5th Cir.1995). Because the burden of proof on a motion to dismiss for lack of subject matter jurisdiction is on the party asserting jurisdiction, *Ramming,* 281 F.3d at 161 (citing *McDaniel v. United States,* 899 F.Supp. 305, 307 (E.D.Tex.1995)), the Trustee "constantly bears the burden of proof that jurisdiction does in fact exist." *See id.* (citing *Menchaca v. Chrysler Credit Corp.,* 613 F.2d 507, 511 (5th Cir.1980)).

The Trustee has alleged that subject matter jurisdiction exists over this action pursuant to 28 U.S.C. § 1331 and § 1367 based on the assertion of a Lanham Act claim in the complaint. Alternatively, the Trustee asserts that jurisdiction exists pursuant to 28 U.S.C. § 1334(b) because this case is "related to" Actel's bankruptcy proceeding.

Lucent asserts that notwithstanding the Trustee's Lanham Act claim alleged in the complaint, subject matter jurisdiction does not exist pursuant to 28 U.S.C. § 1331 because the Trustee's claim is frivolous or a mere matter of form. The bases of Lucent's argument that the Trustee's claim is without merit is (1) the Trustee lacks standing to bring a Lanham Act claim; and (2) the Trustee has failed to allege a cognizable claim for false advertising under the Lanham Act. Because the Trustee's Lanham Act claim is the sole basis for federal question jurisdiction, Lucent argues that if that claim is dismissed, subject matter jurisdiction does not exist.

***4** This Court need not reach the question of whether jurisdiction exists pursuant to 28 U.S.C. § 1331, however, because original jurisdiction over this action exists pursuant to 28 U.S.C. § 1334(b) .[28]

28 The Court notes that Lucent does not argue that jurisdiction does not exist pursuant to 28 U.S.C. § 1334(b). Nevertheless, this Court must independently examine whether it has subject matter jurisdiction.

28 U.S.C. § 1334(b) provides:

> Notwithstanding any Act of Congress that confers exclusive jurisdiction on a court or courts other than the district courts, the district courts shall have original but not exclusive jurisdiction of all civil proceedings arising under title 11, or arising in *or related to* cases under title 11.
>
> (emphasis supplied).

To ascertain whether jurisdiction exists pursuant to § 1334(b), " 'it is necessary only to determine whether a matter is at least 'related to' the bankruptcy." ' *Walker v. Cadle Co. (In re Walker),* 51 F.3d 562, 569 (5th Cir.1995) (quoting *Wood v. Wood (In re Wood),* 825 F.2d 90, 93 (5th Cir.1987)). Although the Bankruptcy Code does not define "related matters," the Fifth Circuit has adopted the Third Circuit's formulation and determined that "a matter is related for § 1334 purposes when 'the outcome of that proceeding could *conceivably* have any effect on the estate being administered in bankruptcy." ' *In re Wood,* 825 F.2d at 93 (emphasis in original)(quoting *Pacor Inc. v. Higgins,* 743 F.2d 984, 994 (3d Cir.1984)); *Canion v. Evans (In re Canion),* 196 F.3d 579, 587 (5th Cir.1999)("[W]hen testing 'related to' jurisdiction, an effect is not required to a certainty. Rather, jurisdiction will attach on a finding of any *conceivable* effect." (emphasis in original)). More specifically, " '[a]n action is related to bankruptcy if the outcome could alter the debtor's rights, liabilities, options, or freedom of action (either positively or negatively) and which in any way impacts upon the handling and administration of the bankrupt estate." ' *FDIC v. Majestic Energy Corp. (In re Majestic Energy Corp.),* 835 F.2d 87, 90 (5th Cir.1988) (quoting *Pacor Inc. v. Higgins,* 743 F.2d 984, 994 (3d Cir.1984) (alteration in original)).

Although "related to" jurisdiction has been defined "quite broadly," it is not limitless. *I.R.S. v. Prescription Home Health Care, Inc. (In re Prescription Home Health Care, Inc.),* 316 F.3d 542, 547 (5th Cir.2002)(citing *Celotex Corp. v. Edwards,* 514 U.S. 300, 308, 115 S.Ct. 1493, 1499, 131 L.Ed.2d 403 (1995)). Therefore, for jurisdiction to attach in this case, the

anticipated outcome of the Trustee's lawsuit against Lucent "must both (1) alter the rights, obligations, and choices of action of the debtor, and (2) have an effect on the administration of the estate." *See Bissonnet Investments LLC v. Quinlan (In re Bissonnet Investments LLC),* 320 F.3d 520, 525 (5th Cir.2003); *Bass v. Denney (In re Bass),* 171 F.3d 1016, 1022 (5th Cir.1999)(noting that the two prongs of the test for jurisdiction pursuant to § 1334(b) are "obviously conjunctive").

Both prongs of the "related to" test are easily met in this case. An outcome in this litigation favorable to the bankruptcy estate of Actel, on behalf of which the Trustee has brought this action, would increase the amount of property in the Actel estate. The quantum of property in the estate would, in turn, affect the rights and obligations of Actel and have an impact on the distribution of the estate. Although there is a possibility that the Trustee will not recover damages on the claims alleged in the complaint, recovery in favor of the Trustee is conceivable and such recovery would have an effect on both Actel's obligations in bankruptcy and on the administration of the estate. *See Gandy v. Peoples Bank and Trust Co.,* 224 B.R. 340, 346 (S.D.Miss.1998)(finding that jurisdiction pursuant to § 1334(b) exists and reasoning that, "[t]hough defendants argue that the plaintiff is not entitled to any recovery whatsoever, any recovery that the plaintiff obtains would clearly have an effect on the plaintiff's bankruptcy estate")(citing *Bank of Lafayette v. Baudoin,* 981 F.2d 736 (5th Cir.1993); *cf. Trager v. I.R.S. (In re North Star Contracting Corp.),* 146 B.R. 514, 519 (Bkrtcy.S.D.N.Y.1992)(noting that a proceeding between nondebtors is regarded as "related to" a bankruptcy case if "its outcome would affect the amount of property available for distribution to creditors").

***5** Accordingly, original jurisdiction exists pursuant to 28 U.S.C. § 1334(b) even if federal question jurisdiction pursuant to 28 U.S.C. § 1331 and diversity jurisdiction pursuant to 28 U.S.C. § 1332 fail to exist. *See Beightol v. UBS Painewebber (In re Global Crossing, Ltd. Securities Litig.),* 2003 WL 21507466, at * 1 (S.D.N.Y. June 30, 2003) (finding "related to" jurisdiction pursuant to § 1334(b) absent either federal question or diversity jurisdiction); *Hosp. Serv. Dist. No. 3 v. Fidelity & Deposit Co.,* 1999 WL 294795, at *4, 6 (E.D.La. May 11, 1999) (considering claims based upon state law and finding jurisdiction pursuant § 1334(b) absent diversity jurisdiction).

II. *Motion to Dismiss for Improper Venue Pursuant to the Forum Selection Clause*

A. *The Parties' Contentions*

Lucent contends that the forum selection clause in the March 8, 2000, loan and security agreement applies to the Trustee's claims because the Trustee's claims are all directly or indirectly related to the contractual arrangements between the parties described in the 2000 Agreement. It asserts that the 2000 Agreement was the culmination of the PathStar transactions and it argues that the forum selection clause is applicable in this case because the 2000 Agreement was executed to extend financing with respect to previous purchases and to finance additional purchases by Actel of Lucent communications network equipment, including the PathStar system, of which the Trustee complains in this lawsuit.

Lucent also argues that the forum selection clause is applicable because the 2000 Agreement contained an integration clause, whereby all prior and contemporaneous negotiations, representations, and agreements between Lucent and Actel with respect to the PathStar system were superseded by or merged into the 2000 Agreement. Relying on the integration clause, Lucent contends that the Trustee, by alleging a breach of any contract concerning PathStar, is necessarily alleging a breach of the 2000 Agreement. Additionally, to establish a link between the Trustee's claims and the 2000 Agreement, Lucent points to the September 22, 1999, promissory note, referenced in the 2000 Agreement, pursuant to which Lucent provided working capital loans and other loans to Actel for Actel's purchase of the PathStar system.[29] It reasons that the reference to that promissory note in the 2000 Agreement further demonstrates that the 2000 Agreement embodied the culmination of all of the prior PathStar transactions.

29 *See* Am. Comp. ¶ 19. Neither party has submitted the September 22, 1999, promissory note or financing agreement to this Court in connection with the pending motions.

The Trustee counters that the forum selection clause does not apply to his claims because the 2000 Agreement expired on the maturity date set forth in that contract due to the repayment of the loan made pursuant to that contract. Moreover, the Trustee contends that the forum selection clause does not apply to his breach of contract claim because there is simply no claim that the 2000 Agreement was breached. He reasons that the alleged claims could not constitute a breach of the 2000 Agreement because the allegations in the complaint, all of which concern misrepresentations made by Lucent leading to the purchase of

PathStar and the subsequent failure to timely deliver a functioning PathStar, do not constitute a breach of the 2000 Agreement.

***6** The Trustee also argues that the integration clause does not have the effect of superseding agreements with respect to the purchase of PathStar because that clause only operates to merge prior financing agreements and other agreements executed in connection with the 2000 Agreement. The Trustee contends that no other documents were executed in connection with the 2000 Agreement and, moreover, the claims alleged are not based upon any financing agreement. Therefore, he asserts that the integration clause does not make the forum selection clause applicable.

With respect to the scope of the forum selection clause, the Trustee contends that because the alleged claims are primarily tort claims for fraudulent misrepresentations as to the qualities of a product, those claims are not encompassed within the scope of the forum selection clause. He argues that resolution of the tort claims does not depend on the existence of the contractual relationship identified within the 2000 Agreement, does not relate to an interpretation of the 2000 Agreement, and that the alleged claims do not involve the same operative facts as a parallel breach of contract action. The Trustee contends that the 2000 Agreement is not the source of any duty owed by Lucent to Actel which is implicated by the claims for misrepresentation and fraud with respect to PathStar. Additionally, the Trustee argues that the scope of the forum selection clause does not include the alleged claims because much of Lucent's conduct, most notably the inducement to commit to the purchase and lease of PathStar, occurred prior to the execution of the 2000 Agreement.30

30 Alternatively, in post-hearing submissions to the Court, the Trustee argues for the first time that Lucent has waived its objection to venue by filing a motion for partial summary judgment in this Court and by removing a protective suit filed by the Trustee in New York state court to the federal district court in the Southern District of New York. *See* Rec. Doc. Nos. 63, plaintiff's supplemental memorandum pursuant to minute entry, at 23-24; 160, plaintiff's supplemental memorandum in opposition to Lucent's motion to dismiss. Because of the Court's disposition of this motion, the Court does not reach these alternative arguments.

B. Standard of Review of a Forum Selection Clause

Lucent has moved pursuant to Fed.R.Civ.P. 12(b)(3) to dismiss this action on the basis of a forum selection clause. The majority of courts conform to the standard that once a defendant has raised the issue of improper venue by motion, the burden is on the plaintiff to sustain the choice of venue. *Laserdynamics Inc. v. Acer America Corp.*, 209 F.R.D. 388, 390 (S.D.Tex.2002)(applying the standard in the context of a forum selection clause)(citing *McCaskey v. Continental Airlines Inc.*, 133 F.Supp.2d 514, 523 (S.D.Tex.2001) and *Bigham v. Enirocare of Utah, Inc.*, 123 F.Supp.2d 1046, 1048 (S.D.Tex.2000)); *see also* 5 Charles A. Wright, Arthur R. Miller & Edward H. Cooper, Federal Practice and Procedure § 3826 (1986) ("There are cases holding that the burden is on the objecting defendant to establish that venue is improper. But 'the better view,' and the clear weight of authority, is that, when objection has been raised, the burden is on the plaintiff to establish that the district he chose is a proper venue."). The resolution of a motion to dismiss based on a forum selection clause involves issues of fact that must be resolved by limited evidentiary submissions. *Smith v. Professional Claims, Inc.*, 19 F.Supp.2d 1276, 1278 (M.D.Ala.1998). However, "[i]n the absence of an evidentiary hearing on the matter, courts will allow a plaintiff to carry the burden by establishing facts, taken as true, that establish venue." *Laserdynamics*, 209 F.R.D. at 390. In applying the foregoing standard, the uncontroverted facts contained in the plaintiff's complaint will be taken as true and any factual conflicts demonstrated in the parties' documents and affidavits will be resolved in the plaintiff's favor. *See id.* (citing *McCaskey*, 133 F.Supp.2d at 523).

***7** The Fifth Circuit has squarely held that the enforceability of a forum selection clause is a question of federal law. *Haynsworth v. The Corp.*, 121 F.3d 956, 962 & nn. 10 & 11 (5th Cir.1997). Federal law applies "whether jurisdiction be based on diversity, a federal question, or some combination of the two." *Id.*31 Pursuant to federal law, forum selection clauses are "prima facie valid and should be enforced unless enforcement is shown by the resisting party to be 'unreasonable' under the circumstances." *M/S Bremen v. Zapata Off-Shore Co.*, 407 U.S. 1, 10, 92 S.Ct. 1907, 1913, 32 L.Ed.2d 513 (1972).

31 This Court's research revealed no case in which the Fifth Circuit held that federal law applies to the enforceability determination where jurisdiction exists by virtue of 28 U.S.C. § 1334. In view of *Haynsworth*, this Court, by analogy, is comfortable finding that federal law governs the enforceability determination in this case.

Unreasonableness potentially exists where (1) the incorporation of the forum selection clause into the agreement was the product of fraud or overreaching; (2) the party seeking to escape enforcement "will for all practical purposes be deprived of his day in court" because of the grave inconvenience or unfairness of the selected forum; (3) the fundamental unfairness

of the chosen law will deprive the plaintiff of a remedy; or (4) enforcement of the forum selection clause would contravene a strong public policy of the forum state.

Haynsworth, 121 F.3d at 956 (citing *Carnival Cruise Lines, Inc. v. Shute*, 499 U.S. 585, 595, 111 S.Ct. 1522, 1528, 113 L.Ed.2d 622 (1991)). The *Bremen* standard of enforceability applies to motions to dismiss based on a contractual forum selection clause even where personal jurisdiction exists and venue is otherwise proper. *Int'l Software Sys., Inc. v. Amplicon, Inc.*, 77 F.3d 112, 115 (5th Cir.1996).

In the present case, the Trustee does not contend that the forum selection clause in the 2000 Agreement is unreasonable or otherwise invalid. Instead, he asserts that the 2000 Agreement was extinguished by the repayment of the loan advanced from Lucent to Actel pursuant to that agreement and, alternatively, even if the 2000 Agreement was not extinguished, the claims alleged by the Trustee do not fall within the scope of the forum selection clause.

C. *The Scope of the Forum Selection Clause*

Before a court can consider enforcing a forum selection clause, "it first must decide whether the clause applies to the type of claims asserted in the lawsuit." *Terra Int'l, Inc. v. Mississippi Chem. Corp.*, 119 F.3d 688, 692 (8th Cir.1997)(determining the scope of a forum selection clause with respect to a motion to transfer brought pursuant to 28 U.S.C. 1404(a)); *see also Anselmo v. Univision Group, Inc.*, 1993 WL 17173, at *1 (S.D.N.Y. Jan.15, 1993)("In order to enforce a forum selection clause, the court must first determine whether the plaintiff's claims are ones contemplated under the terms of the clause."). In making that decision, this Court "must look to the language of the parties' contracts to determine which causes of action are governed by the forum selection clause." *Marinechance Shipping, Ltd. v. Sebastian*, 143 F.3d 216, 222 (5th Cir.1998); *Anselmo*, 1993 WL 17173, at *1 ("The applicability of a forum selection clause is governed by objective consideration of the language of the clause.")(internal quotation and citation omitted).[32] "[I]f the substance of [the plaintiffs claims], stripped of their labels, does not fall within the scope of the clause[ ], the clause [ ] cannot apply." *Roby v. Corp. of Lloyd's*, 996 F.2d 1353, 1361 (2d Cir.1993).

32 The Trustee asserts that the construction and interpretation of the forum selection clause is governed by New York state law pursuant to the choice of law provision in the 2000 Agreement. That provision provides in pertinent part:

> This Agreement and all acts and transactions hereunder and all rights and obligations of Lender and Borrower hereunder shall be governed by the laws of the State of New York.

2000 Agreement, § 9.12. Lucent does not contest the application of New York contract interpretation principles to the 2000 Agreement.

It is unclear whether the Trustee is relying on New York state law contract interpretation principles solely in support of the argument that repayment of the funds advanced pursuant to the 2000 Agreement terminated the agreement or whether he relies on those interpretive principles with respect to an analysis of the scope of the forum selection clause. It is unclear because notwithstanding the recitation of New York state law, the Trustee relies primarily on federal law in support of his argument that the claims alleged in the complaint do not fall within the scope of the forum selection clause. In doing so, the Trustee has waived reliance on New York state contract interpretation with respect to this Court's determination of the scope of the forum selection clause. *See Hanson*, 64 F.Supp.2d at 799 ("Even where a contract does contain an explicit choice of law provision, parties waive reliance on that provision if they rely on federal law in their argument to the Court .")(citing *Poplar Mfg. Corp. v. Michael Weineg, Inc.*, 994 F.Supp. 1012, 1014-15 (E.D.Wis.1998).

In any event, the Trustee does not rely on any interpretive principles unique to New York. Pursuant to both New York and federal law governing the interpretation of contracts, a contract that is unambiguous on its face is construed without considering extrinsic evidence. *See Reliant Energy Serv., Inc. v. Enron Canada Corp.*, 349 F.3d 816, 822 (5th Cir.2003)(applying federal common law)("When a contract is expressed in unambiguous language, its terms will be given their plain meaning and will be enforced as written.")(citing *Certain Underwriters at Lloyd's London v. C.A. Turner Constr. Co.*, 112 F.3d 184, 186 (5th Cir.1997)); *Carpenters Amended and Restated Health Benefit Fund v. Holleman Constr. Co.*, 751 F.2d 763, 765 (5th Cir.1985)(pursuant to federal common law applicable to labor contracts, extrinsic evidence is considered to clarify an ambiguity only if an ambiguity cannot be resolved by first construing the entire document); *Bruni v. County of Otsego*, 192 A.D.2d 939, 596 N.Y.S.2d 888, 890 (N.Y.App.Div.1993)(pursuant to New York law, extrinsic evidence is not admissible to create an ambiguity or vary the terms of an unambiguous contract).

***8** The 2000 Agreement provides that "all actions and proceedings relating directly or indirectly to this Agreement shall, at Lender's [Lucent's] option, be litigated in courts located within New York, and that the exclusive venue therefor shall be New York County." Given that language, the Court rejects the Trustee's argument that in order for the forum selection clause to apply, the Trustee's tort and contract claims must "arise" from the 2000 Agreement. That argument is unpersuasive because "the term 'relating to' has a much broader meaning than 'arising out of.' " *Vermont Pure Holdings Ltd. v. Descartes Sys. Group, Inc.*, 140 F.Supp.2d 331, 335 (D.Vt.2001) (construing the terms in the context of an arbitration clause) .[33]

"[C]ourts should generally assume that each of the terms ('arising out of' and 'relating to') have distinct and independent meanings, and should understand these terms in their plain, ordinary, and popular sense." *Id.* at 334.

33 Although the issue in *Vermont Pure* was the applicability of an arbitration clause rather than a forum selection clause, the construction of the terms "arising out of" and "related to" in that case are equally applicable in the context of the interpretation of a forum selection clause. Both the United States Supreme Court and the Fifth Circuit have noted the similarities between arbitration clauses and forum selection clauses and have applied the same enforceability analysis to both because an arbitration clause is, "in effect, a specialized kind of forum-selection clause that posits not only the situs of suit but also the procedure to be used in resolving the dispute." *Scherk v.. Alberto-Culver Co.*, 417 U.S. 506, 519, 94 S.Ct. 2449, 2457, 41 L.Ed.2d 270 (1974); *Haynsworth*, 121 F.3d at 963 (rejecting the distinction between arbitration clauses and forum selection clauses for purposes of analyzing the enforceability of a forum selection clause).

"The word 'arising' connotes and denotes an *origin* or genesis of a thing." *Laserdynamics*, 209 F.R.D. at 391; *see also Coregis Ins. Co. v. Am. Health Found., Inc.*, 241 F.2d 123, 128 (2d Cir.2001) (interpreting the phrase "arising out of" in the context of an insurance policy and noting that "[t]he phrase 'arising out of' is usually interpreted as 'indicat[ing] a causal connection" ')(quoting *Am. States Ins. Co. v. Guillermin*, 108 Ohio App.3d 547, 560, 671 N.E.2d 317, 325 (Ohio Ct.App.1996)(alteration in original)).

> The term "related to" is typically defined more broadly and is not necessarily tied to the concept of a causal connection. Webster's Dictionary defines "related" simply as "connected by reason of an established or discoverable relation." Webster's Third New International Dictionary 1916 (1986). The word "relation," in turn, as "used esp[ecially] in the phrase 'in relation to,' " is defined as a "connection" to or a "reference" to. *Id.* Courts have similarly described the term "relating to" as equivalent to the phrases "in connection with" and "associated with," *see Jackson v. Lajaunie*, 270 So.2d 859, 864 (La.1972), and synonymous with the phrases "with respect to," and "with reference to," *see Phoenix Leasing, Inc. v. Sure Broad., Inc.*, 843 F.Supp. 1379, 1388 (D.Nev.1994), *aff'd*, 89 F.3d 846 (9th Cir.1996), and have held such phrases to be broader in scope than the term "arising out of." *See Jackson*, 270 So.2d at 864 (" 'In connection with' is a broader term than 'arising out of the use of the premises for the purposes' of a service station.... This [injury] was linked to the station, associated with the station, related to the station, and, in the absence of a new and restrictive definition of an old and well understood word, connected with the station." (internal citations and footnote omitted)); *cf. Cameron Mut. Ins. Co. v. Skidmore*, 633 S.W.2d 752, 753 (Mo.Ct.App.1982) ("It appears to us that 'in connection with' [any premises] has a broader meaning than 'arising out of any premises." ').

***9** *Coregis*, 241 F.2d at 128-29(alterations in original). Accordingly, this Court's inquiry is broader than simply whether the Trustee's claims "arise out of" the 2000 Agreement.34

34 Although this Court's inquiry is broader than whether the Trustee's claims "arise out of" the 2000 Agreement, the inquiry is not without bounds because the language used by the parties in the 2000 Agreement is not the broadest possible language which could have been used. For example, the court in *Nova Ribbon Prods., Inc. v. Lincoln Ribbon, Inc.*, 1992 WL 211544 (E.D.Pa. Aug.24, 1992), considered a forum selection clause which covered "all and any matters connected in any way, directly or indirectly, with this Agreement *and/or over all matters relating to the legal relations between the parties, whether these matters precede this Agreement, arise out of it or post date it." Id.* at *2 (emphasis supplied). In that case, the district court noted that the clause "was written broadly to encompass all legal relations, not just the terms of the particular Agreement." *Id.* at *6.

The Trustee alleges both contract and tort claims in the complaint. The Fifth Circuit has expressly rejected a general distinction between tort and contract claims with respect to an analysis of whether particular claims fall within the scope of a forum selection clause. *Marinechance*, 143 F.3d at 221-22 ("We find no persuasive support for such a general distinction."). In *Marinechance*, the Fifth Circuit addressed the question of whether a forum selection clause in certain employment contracts with foreign vessel owners applied to seamen's tort causes of action. *Id.* The Fifth Circuit held that a forum selection clause in a revised employment contract that made the Philippines the exclusive jurisdiction for "any and all disputes for controversies arising out of or by virtue of this Contract" applied to tort causes of action that arose during the course of employment between the seamen and Marinechance. *Id.* at 223. The Fifth Circuit noted that the United States Supreme Court had impliedly rejected an "across-the-board" tort/contract distinction by enforcing a forum selection clause contained in a passenger ticket with respect to a negligence action by the passenger. *See id.* at 222 n. 27 (discussing *Carnival Cruise Lines*, 499 U.S. at 588, 111 S.Ct. at 1524-25). Additionally, the Fifth Circuit noted that the Third Circuit had rejected a contract/tort distinction and acknowledged that "the policies justifying application of forum selection clauses in contract cases are equally applicable to tort causes of action arising out of that contractual relationship." *Id.* (citing *Coastal Steel Corp. v. Tilghman Wheelabrator, Ltd.*, 709 F.2d 190, 203 (3d Cir.1983) *abrogated on other grounds by Lauro Lines S.R.L. v. Chasser*, 490 U.S. 495, 109 S.Ct. 1976, 104 L.Ed.2d 548 (1989)).

To say that there is no general distinction between tort and contract claims does not, however, answer the question of how to determine in each case whether tort claims fall within the scope of a forum selection clause. As the Eighth Circuit has noted, determining the scope of a forum selection clause in the context of a particular lawsuit is "rather a case-specific exercise," *Terra Int'l,* 119 F.3d at 694. Although the Fifth Circuit has not adopted any single formulation or test for analyzing whether tort claims are governed by contractual forum selection clauses, the *Marinechance* Court analyzed the connection between the asserted claims, the subject matter of the contract, and the contractual relationship defined by the contract in light of the language of the clause. *See Marinechance,* 143 F.3d at 221-223; *accord Terra Int'l,* 119 F.3d at 693 (" 'Whether tort claims are to be governed by the forum selection provisions depends upon the intention of the parties reflected in the wording of particular clauses and the facts of each case." ')(quoting *Berrett v. Life Ins. Co. of the Southwest,* 623 F.Supp. 946, 948-49 (D.Utah 1985)). In approaching this question, this Court's inquiry need not go further than "determining whether the allegations made fall under the wording of the clause." *Farmland Industries, Inc. v. Fazier-Parrott Commodities, Inc.,* 806 F.2d 848, 850 (8th Cir.1987), *abrogated on other grounds by Lauro Lines S.R.L. v. Chasser,* 490 U.S. 495, 109 S.Ct. 1976, 104 L.Ed.2d 548 (1989). "Examination of the merits of any of the claims or defenses need not be made." *Id* .

***10** A number of Circuits have formulated "variously phrased general rules" applicable to an analysis of whether tort claims fall within the scope of a contractual forum selection clause. *Terra Int'l,* 119 F.3d at 694. The Eighth Circuit has succinctly set forth some of these rules:

> The Third Circuit has indicated that where tort claims "ultimately depend on the existence of a contractual relationship" between the parties, such claims are covered by a contractually-based forum selection clause. *Coastal Steel Corp. v. Tilghman Wheelabrator Ltd.,* 709 F.2d 190, 203 (3d Cir.), *cert. denied,* 464 U.S. 938, 104 S.Ct. 349, 78 L.Ed.2d 315 (1983). In *ManettiFarrow, Inc. v. Gucci America, Inc.,* 858 F.2d 509, 514 (9th Cir.1988), the Ninth Circuit stated that "[w]hether a forum selection clause applies to tort claims depends on whether resolution of the claims relates to interpretation of the contract." The First Circuit has phrased its test slightly differently, explaining that "contract-related tort claims involving the same operative facts as a parallel claim for breach of contract should be heard in the forum selected by the contracting parties." *Lambert v. Kysar,* 983 F.2d 1110, 1121-22 (1st Cir.1993).

Id.

The Eleventh and Second Circuits apply similar rules. In *Stewart Org. v. Richoh Corp.,* 810 F.2d 1066, 1067, 1070 (11th Cir.1987), *aff'd and remanded,* 487 U.S. 22, 108 S.Ct. 2239, 101 L.Ed.2d 22 (1988), the plaintiff brought breach of warranty, fraud, and antitrust claims in addition to a breach of contract action based on a dealer sales agreement. Considering the issue of whether the forum selection clause was sufficiently broad to require transfer of the entire case, the Eleventh Circuit concluded that the forum selection clause applied to the plaintiff's tort actions as well as the breach of contact action:

> [I]t is clear from the language of the agreement that the forum selection clause encompassed any dispute arising out of or in connection with the dealermanufacturer relationship. The contract refers to *any* "case or controversy arising under or in connection with this Agreement." This includes all causes of action arising directly or indirectly from the business relationship evidenced by the contract.

Id. at 1070 (emphasis in original). Similarly, in *Bense v. Interstate Battery Sys. of America, Inc.,* 683 F.2d 718 (2d Cir.1982), the plaintiff, a distributor of the defendant's automobile storage batteries, brought antitrust claims against the defendant claiming that the defendant had wrongfully terminated an agreement because the plaintiff refused to participate in a price-fixing scheme. *Id.* at 719-20. The Second Circuit concluded that a forum selection clause, requiring "any suits or causes of action arising directly or indirectly from this AGREEMENT" was broad enough to cover the antitrust claim:

> In addressing the question of whether this clause is enforceable, we note at the outset that the action undoubtedly arises 'directly or indirectly' from the agreement. Although the complaint was brought pursuant to federal antitrust law, the gist of Bense's claim is that Interstate wrongfully terminated the agreement, thereby damaging Bense.

***11** *Id.* at 720.

Synthesizing the various general rules and approaches described above with the particular wording of the forum selection clause in the 2000 Agreement, the precise issue before this Court is whether the facts and claims alleged in the Trustee's complaint have a direct or indirect connection, link or association with, or relation to (1) the contractual relationship evidenced by the 2000 Agreement; (2) an interpretation of the 2000 Agreement; (3) the facts that would support a breach of contract action based on the 2000 Agreement; or (4) the subject matter of the 2000 Agreement. In arriving at its decision, the Court, taking the allegations in the Trustee's complaint as true and resolving factual conflicts in the documentary submissions

in favor of the plaintiff, looks to whether a connection, link, association with or relation to the 2000 Agreement, exists by reason of an established or discoverable relation.
The Trustee urges this Court to follow *Farmland Industries, Inc. v. Frazier-Parrott Commodities, Inc.*, 806 F.2d 848 (8th Cir.1987), *abrogated on other grounds by Lauro Lines S.R.L. v. Chasser*, 490 U.S. 495, 109 S.Ct. 1976, 104 L.Ed.2d 548 (1989), *Root v. Gers, Inc.*, 2002 WL 809539 (D.Neb. April 3, 2002), and *Armco, Inc. v. N. Atlantic Ins. Co., Ltd.*, 68 F.Supp.2d 330 (S.D.N.Y.1999).35

35 The Trustee also urges the Court to follow *Imation Corp. v. Quantum Corp.*, 2002 WL 385550 (D.Minn. March 8, 2002). The Trustee's reliance on that case is misplaced. In that case, the plaintiff and defendant entered into a licensing agreement which contained a forum selection clause requiring "all disputes arising hereunder" to be litigated in a contractually selected forum. *Id.* The plaintiff filed a lawsuit against Quantum and other defendants alleging various antitrust violations. *Id.* The court held that the antitrust allegations did not fall within the scope of the forum selection clause applying any of the three tests discussed by the Eighth Circuit in *Terra Int'l. Id.* at *5. However, at the outset of its analysis, the *Imation* court framed the issue as "whether Imation's antitrust allegations are 'disputes arising hereunder," ' and specifically noted that "the clause is not worded as broadly as some forum selection clauses." *Id.* at *4. As discussed above, the wording of the clause in this case is broader than that considered in *Imation.* This Court's analysis proceeds by reference to the specific wording of the clause at issue and, therefore, cases construing more narrowly worded clauses are not persuasive.

In *Farmland*, the plaintiff, an agricultural cooperative corporation, entered into an agreement with one of the defendants, Heinold, a commodities brokerage firm that contained a forum selection clause extending to "any complaint, counterclaim, cross-claim or third party complaint, arising directly, indirectly, or otherwise in connection with, out of, related to or from this Agreement or any transaction covered hereby or otherwise arising in connection with the relationship between the parties...." 806 F.3d at 849. The plaintiff filed its lawsuit alleging fraud, breach of fiduciary duty, and violations of the Securities Act of 1933. *Id.* The Eighth Circuit agreed with the district court's reasoning and it was supportive of the district court's conclusion that the alleged causes of action did not all-arise directly or indirectly from the agreement and, therefore, the lawsuit was broader than the forum selection clause:

> [t]his matter involves more than a dispute between plaintiff, Heinold, and those associated with Heinold. Plaintiff has alleged an elaborate scheme of fraud involving not only Heinold and individuals associated with Heinold, but also involving other individuals outside the securities brokerages, sham corporations, and other matters not subject to the agreement between plaintiff and Heinold.

Id. at 852. Additionally, the Eighth Circuit affirmed the district court's conclusion that the forum selection clause did not apply because the plaintiff could not have anticipated litigating the alleged claims in the contractual forum and because the alleged claims were not an attempt to evade the forum selection clause. *Id* .

***12** In *Armco, Inc. v. N. Atlantic Ins. Co., Ltd.*, 68 F.Supp.2d 330 (S.D.N.Y.1999), the court found that allegations of a wide-ranging conspiracy to defraud the plaintiffs did not fall within the scope of a forum selection clause that required the litigation of "any dispute which may arise out of or in connection with this Agreement" to be settled in the English courts. *Id.* at 338. The forum selection clause appeared in a contract governing the sale of a group of insurance subsidiaries from the plaintiff to various defendants. *Id.* at 334. The court concluded that the alleged claims did not arise out of or in connection with the sale contract. *Id.* at 338. Specifically, with respect to whether the alleged claims arose "in connection with" the sale agreement, the court found that the claims should be viewed independently of that agreement. *Id.* The court explained that it reached that conclusion "to a significant extent, because plaintiffs allege the existence of a large scale scheme to defraud that included numerous pre-contract activities by defendants, and properly assert a cause of action arising out of that fraud." *Id.* The court further noted:

> The 'gist' of plaintiffs' claims is not the breach of a contractual relationship, but the series of acts by defendants resulting in the fraud. In addition to the fact that plaintiffs base their fraud claims on numerous pre-contract activities by defendants, plaintiffs' cause of action for breach of fiduciary duty is also not based on the terms or relationships embodied in the Sale Contract.

Id. at 339. The court recognized that tort claims may arise "in connection with" an agreement containing a forum selection clause if a plaintiff seeks redress for having been denied benefits guaranteed to it by the agreement containing the clause, but it reasoned that the plaintiff's lawsuit presented a different situation:

> Here, by contrast, plaintiffs' claims do not derive from entitlements or benefits granted in the Sale Contract-quite the

> opposite. Further, the origin of the current dispute was not a contractual relationship ... but rather a pre-existing comprehensive scheme by the defendants to defraud plaintiffs, of which the signing of the Sale Contract was merely one important aspect.

Id. at 339-40.

In concluding that the forum selection clause did not apply, the *Armco* court relied, in part, on *Anselmo v. Univision Station Group,* 1993 WL 17173 (S.D.N.Y. Jan.15, 1993). In *Anselmo,* the court interpreted a forum selection clause with language applicable to claims "relating to" the underlying agreement. *Anselmo,* 1993 WL 17173, at *1.

> The clause contains the phrase "relating to" which is broad enough to encompass claims not explicitly grounded in the Agreement. Thus, each remaining claim in the plaintiff's Amended Complaint must be evaluated in light of the clause. A forum selection clause should not be defeated by artful pleading of claims not based on the contract containing the clause if those claims grow out of the contractual relationship, or if "the gist" of those claims is a breach of that relationship.

***13** *Id.* at *2 (citing *Bense,* 683 F.2d at 720; *Coastal Steel,* 709 F.2d at 203; *Envirolite Enterprises, Inc. v. Glastechnische Industrie Peter Lisec Gesellscheaft M.B.H.,* 53 B.R. 1007, 1009 (S.D.N.Y.1985)). Despite the broad language used in the forum selection clause, the court held that claims based on contracts antedating the agreement containing the forum selection clause did not relate to that agreement, noting that "the forum selection clause by its terms applies only to litigation relating to 'this Agreement,' so it was not intended to govern disputes arising under the terms of earlier contracts or agreements...." *Id.* at *2. Further, the court reasoned that the tort claims grounded in fraud did not "relate to" the agreement containing the forum selection clause because those claims grew out of events which preceded the agreement. *Id.* (reasoning that a claim based on an indemnity agreement did not "relate to" the agreement containing the forum selection clause because the indemnity agreement was adopted before the agreement containing the forum selection clause came into existence).

In *Root,* 2002 WL 809539, the plaintiff, a shareholder and former employee of the defendant, Gers, Inc., filed a lawsuit alleging various fraud and misrepresentation claims based on an alleged scheme whereby Gers, Inc. induced the plaintiff to transfer back to the corporation shares of company stock that had been issued to plaintiff as consideration in a merger. *Id.* at at ----3, 6. The forum selection clause at issue appeared in an agreement governing the transfer of the stock from the plaintiff to the defendant and required that "any claim or action arising out of or related to this Agreement" was to be litigated in a contractually selected forum. *Id.* at *3. The court noted that "[t]he language is broad and covers all contractual claims arising from the Agreements. In addition, the 'related to' language demonstrates that the parties intended at least some tort claims that are 'related to' the Agreements to be controlled by the forum selection clause." *Id.* However, the court concluded that the allegations of fraud were sufficiently specific and the tort claims and allegations of damages were sufficiently distinct from the agreement containing the forum selection clause such that the enforcement of the forum selection clause would not be reasonable. *Id.* at *6.

The Court finds that although the forum selection clause is broadly worded, the Trustee's claims do not have a direct or indirect relationship, connection, or association with the business relationship embodied in the 2000 Agreement and that the gist of the Trustee's claims is not a breach of that relationship.[36] Additionally, the Court finds that the Trustee's claims do not directly or indirectly require an interpretation of the 2000 Agreement and that the facts alleged by the Trustee do not have a discernible association or link with those facts that would support a parallel breach of contract claim with respect to the 2000 Agreement.

36 In *Terra Int'l, Inc. v. Mississippi Chem. Corp.,* 922 F.Supp. 1334 (N.D.Iowa 1996) *aff'd by Terra Int'l,* 119 F.3d at 688, the district court set forth an exhaustive analysis of the caselaw with respect to the scope of a forum selection clause. *See id.* at 1377-81. Reviewing the approaches taken by various circuits, the court noted:

> [The] consideration of the relationship between the claims and the contractual relationship of the parties is apparent whether the court poses the question in a particular case in terms of whether the non-contract claims "involv[e] the same operative facts as a parallel claim for breach of contract," *Lambert,* 983 F.2d at 1121-22, whether "resolution of the [non-contract] claims relates to interpretation of the contract," *Manetti-Farrow,* 858 F.2d at 514, or whether the non-contract claims "ultimately depend on the existence of a contractual relationship." *Coastal Steel,* 709 F.2d at 203. Indeed, in *Manetti-Farrow,* the court also cast its statement of the test in terms very similar to those proffered by this court, asking whether "the alleged conduct ... is so closely related to the contractual relationship that the forum selection clause applies." *ManettiFarrow,* 858 F.2d at 514 & n. 5.

Id. at 1380.

***14** Admittedly, the instant case is not factually on all fours with either *Farmland* or *Armco,* in which the complaints alleged

wide-ranging schemes to defraud involving multiple defendants, some of whom were not parties to the agreement containing the forum selection clause. Unlike the scenario presented in those cases, Actel and Lucent are the only parties to the 2000 Agreement and the Trustee's claims are limited to misrepresentations made by Lucent alone. Nevertheless, the Court finds those cases persuasive to the extent that they held that the plaintiff's claims were outside the scope of the forum selection clause because (1) the plaintiff's claims did not implicate the precise contractual relationship or subject matter embodied by the agreement containing the forum selection clause; and (2) the events underlying the plaintiff's claims preceded the agreement containing the forum selection clause. *See Farmland,* 806 F.2d at 852 ("As to the scope of the forum selection clause," the alleged claims involved "other matters not subject to the agreement"); *Armco,* 68 F.Supp.2d at 340 (concluding that a forum selection clause does not encompass claims of fraud where the alleged fraud is much broader than the contract at issue and allegedly predates it).

The complaint alleges that Actel obligated itself for the purchase of the PathStar system on September 17, 1999.37 On September 22, 1999, Actel executed a promissory note with Ascend Communications, Inc., a wholly owned subsidiary of Lucent, pursuant to which Lucent provided working capital loans and other loans to Actel for Actel's purchase of the PathStar system.38 In October or November, 1999, Actel accepted delivery of two of the seventeen PathStar system switches.39 Actel did not accept delivery on any other PathStar system switches.40 In November, 1999, Actel signed purchase orders for the PathStar software.41 After being promised that the software would be forthcoming in December, 1999, the PathStar software was ultimately delivered in March, 2000, at which time Actel discovered that the PathStar system did not work.42 The Trustee has alleged misrepresentations that span the existence of the customer/supplier relationship between Actel and Lucent, i.e., from 1998 until approximately April, 2000.

37 Am. Comp. ¶ 20.

38 *See* Am. Comp. ¶ 19; 2000 Agreement, § 8, at 13 (defining the September 22, 1999, promissory note).

39 Am. Comp. ¶ 26.

40 *Id.*

41 Am. Comp. ¶ 29.

42 Am. Comp. ¶ 30.

Based on these allegations, the Trustee's complaint alleges five distinct causes of action against Lucent. First, the Trustee alleges that Lucent breached one or more of its contracts with Actel by failing to deliver a functioning PathStar system in a timely manner.43 Second, the Trustee alleges that Lucent impliedly warranted that the PathStar system was of merchantable quality and fit for the purpose for which it was intended.44 Third, the Trustee alleges that Lucent made false representations to Actel, either with knowledge of the falsity or with reckless disregard for the truth, as to the capabilities of and delivery date for the PathStar system.45 Fourth, the Trustee alleges that Lucent suppressed material information about the PathStar system's capabilities and delivery date.46 Finally, the Trustee alleges that Lucent, in its commercial advertising, made false and misleading descriptions and representations of fact to Actel concerning the qualities of the PathStar system in violation of the Lanham Act.47 All of the Trustee's claims in this litigation arise out of the alleged misrepresentations made by Lucent with respect to the qualities, capabilities and delivery date of the PathStar system.

43 Am. Comp. ¶ 41.

44 Am. Comp. ¶¶ 42-43.

45 Am. Comp. ¶¶ 44-48.

46 Am. Comp. ¶¶ 49-51.

47 Am. Comp. ¶¶ 52-54.

***15** The borrower/lender relationship embodied in the 2000 Agreement is distinct from the customer/supplier relationship implicated by the Trustee's claims. Undoubtedly, the customer/supplier relationship, out of which Actel's commitment to purchase PathStar arose, was established prior to, and independent of, the short-lived borrower/lender relationship embodied by the 2000 Agreement. The Trustee's claims do not directly or indirectly challenge the duties owed by Lucent to Actel in Lucent's role as a financier pursuant to that agreement. Rather, the claims are focused on the failure of Lucent, as the manufacturer of PathStar, to timely deliver a functioning product in contravention of the alleged promises made by Lucent to Actel and in breach of the contracts governing the sale and lease of PathStar. The Trustee's claims are based on the misrepresentations made to Actel that induced Actel's decision to purchase and implement the PathStar network. That decision, and the bulk of the alleged misrepresentations, antedate the existence of the 2000 Agreement and exist independently of that agreement.

Moreover, the nature of the financial transaction evidenced by the 2000 Agreement is distinct from the nature of the sale and purchase of PathStar and the misrepresentations alleged by the Trustee with respect to the failure to deliver a product that would perform the functions promised. Pursuant to the agreement, Lucent agreed to advanced certain funds to Actel.[48] Pursuant to § 1.1(e) of the 2000 Agreement:

48 *See* 2000 Agreement, § 1.1(a).

> The proceeds of each Advance shall be used by Borrower exclusively (i) to finance Borrower's acquisition of network equipment, (ii) to satisfy Borrower's existing account payable to Lender or its Affiliates (if any), (iii) for its general corporate purposes, including operational and capital expenditures and (iv) to satisfy the origination fees contained in the Schedule.

Although the 2000 Agreement contemplates that Actel could use the funds advanced pursuant to that agreement for the acquisition of unspecified "network equipment," the agreement does not indicate that the funds advanced pursuant to that agreement would or should be used solely for the purchase of PathStar equipment. In fact, the agreement does not mention the PathStar system at all. Instead, the agreement contemplates multiple uses for the funds, including Actel's use for "general corporate purposes." Importantly, there is no documentary evidence before this Court demonstrating how the funds advanced pursuant to the 2000 Agreement, which funds were admittedly repaid to Lucent within a matter of weeks of when the 2000 Agreement was executed, were in fact used. Therefore, it is impossible for this Court to ascertain the connection between the 2000 Agreement and the purchase of PathStar.

Additionally, the Trustee's claims do not directly or indirectly implicate any of the rights and duties of the parties pursuant to the 2000 Agreement. The "gist" of the Trustee's claims is that misrepresentations were made with respect to the capabilities, quality, and delivery date of PathStar. A review of the 2000 Agreement makes plain that the alleged failure to deliver a functioning PathStar does not directly or indirectly implicate the terms of the 2000 Agreement or any obligation with respect to the funds which were advanced. In evaluating the Trustee's claims, this Court would not, in any meaningful way, be required to interpret or consider the 2000 Agreement. Put simply, the Trustee's claims do not directly or indirectly have anything to do with the loan made pursuant to the 2000 Agreement.

***16** Lucent contends that the Trustee's breach of contract and tort claims are directly and/or indirectly related to the 2000 Agreement because (1) the Trustee is necessarily alleging a breach of the 2000 Agreement by virtue of an integration clause in the agreement which, according to Lucent, merged all prior agreements with respect to PathStar into the 2000 Agreement; (2) the 2000 Agreement specifically references a prior promissory note pursuant to which Lucent provided working capital loans and other loans to Actel for Actel's purchase of the PathStar system; and (3) the 2000 Agreement was executed contemporaneously with the delivery of the PathStar software.

The Court finds Lucent's argument unpersuasive with respect to the effect of the integration clause in the 2000 Agreement. That clause provides:

> This Agreement and such other written agreements, documents and instruments as may be executed in connection herewith are the final, entire and complete agreement between Borrower and Lender and supersede all prior and contemporaneous

> negotiations and oral representations and agreements, all of which are merged and integrated in this Agreement. There are no oral understandings, representations or agreements between the parties which are not set forth in this Agreement or in other written agreements signed by the parties in connection herewith.[49]

49 2000 Agreement, § 9.4. (emphasis added).

Lucent argues that the integration clause necessarily converts *any* breach of contract claim between the parties into a breach of contract claim with respect to the 2000 Agreement because the clause merges and supersedes "all prior ... agreements." Significantly, Lucent cites no case, and this Court's research did not reveal a case, in which an integration clause in a contract was construed to supersede all of the terms of prior contracts executed with respect to different subject matter. To the contrary, "a merger clause in one contract would not incorporate all prior dealings between the parties, but rather only those relating to the subject matter of the contract containing the merger clause." *Int'l Talent Grp., Inc. v. Copyright Management, Inc.*, 629 F.Supp. 587, 592 (S.D.N.Y.1986); *accord Primex Int'l Corp. v. Wal-Mart Stores, Inc.*, 89 N.Y.2d 594, 657 N.Y.S.2d 385, 679 N.E.2d 624, 627 (N.Y.1997)(noting that the general effect of a merger clause is to "require the full application of the parol evidence rule in order to bar the introduction of extrinsic evidence to vary or contradict the terms of the writing" and does not serve to merge prior agreements regarding subject matter extrinsic to the agreement containing the merger clause); *Exhibit Grp./Giltspur, Inc. v. Spoon Exhibit Serv.*, 273 A.D.2d 874, 710 N.Y.S.2d 218, 219 (N.Y.App.Div.2000)(holding that merger clauses integrate those agreements that were part of the negotiations that led to the final agreement, not separate written agreements that relate to independent transactions). The contract or contracts at issue in this litigation are those governing the sale and lease of PathStar, subject matter that is extrinsic to the loan and security transaction embodied in the 2000 Agreement.

***17** Additionally, Lucent relies upon a definition in the 2000 Agreement referencing the September, 22, 1999, note to establish a connection between the Trustee's claims and the 2000 Agreement:

> *"September Note"* means that certain Secured Promissory Note dated as of September 22, 1999, in the amount of one million dollars ($1,000,000), by and between Borrower [Actel] and Ascend Communications, Inc., a wholly owned subsidiary of Lender [Lucent].[50]

50 2000 Agreement, § 8, Definitions, at 13.

That provision merely defines the September Note and it does not incorporate by reference the terms of that note. In any event, the transaction evidenced by a prior promissory note would not necessarily be merged or superseded by the 2000 Agreement because a "separate prior integrated writing" is not among those agreements that are merged and superseded by a general merger clause. *See Spoon Exhibit Serv.*, 710 N.Y.S.2d at 219 (holding that an obligation defined in a prior agreement, "which is set forth in a separate prior integrated writing and which thus would be independently provable notwithstanding the parol evidence rule, was not one of those merged prior agreements or understandings"). Neither party argues that the financing transaction embodied by the September 22, 1999, note was not an independent transaction evidenced by separate integrated documents. Moreover, the forum selection clause is confined to claims "relating directly or indirectly to *this Agreement."*[51] "[T]he forum selection clause by its terms applies only to litigation relating to 'this Agreement,' so it was not intended to govern disputes arising under the terms of earlier contracts or agreements...." *Anselmo*, 1993 WL 17173, at *2.

51 2000 Agreement, § 9.12.

Finally, Lucent argues that the delivery of PathStar software during the existence of the 2000 Agreement demonstrates that the 2000 Agreement was the culmination of the PathStar transactions. Lucent's argument is unpersuasive. Given that Actel committed to purchasing PathStar, received PathStar hardware, and executed purchase orders for PathStar software in 1999, the delivery of the software in March, 2000, is simply too tenuous a basis upon which to conclude that the forum selection clause applies to misrepresentations that occurred prior to, and existed independent of, the financial transaction embodied in the 2000 Agreement.

For all of these reasons, the Court finds that the Trustee's claims do not fall within the scope of the forum selection clause. Venue is proper in this Court.[52]

52 Because the Court finds that the Trustee's claims do not fall within the scope of the forum selection clause, this Court need not resolve the dispute between the parties with respect to whether the 2000 Agreement was extinguished by its own terms, or whether a forum selection clause survives the formal termination of an agreement. Even assuming that the 2000 Agreement remained in effect, the Trustee's claims would nevertheless fall outside the scope of the relationship and transaction embodied in

the 2000 Agreement. Additionally, this Court need not consider the Trustee's alternative arguments with respect to whether Lucent waived its reliance on the forum selection clause.

III. ***Motion to Strike Jury Demand***

Lucent moves the Court to strike the Trustee's jury demand based upon a contractual waiver of jury trial contained in the 2000 Agreement.[53] The right to a jury trial in federal court is to be determined as a matter of federal law. *See e.g.*, *RDO Fin. Servs. Co. v. Powell*, 191 F.Supp.2d 811, 813 n. 5 (N.D.Tex.2002); *Morgan Guaranty Trust Co. v. Crane*, 36 F.Supp.2d 602, 603 (S.D.N.Y.1999)(citing *Simler v. Conner*, 372 U.S. 221,222, 83 S.Ct. 609, 9 L.Ed.2d 691 (1963)). As summarized by the court in *Westside-Marrero Jeep Eagle, Inc. v. Chrysler Corp.*, 56 F.Supp.2d 694 (E.D.La.1999):

53 Lucent also refers to a waiver of jury trial in a subsequent loan and security agreement entered into by the parties. This agreement, however, is in no way related to the instant lawsuit. Therefore, analysis of that agreement is not undertaken by the Court.

> ****18*** The Seventh Amendment preserves a right to a jury trial on issues of fact in suits for breach of contract damages between private party litigants. The Supreme Court, however, has long recognized that a private litigant may waive its right to a jury in civil cases. Waiver can be either express or implied. Waiver requires only that the party waiving such right do so "voluntarily" and "knowingly" based on the facts of the case. Agreements waiving the right to trial by jury are neither illegal nor contrary to public policy. The acceptance of contract provisions providing for dispute resolution in a forum where there is no entitlement to a jury trial may satisfy the "voluntary" and "knowing" standard. Agreements waiving the right to trial by jury are neither illegal nor contrary to public policy.
> *Id.* at 706(citations omitted); *see also RDO Fin. Servs. Co.*, 191 F.Supp.2d at 813 ("The federal standard for determining the validity of a contractual waiver of the right to a jury trial is ... whether the waiver was made in a knowing, voluntary, and intelligent manner."); *Pellerin Constr., Inc. v. Witco Corp.*, 2001 WL 258056, at *1 (E.D.La. March 14, 2001)("A party may waive its right to a jury trial only if it does so 'voluntarily' and 'knowingly' "). Contract provisions waiving the right to a jury are narrowly construed, and the requirement of knowing, voluntary and intentional waiver is strictly applied. *Morgan Guaranty Trust Co.*, 36 F.Supp.2d at 603(citations omitted); *Wechsler v. Hunt Health Sys., Ltd.*, 2003 WL 21878815, at *2 (S.D.N.Y. Aug.8, 2003)(noting that "contract provisions are narrowly construed"). As the Fifth Circuit has noted, "[t]he right of jury trial is fundamental, [and] courts [must] indulge every reasonable presumption against waiver." *Jennings v. McCormick*, 154 F.3d 542, 545 (5th Cir.1998); *McDonald v. Steward*, 132 F.3d 225, 229 (5th Cir.1998); *Wechsler*, 2003 WL 21878815, at *2.

The Trustee does not claim that the jury waiver provision in the 2000 Agreement infringes upon the right to a jury trial protected by the Seventh Amendment. He raises no argument that the jury waiver provision was not entered into knowingly, voluntarily, or intentionally.[54] Rather, the dispositive dispute between the parties is whether, as a matter of contract interpretation, the Trustee's claims are encompassed within the language of the provision.

54 The *Westside-Marrero* court noted that the Fifth Circuit has not determined whether the burden is on the plaintiff or the defendant to prove whether a waiver of a right to a jury trial was knowing and voluntary. *See Westside-Marrerro*, 56 F.Supp.2d at 707. This Court need not reach that issue because there is no dispute in this case with respect to whether the waiver was knowing and voluntary.

Pursuant to New York law governing the construction of contracts, "[i]n reviewing a written contract, the Court's primary objective is to give effect to the intent of the parties as revealed by the language they chose to use." *Bolt Elec., Inc. v. City of New York*, 223 F.3d 146, 150 (2d Cir.2000); *Bates Advertising USA, Inc. v. McGregor*, 282 F.Supp.2d 209, 215 (S.D.N.Y.2003); *Laba v.. Carey*, 29 N.Y.2d 302, 308, 327 N.Y.S.2d 613, 277 N.E.2d 641 (N.Y.1971).[55] That objective is achieved by construing the contract "within the four corners of the contract, [and] giving a practical interpretation to the language employed and the parties' reasonable expectations." *Macrae v. Dolce*, 249 A.D.2d 476, 671 N.Y.S.2d 530, 531 (N.Y.App.Div.1998). Words and phrases employed in a written agreement are given their plain meaning. *Painewebber Inc. v. Bybyk*, 81 F.3d 1193, 1199 (2d Cir.1996) (citations omitted); *Battery Assocs., Inc. v. J & B Battery Supply, Inc.*, 944 F.Supp. 171, 176 (E.D.N.Y.1996); *Laba*, 29 N.Y.2d at 308, 327 N.Y.S.2d 613, 277 N.E.2d 641; *Macrae*, 671 N.Y.S.2d at 531. "It is well settled that a court may not, under the guise of interpretation, fashion a new contract for the parties by adding or excising terms and conditions which would contradict the clearly expressed language of the contract." *Republic Nat'l Bank of New*

York v. Oshin Woolen Co. ., Inc., 304 A.D.2d 401, 758 N.Y.S.2d 45, 46 (N.Y.App.Div.2003); *see also Painewebber*, 81 F.3d at 1199 (" 'Rather than rewrite an unambiguous agreement, a court should enforce the plain meaning of that agreement." ')(quoting *Am. Express Bank Ltd. v. Uniroyal, Inc. .*, 164 A.D.2d 275, 562 N.Y.S.2d 613, 614 (N.Y.App.Div.1990)); *Macrae*, 671 N.Y.S.2d at 531 (citations omitted).

55 Both parties agree that, pursuant to the New York choice of law provision in the 2000 Agreement, New York law governs this Court's interpretation of the contractual language in the jury waiver provision. *See* 2000 Agreement, § 9.12.

***19** The arguments raised by the parties with respect to the applicability of the jury waiver provision are parallel to those raised with respect to the applicability of the forum selection clause. The Trustee argues that the repayment of the loan made to Actel pursuant to the 2000 Agreement extinguished the agreement. Additionally, the Trustee argues that even if the 2000 Agreement was not extinguished, his claims do not fall within the scope of the language of the jury waiver provision. Lucent argues that the repayment of the loan does not affect the enforceability of the jury waiver provision. Additionally, Lucent asserts that the language of the provision is broad enough to encompass the Trustee's claims.

The jury waiver provision in the 2000 Agreement provides:

> BORROWER [Actel] AND LENDER [Lucent] EACH HEREBY WAIVE THE RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATING TO, THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT, OR ANY CONDUCT, ACTS OR OMISSIONS OF LENDER OR BORROWER OR ANY OF THEIR DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS OR ANY OTHER PERSONS AFFILIATED WITH LENDER OR BORROWER, IN ALL OF THE FOREGOING CASES, WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE.56

56 2000 Agreement, § 9.13. According to the 2000 Agreement:

> *"Credit Documents"* means and includes this Agreement, the Note, the Warrant (if any), the Security Documents (if any), and all other documents, instruments and agreements delivered by Borrower or any other Loan Party in connection with this Agreement.

Id., § 8, at 11. " 'Note' has the meaning set forth in Section 1.7" *Id.* at 12. Section 1.7 provides:

> *Notes.* The obligation of Borrower to repay the Advances shall be evidenced by a promissory note in the form of [an exhibit attached to the 2000 Agreement] (the *"Note"*)

With respect to the "Warrant," the 2000 Agreement provides:

> Borrower shall have executed and delivered to Lender, in form and substance satisfactory to Lender, a warrant (the *"Warrant"*) to purchase common stock of Borrower in an amount equal to fifty percent (50%) of the Advances made from time to time to Borrower under the Loan Agreement.

Id., Schedule, § 3, ¶ 3, at S-4.

> *"Security Documents"* means and includes each of the documents set forth under *Item 2* on the Schedule and all other instruments, agreements, certificates, opinions and documents ... delivered to Lender in connection with any Collateral or to secure the Obligations.

Id., § 8, at 13. Item 2 on the schedule provides that there is no additional security. *Id.*, Schedule, § 2 at S-3.

Lucent argues that "Lucent and Actel waived a jury trial with respect to "ANY ACTION OR PROCEEDING" regarding the 2000 Agreement "OR ANY OTHER CREDIT DOCUMENT, OR ANY CONDUCT, ACTS OR OMISSIONS" of Lucent and Actel, "WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE."57 Based on this reading of the provision, Lucent contends that the parties waived a jury trial with respect to any and all contract and tort actions between Lucent and Actel, whether or not they relate to the 2000 Agreement or other credit documents.58 In opposition, the Trustee asserts that the plain language of the provision limits the applicability of the provision to claims "based upon, arising out of, or in any way relating to, [the 2000 Agreement] or any other credit documents."

57 Rec. Doc. No. 10, Lucent's memorandum in support, at 16.

58 *Id.* at 19.

The Court's analysis with respect to the forum selection clause forecloses Lucent's contention that the Trustee's claims are based upon, arise out of, or relate to the 2000 Agreement. Similarly, the Court finds that the Trustee's claims do not relate to any other "credit document" as that term is defined in the 2000 Agreement. Therefore, the primary question with respect to the jury waiver provision is whether the Trustee's lawsuit is an "action or proceeding based upon, arising out of, or in any

way relating to ... any conduct, acts or omissions of Borrower and Lender....”

The Court finds that Actel could not have reasonably expected that claims arising out of the purchase of PathStar equipment and support services would be encompassed within the language of the jury waiver provision in the 2000 Agreement. Although Actel waived a jury trial with respect to claims involving “any conduct, acts or omissions of Lender or Borrower,” the Trustee’s claims do not relate to the lender/borrower relationship established by the 2000 Agreement or conduct, acts, or omissions by Lucent with respect to that transaction or any other loan and security transaction. The terms of the 2000 Agreement describe a loan and security transaction and define the parties’ respective rights and obligations with respect to that transaction. Although the scope of the jury waiver provision extends beyond simply those actions that directly implicate the terms of the 2000 Agreement or other credit document, the nature of the financial transaction and the lender/borrower relationship created by the 2000 Agreement is highly relevant to discern the parties’ intent with respect to the scope of the jury waiver provision. *See Cable Science Corp. v. Rochdale Village, Inc. ,* 920 F.2d 147, 151 (2d Cir.1990)(noting that with respect to the construction of contractual language, “a court should accord that language its plain meaning giving due consideration to ‘the surrounding circumstances [and] apparent purpose which the parties sought to accomplish” ’)(quoting *William C. Atwater & Co. v. Panama R.R. Co.*, 246 N.Y. 519, 524, 159 N.E. 418 (N.Y.1927)).

***20** Construing the jury waiver provision in light of the contract as a whole, it is unreasonable, absent clearer language, to presume that the jury waiver provision extends to contract or tort claims that do not in any way relate to any loan or financing transaction or any aspect of the lender/borrower relationship created by that agreement. As this Court’s “primary objective is to give effect to the intent of the parties,” *Bolt,* 223 F.3d at 150, by “giving a practical interpretation to the language employed and the parties’ reasonable expectations,” *Macrae,* 671 N.Y.S.2d at 531, the Court finds that construing the 2000 Agreement as Lucent contends is unwarranted in light of the nature of the 2000 Agreement and the nature of the Trustee’s alleged claims in this lawsuit.

Lucent’s reliance on *CoreStates Bank, N.A. v. Signet Bank,* 1997 WL 117010 (E.D.Pa. Mar.13, 1997), *Nat’l Westminster Bank, U.S.A. v. Ross,* 130 B.R. 656 (S.D.N.Y.1991)(*“Natwest III”*), and *Analytical Systems, Inc. v. ITT Comm. Fin. Corp.,* 696 F.Supp. 1469 (N.D.Ga.1986), is misplaced. In *CoreStates* and *Analytical Systems,* those courts specifically held that although a jury waiver applied to claims that did not directly arise from the terms of the contract containing the jury waiver, the claims in those cases *did* arise from the contractual relationship evidenced by the agreement containing the provision. *See CoreStates,* 1997 WL 117010, at *6 (“CoreStates’ fraud claims are not beyond the scope of the waiver because the waiver applies to any claim arising out of the relationship between the parties that is established by the assignment agreement.”); *Analytical Systems,* 696 F.Supp. at 1479 (“[I]t is difficult to understand how these claims cannot be said to have arisen either directly or indirectly out of the relationship between the parties as secured creditor and debtor. The only basis which ITT had even for petitioning for a writ of immediate possession was its status as a secured creditor.”). Similarly, a close reading of the *Nat’l Westminster’* s court’s multiple decisions in that litigation make clear that the counterclaims of the defendant (which were at issue with respect to the scope of the jury waiver provision) all arose from the bank’s lending relationship with the defendant and the bank’s action to enforce the personal guarantee given to the bank by the defendant. *See Natwest III,* 130 B.R. at 664-68; *see also Nat’l Westminster Bank, U.S.A. v. Ross,* 1988 WL 96032, at ----3-4 (S.D.N.Y. August 30, 1988)(*“Natwest II”*); *Nat’l Westminster Bank, U.S .A. v. Ross,* 676 F.Supp. 48, 49-54 (S.D.N.Y.1987). In the present case, the Trustee’s claims do not arise directly or indirectly from the lender/borrower relationship created by the 2000 Agreement. Actel’s status as a customer existed prior to the 2000 Agreement and exists independently of its status as a borrower.

Moreover, even were the Court to find that a broad interpretation of the jury waiver provision is reasonable, the language of the provision is, at best, ambiguous. “The proper inquiry in determining whether a contract is ambiguous is ‘whether the agreement on its face is reasonably susceptible of more than one interpretation.” ’ *Arrow Comm. Laboratories, Inc.,* 206 A.D.2d 922, 615 N.Y.S.2d 187 (N.Y.App.Div.1994). Conversely, “[c]ontractual language is unambiguous when it has ‘a definite and precise meaning, unattended by danger of misconception in the purport of the [contract] itself, and concerning which there is no reasonable basis for a difference of opinion.” ’ *John Hancock Mut. Life Ins. Co. v. Amerford Int’l Corp.,* 22 F.3d 458, 461 (2d Cir.1994)(quoting *Hunt Ltd. v. Lifschultz Fast Freight, Inc.,* 889 F.2d 1274, 1277 (2d Cir.1989)(quoting *Breed v. Insurance Co. of North America,* 46 N.Y.2d 351, 413 N.Y.S.2d 352, 385 N.E.2d 1280, 1282 (N.Y.1978)))(internal quotation marks omitted)(alteration in original); *Battery Assocs.,* 944 F.Supp. at 176. Contractual language is not ambiguous merely because the parties urge a different interpretation of the language in question. *Bates,* 282 F.Supp.2d at 216. However, clauses waiving the right to a jury are construed strictly and any ambiguity will be interpreted against the contract’s author. *See e.g., Tilden v. Fin. Corp. v. Malerba, Abruzzo, Downes & Frankel,* 89 Misc.2d 1074, 393 N.Y.S.2d 499, 499-500 (N.Y.Dist.1977); *cf. Urban Outfitters, Inc. v. 166 Enter. Corp.,* 136 F.Supp.2d 273, 275 (S.D.N.Y.2001)(noting that “courts are to strictly construe jury waiver clauses, as the right to a jury trial is fundamental and protected by the Seventh Amendment”).

2004-1 Trade Cases P 74,456

***21** The jury waiver provision could plausibly be read to delineate two independent categories of cases subject to the waiver clause. The first category of cases subject to the jury waiver provision would be those actions and proceedings "based upon, arising out of, or in any way relating to" the 2000 Agreement or "any other credit document." The second category of cases to which the jury waiver would apply are those actions and proceedings "based upon, arising out of, or in any way relating to ... any conduct, acts or omissions of Lender or Borrower...." The second category of cases to which the jury waiver applies would encompass all legal actions based upon "any conduct" of Lucent and Actel and, therefore, would encompass the Trustee's claims.

However, the provision could also be reasonably construed as limiting even those actions and proceedings arising from "any conduct, acts or omissions of Lender or Borrower" to "conduct, acts, or omissions" that have at least some relationship to the 2000 Agreement, other credit documents, or the parties' statuses as "Lender" and "Borrower". The latter construction is reasonable in light of the parties' choice to define the parties as "Lender" and "Borrower" in the provision itself as well as in light of the character and nature of the loan transaction described by the 2000 Agreement. Accordingly, the Court cannot find that the language "has a definite and precise meaning, unattended by danger of misconception in the purport of the [contract] itself, and concerning which there is no reasonable basis for a difference of opinion." *John Hancock Mut. Life Ins. Co.*, 22 F.3d at 461.

A broad and literal construction of the jury waiver provision would preclude a jury trial in the instant lawsuit. As stated, "[h]owever, jury waivers are to be construed narrowly, not broadly." *Evans v. Union Bank of Switzerland*, 2003 WL 21277125, at *4 (E.D.La. May 30, 2003)(citing cases). Given that the language of the provision is reasonably susceptible of a narrow interpretation, this Court must adopt that interpretation and find that the provision applies if the Trustee's claims at least relate to "conduct, acts or omissions" by either party in their respective capacities as borrower and lender. This Court has found, above, that the borrower/lender relationship evidenced in the 2000 Agreement is distinct from the customer/supplier relationship at issue in this litigation. Accordingly, the Court finds that the Trustee has not contractually waived a jury trial with respect to the claims alleged in the amended complaint.[59]

59 Because the Court finds that the Trustee's claims are not within the scope of the jury waiver provision, the Court does not address the Trustee's alternative contention that the jury waiver provision is inapplicable due to repayment of the loan made pursuant to the 2000 Agreement.

IV. *12(b)(6) Motion to Dismiss the Trustee's Lanham Act Claim*

Lucent moves the Court to dismiss the Trustee's Lanham Act claim pursuant to Fed.R.Civ.P. 12(b)(6). Lucent argues that (1) the Trustee lacks prudential standing to pursue a claim for false advertising pursuant to the Lanham Act because Lucent and Actel were not competitors; and (2) the Trustee has failed to allege that the misrepresentations were made by a competitor and, therefore, the Trustee has failed to allege actionable misrepresentations within the meaning of the Lanham Act. The Trustee maintains that there is no requirement that Actel and Lucent be competitors in order to have prudential standing to assert a violation of the Lanham Act for false advertising. Further, the Trustee contends that to the extent that the Fifth Circuit has held that the plaintiff must establish that the defendant is in commercial competition with the plaintiff to sustain a claim for false advertising pursuant to the Lanham Act, that holding has been effectively overruled by subsequent Fifth Circuit decisions on the issue of prudential standing to assert a Lanham Act claim.

***22** A district court cannot dismiss a complaint, or any part of it, for failure to state a claim upon which relief can be granted "unless it appears beyond doubt that the plaintiff can prove no set of facts in support of his claim which would entitle him to relief." *Conley v. Gibson*, 355 U.S. 41, 45-46, 78 S.Ct. 99, 102, 2 L.Ed.2d 80 (1957); *Blackburn v. City of Marshall*, 42 F.3d 925, 931 (5th Cir.1995). This Court will not look beyond the factual allegations in the pleadings to determine whether relief should be granted. *See Spivey v. Robertson*, 197 F.3d 772, 774 (5th Cir.1999); *Baker v. Putnal*, 75 F.3d 190, 196 (5th Cir.1996). In assessing the complaint, a court must accept all well-pleaded facts in the complaint as true and liberally construe all factual allegations in the light most favorable to the plaintiff. *Spivey*, 197 F.3d at 774; *Lowry v. Texas A & M University System*, 117 F.3d 242, 247 (5th Cir.1997). "However, '[i]n order to avoid dismissal for failure to state a claims, a plaintiff must plead specific facts, not mere conclusory allegations....' " *Guidry v. Bank of LaPlace*, 954 F.2d 278, 281 (5th Cir.1992)(quoting *Elliott v. Foufas*, 867 F.2d 877, 881 (5th Cir.1989)) (alteration in original). " '[C]onclusory allegations and unwarranted deductions of fact are not admitted as true' by a motion to dismiss." *Id.* (quoting *Associated Builders, Inc. v. Alabama Power Co.*, 505 F.2d 97, 100 (5 th Cir.1994)). Moreover, " 'legal conclusions masquerading as factual conclusions will not suffice to prevent a motion to dismiss." ' *Blackburn*, 42 F.3d at 931 (quoting *Fernandez-Montes v. Allied Pilots Ass'n*, 987 F.2d 278, 284 (5th Cir.1993)). "[T]he complaint must contain either direct allegations on every material point

necessary to sustain a recovery ... or contain allegations from which an inference fairly may be drawn that evidence on these material points will be introduced at trial." *Campbell v. City of San Antonio,* 43 F.3d 973, 975 (5th Cir.1995)(internal quotation and citation omitted). Accordingly, "[d]ismissal is proper if the complaint lacks an allegation regarding a required element necessary to obtain relief." *Id.* (internal quotation and citation omitted); *Blackburn,* 42 F.3d at 931 (internal quotation and citation omitted).

The United States Supreme Court has explicitly held that a court may not address the merits of a claim prior to addressing whether Article III standing exists. *See Steel Co. v. Citizens for a Better Environment,* 523 U.S. 83, 93-102, 118 S.Ct. 1003, 1012-1016, 140 L.Ed.2d 140 (1998)(rejecting the practice of assuming Article III standing and proceeding directly to the merits of a claim because). Similarly, the Fifth Circuit has squarely held that Article III standing is an antecedent question to whether prudential, or statutory, standing exists. *Ford v. NYLCare Health Plans,* 301 F.3d 329, 333 (5th Cir.2002) ("The question of Article III standing must be decided prior to the prudential standing ... issue[ ].").

***23** It is undisputed, and the Court finds, that the Trustee has constitutional standing to assert a Lanham Act claim. To establish constitutional standing, the party invoking federal jurisdiction must establish three elements:

> First, the plaintiff must have suffered an "injury in fact"-an invasion of a legally protected interest which is (a) concrete and particularized ... and (b) actual or imminent not conjectural or hypothetical.... Second, there must be a causal connection between the injury and the conduct complained of.... Third, it must be likely, as opposed to merely speculative, that the injury will be redressed by a favorable decision.

Lujan v. Defenders of Wildlife, 504 U.S. 555, 560-61, 112 S.Ct. 2130, 2136, 119 L.Ed.2d 351 (1992)(internal quotations and citations omitted). "At the pleading stage, general factual allegations of injury resulting from the defendant's conduct may suffice, for on a motion to dismiss we 'presum[e] that general allegations embrace those specific facts that are necessary to support the claim." ' *Id.* (citation omitted).
In this case, the Trustee has alleged that Actel's business was damaged as a direct result of misrepresentations made by Lucent and he seeks to recover all monetary damages which were the proximate consequences of Lucent's conduct. Such allegations are sufficient to establish constitutional standing. Pretermitting the question of whether the Trustee has prudential standing to bring a claim for a violation of the Lanham Act, the Court finds that the Trustee has failed to state a claim because the complaint fails to allege actionable misrepresentations in "commercial advertising or promotion." *See* 15 U.S.C. § 1125(a)(1)(B).[60]

60 Nothing precludes this Court from addressing the merits prior to addressing a prudential standing issue. Noting that the question of statutory standing "has nothing to do with whether there is a case or controversy under Article III," the Supreme Court has acknowledged that a merits question may be given priority over a statutory standing question because the two question can, depending upon the asserted basis for statutory standing, be either closely connected or identical. *Steel Co.,* 523 U.S. at 97 n. 2, 118 S.Ct. at 1013 n. 2.

The Trustee's sole cause of action based upon the Lanham Act alleges that, "[i]n its commercial advertising and promotion of the PathStar system, Lucent made false and misleading descriptions and representations of fact concerning the characteristics and qualities" of PathStar.[61] Section 43(a) of the Lanham Act, 15 U .S.C. § 1125(a), provides in pertinent part:

61 Am. Comp. ¶ 52.

> (1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which-
>
> ...
>
> (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,
>
> shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. § 1125(a)(1) & (a)(1)(B) (1998 & Supp.2003).

To state a claim for false advertising under the Lanham Act, the plaintiff must establish five elements:

(1) A false or misleading statement of fact about a product;

***24** (2) Such statement either deceived or had the capacity to deceive a substantial segment of potential consumers;

(3) The deception was material, in that it is likely to influence the consumer's purchasing decision;

(4) The product is in interstate commerce; and

(5) The plaintiff has been or is likely to be injured as a result of the statement at issue.

IQ Prods. Co. v. Pennzoil Products Co., 305 F.3d 368, 375 (5th Cir.2002); *Pizza Hut, Inc. v. Papa Johns Int'l, Inc.*, 227 F.3d 489, 495 (5th Cir.2000).

With respect to the first element, the false or misleading statement of fact about a product must be made by the defendant in its "commercial advertising or promotion." 15 U.S.C. § 1125(a)(1)(B); *Logan v. Burgers Ozark Country Cured Hams, Inc.*, 263 F.3d 447, 462 (5th Cir.2001)(stating that plaintiff must establish that "that the defendant made a false statement of fact about its product in a commercial advertisement"). In *Seven-Up Co. v. Coca-Cola Co.*, 86 F.3d 1379 (5th Cir.1996), the Fifth Circuit mandated that the following test be used when determining whether misrepresentations constitute "commercial advertising or promotion" within the meaning of the Lanham Act:

> In order for representations to constitute "commercial advertising or promotion" under Section 43(a)(1)(B), they must be: (1) commercial speech; (2) by a defendant who is in commercial competition with plaintiff; (3) for the purpose of influencing consumers to buy defendant's goods or services. While the representations need not be made in a "classical advertising campaign," but may consist instead of more informal types of "promotion," the representations (4) must be disseminated sufficiently to the relevant purchasing public to constitute "advertising" or "promotion" within that industry.

Id. at 1384 (adopting the test set forth in *Gordon & Breach Sci. Publishers v. Am. Inst. of Physics*, 859 F.Supp. 1521, 1535-36 (S.D.N.Y.1994)). The *Seven-Up* test has since been adopted by other circuit courts of appeals and district courts. *See Procter & Gamble, Co. v. Haugen*, 222 F.3d 1262, 1273-74 (10th Cir.2000); *Coastal Abstract Serv., Inc. v. First Am. Title Ins. Co.*, 173 F.3d 725, 735 (9th Cir.1999)(relying on *Seven-Up*); *Allen Neurosurgical Assocs., Inc. v. Lehigh Valley Health Network*, 2001 WL 41143 (E.D.Pa. Jan.18, 2001)(citing cases). *But cf. Fashion Boutique of Short Hills, Inc. v. Fendi USA, Inc.*, 314 F.3d 48, 58 (2d Cir.2002)(adopting the first, third and fourth elements of the *Gordon & Breach* test, but declining to express an opinion on whether misrepresentations in "commercial advertising and promotion" must be made by a defendant in commercial competition with the plaintiff). The *Seven-Up* Court concluded that, "[w]e find this summary of the requirements for establishing 'commercial advertising or promotion' under § 43(a) of the Lanham Act both accurate and sound." *Seven-Up*, 86 F.3d at 1384.

***25** The Trustee cannot meet the second *Seven-Up* requirement for establishing actionable misrepresentations in Lucent's commercial advertising or promotion. The Trustee's false advertising claim fails because the complaint fails to contain direct allegations that Lucent and Actel were in commercial competition or allegations that would support an inference that any sort of commercial competitive relationship existed between Lucent and Actel.

The Trustee alleges that Actel provided telecommunications *services* to customers. In contrast, the complaint states that Lucent was a supplier of network *equipment.* There are no allegations from which an inference can be drawn that Lucent and Actel were engaged in the same aspect of the telecommunications market or competed for the same customers. There is no allegation that Lucent provided telecommunications services to consumers, nor is there any allegation that Actel sold telecommunications equipment.

The factual allegations in the complaint make clear that the primary relationship upon which the Trustee's claims are predicated is, as noted above, a customer/supplier relationship. The misrepresentations alleged were made to Actel in its capacity as Lucent's commercial customer. Moreover, the complaint goes further by alleging that Actel's board of directors adopted a business plan prepared by Lucent for expansion of the Actel network based on PathStar. The complaint alleges that, "[b]ased on Lucent's representations, Actel entered into a *partnership* with Lucent for the expansion of the Actel network and pursued an *exclusive business relationship* with Lucent *to the exclusion of Lucent's primary competitor, Cisco Systems."*[62] These allegations demonstrate that not only were Actel and Lucent not in competition, even indirectly, but that the relationship between Actel and Lucent was the antithesis of any kind of competitive relationship.

62 Am. Comp. ¶ 24 (emphasis supplied).

The allegations with respect to the Trustee's Lanham Act claim state that, "[t]he commercial misrepresentations made by Lucent had a direct impact on Actel's ability to compete in the telecommunications market [and that] Actel suffered a loss of business reputation and good will as a direct result of Lucent's false and deceptive advertising."[63] Although the Trustee's allegations follow the form of a Lanham Act claim, he misconceives what constitutes actionable misrepresentations. Misrepresentations that have an effect on Actel's ability to compete with other CLEC's do not satisfy the second element of the *Seven-Up* test which is focused on the competitive relationship between the plaintiff and defendant. "In order for representations to constitute 'commercial advertising or promotion' under Section 43(a)(1)(B), they *must* be: ... (2) *by a defendant who is in commercial competition with plaintiff...."* *Seven-Up*, 86 F.3d at 1384 (emphasis supplied). Therefore, accepting all of the factual allegations as true and construing the complaint liberally in favor of the Trustee, it appears "beyond doubt" that the Trustee cannot establish any set of facts to support an inference that Lucent and Actel had a direct, indirect, or even arguable competitive relationship with each other.

63 Am. Comp. ¶ 53,54.

***26** The Trustee argues that to the extent that the *Seven-Up* test requires that a plaintiff and defendant have a competitive relationship, that test has been "effectively overruled" by subsequent decisions of the Fifth Circuit addressing the issue of prudential standing in the context of a Lanham Act claim. The Trustee argues that *Logan*, 263 F.3d at 447, and *Procter & Gamble Co. v. Amway Corp.*, 242 F.3d 539 (5th Cir.2001), addressed whether a plaintiff and defendant must be competitors and "irrefutably state that competition in not fundamental for standing ."[64] The Trustee's "effective overruling" argument is flawed.

64 Rec. Doc. No. 20, memorandum in opposition, at 14 (emphasis in original).

First, the Trustee's argument confuses and conflates the prudential standing issue with the issue of whether a plaintiff can recover on the merits, i.e., whether the complaint "contain[s] either direct allegations on every material point necessary to sustain a recovery ... or contain allegations from which an inference fairly may be drawn that evidence on these material points will be introduced at trial." *Campbell*, 43 F.3d at 975. In *Procter & Gamble*, the Fifth Circuit adopted a five-factor test pursuant to which courts in this circuit analyze prudential standing to assert a Lanham Act claim.[65] The Fifth Circuit stated that the question of prudential standing is "whether the plaintiff 'is a proper party to invoke judicial resolution of the dispute and the exercise of the court's remedial powers." ' *Procter & Gamble*, 242 F.3d at 560. In contrast, the issue of whether the Trustee can recover on the merits is whether the Trustee's allegations are sufficient to establish actionable misrepresentations in Lucent's commercial advertising and promotion within the meaning of § 43(a)(1)(B) of the Lanham Act. *See Seven-Up*, 86 F.3d at 1384.[66]

65 The Fifth Circuit adopted the Lanham Act prudential standing test set forth by the Third Circuit in *Conte Bros. Automotive, Inc. v. Quaker State-Slick 50, Inc.*, 165 F.3d 221, 233 (3d Cir.1998):

> (1) the nature of the plaintiff's alleged injury: Is the injury "of a type that Congress sought to redress in providing a private remedy for violations of the [Lanham Act]?; (2) the directness or indirectness of the asserted injury; (3) the proximity or remoteness of the party to the alleged injurious conduct; (4) the speculativeness of the damages claim; and (5) the risk of duplicative damages or complexity in apportioning damages.

Procter & Gamble, 242 F.3d at 563.

66 Curiously, the Trustee's sole argument in support of his Lanham Act claim is that the Trustee has prudential standing to assert it. The Trustee's various oppositions completely fail to address Lucent's distinct contention that the allegations in the complaint fail to state a claim for actionable misrepresentations pursuant to § 43(a)(1)(B). However, the Court addresses the Trustee's argument to the extent that it bears on the merits of the complaint.

The Court recognizes that the second element of the *Seven-Up* test, i.e., whether the misrepresentations were made "by a defendant who is in commercial competition with the plaintiff," is closely related to the question of prudential standing inasmuch as both inquiries focus on the relationship between the parties. However, the two inquiries are not identical. The *Procter & Gamble* Court did not purport to establish a prudential standing test applicable solely to violations of § 43(a)(1)(B). In contrast, the *Seven-Up* requirements for establishing actionable misrepresentations in "commercial advertising and promotion" applies only to claims brought pursuant to § 43(a)(1)(B). Furthermore, in *Logan* case, a false advertising case, the Fifth Circuit implicitly acknowledged the distinction between the two issues by stating that the inquiry into the

plaintiff's status as one of the defendant's competitors for purposes of prudential standing is "not as stringent as it would be were the issue related to liability or damages." *Logan,* 263 F.3d at 461.[67] Therefore, even were the Court to assume, *arguendo,* that the Trustee could establish prudential standing, that inquiry would not, in and of itself, decide the issue of whether the allegations state a claim for false advertising pursuant to § 43(a)(1)(B) of the Lanham Act.

67 The Second, Seventh, Ninth and Tenth Circuits have held that there must be some discernable competitive relationship between the plaintiff and the defendant to have standing to bring a Lanham Act claim. *See Telecom Int'l America, Ltd.,* 280 F.3d 175, 197 (2d Cir.2001)("[T]o have standing for a [Lanham Act] false advertising claim, the plaintiff must be a competitor of the defendant and allege an competitive injury.") (citation and internal quotation omitted); *Johnny Blastoff, Inc. v. Los Angeles Rams Football Co.,* 188 F.3d 427, 438 (7th Cir.1999)("A party bringing suit must assert 'a discernable competitive injury." ') (citation omitted); *L.S. Heath & Son, Inc. v. AT & T Info. Sys. Inc.,* 9 F.3d 561, 575 (7th Cir.1993)(holding that because plaintiff was not a competitor of defendant, plaintiff did not have standing to assert a § 43(a) false advertising claim."); *Waits v. Frito-Lay, Inc.,* 978 F.2d 1093, 1108, 1109 (9th Cir.1992)(holding that a "discernibly competitive injury must be alleged" because" if such a limitation were not in place the Lanham Act would become a 'federal statute creating the tort of misrepresentation." ')(quoting *Halicki v. United Artists Communications, Inc.,* 812 F.2d 1213, 1214(9th Cir.1987)); *Hutchinson v. Pfeil,* 211 F.3d 515, 520 (10th Cir.2000)("For a false advertising claim designed to prevent unfair competition, the plaintiff 'must be a competitor of the defendant and allege a competitive injury ....") (citation omitted); *Stanfield v. Osborne Indus., Inc.,* 52 F.3d 867, 873 (10th Cir.1995)("A false advertising claim implicates the Lanham Act's purpose of preventing unfair competition. Thus, to have standing for a false advertising claim, the plaintiff must be a competitor of the defendant and allege a competitive injury.")(citing *Waits,* 978 F.2d at 1109)(internal citation omitted).

In *Conte Bros.,* the Third Circuit rejected the proposition that *only* direct competitors or surrogates for direct competitors have standing to assert a Lanham Act claim. *Conte Bros. .,* 165 F.3d at 231 (noting that "parties who are not in direct competition (because they are 'doing business on different economic levels') nevertheless may have standing to sue if they have a 'reasonable interest to be protected against false advertising" '). The Trustee argues that because the Fifth Circuit adopted the prudential standing test from the *Conte Bros.* decision, the Fifth Circuit has implicitly rejected any requirement that a plaintiff and defendant be competitors. Significantly, the Third Circuit Court of Appeals has not adopted the *Gordon & Breach* test for determining whether representations constitute "commercial advertising or promotion." Accordingly, the dicta in *Conte,* on which the Fifth Circuit did not rely to adopt the prudential standing test, is not persuasive in light of *Seven-Up* which is binding circuit law to which this Court adheres.

***27** Second, after reviewing the *Procter & Gamble* and *Logan* decisions, the Court does not, in this case, discern a conflict between Fifth Circuit applications of the prudential standing test and the *Seven-Up* test. In *Procter & Gamble,* the Fifth Circuit noted:

> [T]he focus of the Lanham Act is on "commercial interests [that] have been harmed by a competitor's false advertising," *Granite State Ins. Co. v. Aamco Transmissions, Inc.,* 57 F.3d 316 (3d Cir.1995), and in "secur[ing] to the business community the advantages of reputation and good will by preventing their diversion from those who have created them to those who have not." S.Rep. No. 1333, 79th Cong., 2d Sess. (1946), reprinted in 1946 U.S.C.C.A.N. 1274, 1275.

Procter & Gamble, 242 F.3d at 563 (quoting *Conte Bros.,* 165 F.3d at 234)). Given this Congressional purpose, the Fifth Circuit further found that the plaintiff's alleged injury was not direct because it was "not the case of one competitor's [sic] directly injuring another by making false statements about his own goods and thus inducing customers to switch from a competitor." *Id.* Moreover, the Fifth Circuit noted that consumers, who are "more immediate to the injury" caused by false advertising, do not have standing to sue pursuant to the Lanham Act. *Procter & Gamble,* 242 F.3d at 564-65.

In *Logan,* the plaintiff, Logan, patented a method for spirally slicing meat and sold meat products that were cut using that method in various retail outlets. 263 F.3d at 449. The defendants (collectively "HoneyBaked") likewise were engaged in the business of selling sliced meats. *Id.* Logan sued HoneyBaked for patent infringement. *Id.* The parties settled the patent infringement claims by entering into a licensing agreement. *Id.* at 449-50. Prior to paying royalties pursuant to the licensing agreement, HoneyBaked ordered its sellers not to sell the meat products that were subject to the agreement. *Id.* at 450. Notwithstanding that it had discontinued the sales of the spirally sliced meats, HoneyBaked continued to use pictures of the spiral sliced meat products in its advertising. *Id.* After discovering that HoneyBaked had discontinued the sales, but not the advertising, of spiral sliced meat products, Logan resumed litigation alleging, *inter alia,* a violation of the Lanham Act. *Id.*

After a jury trial in which Logan prevailed on his Lanham Act claim, HoneyBaked argued on appeal that Logan lacked standing to assert a violation of the Lanham Act for false advertising because he failed to establish that he was a competitor of HoneyBaked and failed to allege that he suffered a competitive injury. *Id.* at 460. With respect to the second and third elements of the *Procter & Gamble* test for prudential standing, the Fifth Circuit stated:

> The asserted injury in this case is that HoneyBaked's literally false advertising about its own goods influenced its customers to buy its product instead of Logan's product. HoneyBaked's argument that it is not one of Logan's competitors is unavailing. Our inquiry into Logan's status as one of HoneyBaked's competitors is not as stringent as it would be were the issue related to liability or damages instead of prudential standing. Nevertheless, it is clear that Logan has a direct business interest in the sales of spiral sliced meats. Moreover, his ability to license his spiral slicing method to others may have been directly affected by HoneyBaked's false advertising offering spiral sliced products.

***28** *Logan*, 263 F.3d at 461.

With respect to the question of whether Logan had established the injury element necessary to sustain a Lanham Act claim, HoneyBaked asserted that the evidence was insufficient to sustain the jury verdict because, *inter alia*, "except in a few locations, Logan and HoneyBaked were not even competitors." *Id.* at 462. The Fifth Circuit held that there was sufficient evidence from which the jury could have inferred that Logan was injured:

> As we stated in our standing analysis, Logan has a direct business interest in the sales of spiral sliced meats, and his ability to license his spiral slicing method to others may have been directly affected by HoneyBaked's false advertising offering spiral sliced meat products. The jury was well aware of this, as Logan's claims against HoneyBaked were based on a license agreement regarding Logan's patented method for spirally slicing meat products. *The jury could have inferred that the parties were competitors and that HoneyBaked's false advertising injured Logan.*

Id. at 463. (emphasis supplied).

Relying on the Fifth Circuit's statement that "HoneyBaked's argument that it is not one of Logan's competitors is unavailing," *Logan*, 263 F.3d at 461, the Trustee argues that the Fifth Circuit has specifically rejected any requirement that a competitive relationship exist between the plaintiff and the defendant. The Trustee misreads *Logan*. HoneyBaked's argument was "unavailing" because the facts of the case showed precisely the opposite, i.e., that Logan had a "direct business interest" in the sale of the product that was the subject of the false advertising and his ability to sell his own product was affected by HoneyBaked's false advertising. More importantly, Logan established a violation of the Lanham Act not, as the Trustee asserts, in the absence of any competitive relationship between he and HoneyBaked, but *precisely because* "[t]he jury could have inferred that the parties were competitors and that HoneyBaked's false advertising injured Logan." *Id.* The Trustee's argument that *Logan* has overruled *Seven-Up* is without merit.

Finally, even if there was a conflict between the Fifth Circuit's prudential standing cases and the *Seven-Up* requirement that the defendant must be a commercial competitor of the plaintiff, this Court would nevertheless be bound to apply the *Seven-Up* test. *Logan*, *Seven-Up*, and *Procter & Gamble* were all decided by panels of the Fifth Circuit. *See Logan*, 263 F.3d at 449; *Procter & Gamble*, 242 F.3d at 541, *reh'g denied by Procter & Gamble, Co. v. Amway Corp.*, 252 F.3d 1358 (5th Cir.2001); *Seven-Up*, 86 F.3d at 1381. "It is a firm rule of [the Fifth Circuit] that in the absence of an intervening contrary or superseding decision by this court sitting en banc or by the United States Supreme Court, a panel cannot overrule a prior panel's decision." *Burge v. Parish of St. Tammany*, 187 F.3d 452, 466 (5th Cir.1999); *Texaco Inc. v. Louisiana Land and Exploration Co.*, 995 F.2d 43, 44 (5th Cir.1993). In the event of conflicting panel opinions from the Fifth Circuit, the earlier decision controls. *Texaco Inc.*, 995 F.2d at 44. Accordingly, the Trustee's complaint fails to state a claim for false advertising pursuant to § 43(a)(1)(B) of the Lanham Act.

V. *Motion to Refer to Bankruptcy Court Pursuant to L.R. 83.4*

***29** Lucent moves the Court to refer this action to bankruptcy court. In this district, "all proceedings arising under Title 11 or arising in or related to a case under Title 11" are automatically referred to the bankruptcy court. L.R. 83.4; *In re Service Marine Indus., Inc.*, 2000 WL 777912, at *1 (E.D.La. May 30, 2000)(Clement, J.). The authority for the automatic reference is found in 28 U.S.C. § 157. L.R. 83.4.[68] Because the Court has determined that the Trustee has failed to state a Lanham Act claim, jurisdiction exists over the remaining state law claims exists by virtue of 28 U.S.C. § 1334 because those claims are "related to" a bankruptcy case pending in this district.[69]

68 28 U.S.C. § 157(a) provides that "[e]ach district court may provide that any or all cases under title 11 and any or all proceedings arising under title 11 or arising in or related to a case under title 11 shall be referred to the bankruptcy judges for the district."

69 *See supra* Part I.

28 U.S.C. § 157(d) provides that under certain circumstances, a district court may withdraw the reference to bankruptcy court.[70] The parties agree that absent a Lanham Act claim, grounds for mandatory withdrawal of the reference do not exist.[71] Furthermore, the parties agree that this action is a non-core proceeding[72] and absent a contractual waiver of jury trial, the Trustee has a right to a jury trial in this action. Therefore, permissive withdrawal of the reference would be appropriate in this case. *See Butler, Snow, O'Mara, Stevens & Cannada v. Henderson (In re White),* 172 B.R. 841, 843-44 (S.D.Miss.1994)(holding that the right to a jury trial in adversary non-core proceedings constitutes sufficient cause for withdrawal of the reference pursuant to 28 U.S.C. § 157(d)); *see also Travelers Indemnity Co. v. Babcock & Wilcox Co.,* 2002 WL 100625, at *4 (E.D.La. Jan.23, 2002) (noting that bankruptcy courts in the Eastern District of Louisiana are not authorized to conduct jury trials).[73] Accordingly, the Court declines to refer this action to bankruptcy court. *See In re Harrah's Entertainment, Inc. Securities Litig.,* 1996 WL 684463, at *4 (E.D.La. Nov.26, 1996)(Clement, J.)(declining to "waste judicial resources on a meaningless referral to bankruptcy court" where grounds for both mandatory and permissive withdrawal existed).

70 Section 157(d) provides:

> The district court may withdraw, in whole or in part, any case or proceeding referred under this section, on its own motion or on timely motion of any party, for cause shown. The district court shall, on timely motion of a party, so withdraw a proceeding if the court determines that resolution of the proceeding requires consideration of both title 11 and other laws of the United States regulating organizations or activities affecting interstate commerce.

71 Pursuant to the second sentence of 28 U.S.C. § 157(d), a district court must withdraw the reference to the bankruptcy court if "(1) the proceeding in the bankruptcy court involves a substantial and material question of both title 11 and non-Bankruptcy Code federal law, (2) the non-Bankruptcy Code federal law has more than a *de minimis* effect on interstate commerce, and (3) the motion for withdrawal was timely filed." *In re Service Marine,* 2000 WL 77912, at *2; *Lifemark Hosps. of Louisiana, Inc. v. Liljeberg Enters., Inc. (In re Liljeberg Enters., Inc.),* 161 B.R. 21, 24 (E.D.La.1993)(Livaudais, J.).

72 A proceeding is considered a "core" proceeding within the meaning of 28 U.S.C. § 157 "if it invokes a substantive right provided by title 11 or if it is a proceeding that, by its nature, could arise only in the context of a bankruptcy case." *Wood v. Wood (In re Wood),* 825 F.2d 90, 97 (5th Cir.1987). Accordingly, claims based upon state created rights that could arise outside the bankruptcy context and which could have proceeded in state court absent a bankruptcy are considered non-core proceedings. *Id.*

73 The Fifth Circuit has set forth a number of factors a district court should consider in determining whether permissive withdrawal of the reference, i.e. withdrawal of the reference "for cause shown," is justified pursuant to 28 U.S.C. § 157(d). Those factors are:

> (1) whether the proceeding involves "core" bankruptcy matters; (2) considerations of judicial economy; (3) promoting uniformity in bankruptcy administration; (4) reducing forum shopping and confusion; (5) fostering the economical use of the debtors' and creditors' resources; (6) expediting the bankruptcy process; and (7) whether there has been a jury demand.

In re Service Marine, 2000 WL 777912, at *3 (citing *Holland Am. Ins. Co. v. Succession of Roy,* 777 F.2d 992, 998-99 (5th Cir.1985)); *see also Travelers Indemnity Co.,* 2002 WL 100625, at *3.

Accordingly, for the above and foregoing reasons,

IT IS ORDERED that:

(1) Defendant's motion to dismiss for lack of subject matter jurisdiction pursuant to Fed.R.Civ.P. 12(b)(1) is DENIED.

(2) Defendant's motion to dismiss for improper venue pursuant to Fed.R.Civ.P. 12(b)(3) is DENIED.

(3) Defendant's motion to strike the Trustee's jury demand is DENIED.

(4) Defendant's motion to dismiss the Trustee's Lanham Act claim pursuant to Fed. R. Civ. 12(b)(6) is GRANTED.

(5) Defendant's motion to refer this action to bankruptcy court is DENIED.

Parallel Citations

2004-1 Trade Cases P 74,456
2004-1 Trade Cases P 74,456

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