

505 Fed.Appx. 430

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United States Court of Appeals,  
**Sixth Circuit.**

**JGR, INC.**, Plaintiff–Appellant,

v.

**THOMASVILLE FURNITURE INDUSTRIES, INC.**, Defendant–Appellee.

No. 12–3031.

|  
Nov. 13, **2012**.

#### Synopsis

**Background:** **Furniture** store owner sued manufacturer for breach of contract and fraudulent misrepresentation. On remand for new trial on issue of damages, 550 F.3d 529, the United States District Court for the Northern District Of Ohio awarded damages pursuant to parties' joint stipulation, and owner appealed.

**Holdings:** The Court of Appeals held that:

[1] owners could not recover interest they owed on manufacturer's unappealed judgment, and

[2] owners could not recover lost value of additional stores.

Affirmed.

\***430** On Appeal from the United States District Court for the Northern District Of Ohio.

BEFORE: **MARTIN**, and **MOORE**, Circuit Judges; **WEBER**, Senior District Judge. \*

#### Opinion

\***431** **BOYCE F. MARTIN, JR.**, Circuit Judge.

\*\*1 Proving that three times is not always the charm, this contract dispute between **JGR, Inc.**, which operated a **furniture** store, and **Thomasville Furniture Industries, Inc.**, is before us for the fourth time. **JGR** appeals three rulings by the district court and asks us to vacate the district court's judgment, entered pursuant to a stipulation by the parties, that **JGR** will recover from **Thomasville** \$472,000. For the reasons discussed below, we **AFFIRM** the judgment of the district court.

#### I.

This Court has described the history of this dispute in three previous opinions. See **JGR, Inc. v. Thomasville Furniture Indus., Inc.**, 550 F.3d 529 (6th Cir.2008) (“**JGR III**”); **JGR, Inc. v. Thomasville Furniture Indus., Inc.**, 370 F.3d 519 (6th Cir.2004) (“**JGR II**”); **Thomasville Furniture Indus., Inc. v. JGR, Inc.**, 3 Fed.Appx. 467 (6th Cir.2001) (“**JGR I**”). As we recounted in **JGR III**, 550 F.3d at 531 (citations omitted):

**Thomasville** sued **JGR** in federal court in 1996 to collect payment for **furniture** and service charges. **JGR** filed a separate claim for breach of oral and written contract and fraudulent misrepresentation against **Thomasville** in Ohio state court, which **Thomasville** then removed to federal court. In 1999, the district court granted summary judgment in **Thomasville's** favor, ruling that the Ohio statute of frauds barred **JGR's** breach of oral contract claim and that its implied covenant of good faith claim also failed because it was based on the unenforceable oral contract. **JGR** appealed and, in 2001, this Court reversed and remanded for further consideration of the ‘scope of the written terms of the 1992 Agreement.’

At the 2002 trial, which followed the remand, a jury found that **Thomasville** had breached its 1992 written contract and awarded **JGR** zero lost profits and \$1.5 million lost business value damages.... This Court affirmed the ‘district court's judgment insofar as it reflect[ed] the jury's verdict as to liability,’ but held that the district court abused its discretion by admitting lay opinion testimony and that the improper admission ‘require[d] vacature of the jury's

JGR, Inc. v. Thomasville Furniture Industries, Inc., 505 Fed.Appx. 430 (2012)

damages award and remand for a new trial solely on the issue of damages.

At the retrial on damages, the jury awarded **JGR** \$3.3 million in lost profits and \$3.53 million in lost opportunity costs. **Thomasville** appealed the verdict, asking us to decide—among other issues—whether the district court erred by allowing **JGR** to seek lost profits when **JGR** had failed to appeal the previous jury's verdict of zero lost profits. *Id.* at 530–31. We found that **JGR's** failure to appeal the zero lost profits award barred it from arguing for lost profit damages and vacated the jury award of lost profits. We also vacated the lost opportunity cost award because it depended entirely on the jury's finding of lost profits. We remanded for “a new trial on damages for loss of business value.” *Id.* at 533. In so remanding, we did not “rule on **JGR's** request for damages in the amount of interest on **Thomasville's** judgment against it.” *Id.* at 533 n. 1.

\*\*2 On the most recent remand, **JGR's** expert, Robert M. Greenwald, prepared a new report calculating the value **JGR's** business at the time of the contract breach. The damages calculation included the value of four stores that **JGR** planned to open at the time of the contract breach. **Thomasville** moved for summary judgment, disputing this valuation on various grounds. The district court denied summary judgment to **Thomasville** but ruled \*432 that “no evidence relating” to the third and fourth planned stores could be submitted to the jury. The district court also found that **JGR** should be able to submit a claim for damages in the amount of interest on **Thomasville's** 1999 judgment against it. **Thomasville** moved for reconsideration which the district court granted in part. As relevant here, the district court found that at trial, “[a]ll that plaintiff will be allowed to show, if it can, is what it likely lost in terms of dollars because it was not able to realize its anticipated second store. That and only that will constitute the lost ‘return on investment’ or ‘opportunity costs.’ ” After this ruling, the district court set a trial date. Greenwald issued a supplemental damages report setting forth alternative loss calculations for two **JGR** stores after five years of operation, assuming that **JGR** never opened stores three and four.

Shortly thereafter, the district court vacated its finding that **JGR** should be able to submit a claim for damages in the amount of interest on **Thomasville's** 1999 judgment against it, finding that the issue was not properly before the district

court on the limited remand focused on damages from loss of business value. **JGR** filed a motion for reconsideration which the district court referred to the magistrate judge, along with three motions in limine filed by **Thomasville**, seeking to exclude (1) testimony by **JGR's** expert regarding his opinion on the “loss of value” estimate; (2) any evidence regarding the 1999 judgment obtained by **Thomasville**; and (3) any testimony about alleged pre-breach “wrongful conduct” or “interference” by **Thomasville**.

As to the three motions in limine, the magistrate judge recommended allowing the expert testimony generally but recommended exclusion of the alternative loss calculations by **JGR's** expert because they were based on the assumption that the stores would have doubled in size after five years of operation. The magistrate judge also recommended that the business value of the second store include the actual cost of opening a second store, rather than a cost based on the reinvestment of assumed and as-yet-unearned profits. The magistrate judge recommended the denial of **Thomasville's** second and third motions in limine. Regarding the motion for reconsideration, the magistrate judge recommended denying the motion on the grounds that allowing **JGR** to submit a claim for damages in the amount of interest on **Thomasville's** 1999 judgment against it would amount to “an impermissible collateral attack” on **Thomasville's** 1999 judgment “and/or is barred by principles of *res judicata*.” The district court adopted these recommendations.

\*\*3 Following the ruling of the district court, the parties entered into a joint stipulation agreeing that **JGR** would be awarded damages in the amount of \$471,880. The parties reached this agreement based on the cost of trial and the agreement that \$471,880 was the most that **JGR** would be able to obtain given the district court's pretrial rulings. Based on the district court's rulings, **JGR** would be able to claim its expert's highest damage valuation, \$324,000, for the value of the actual store, plus \$148,000 for the value of the planned second store. By entering into the stipulation, both parties agreed that neither waived objections to the rulings of the district court. **JGR** appeals the following rulings by the district court: (1) that **JGR** would be prohibited from submitting a claim for consequential damages in an amount equal to the pre- and post-judgment interest due on **Thomasville's** 1999 judgment; (2) that **JGR** would be prohibited from presenting evidence on the value of the third and fourth stores; (3) that **JGR** would be prohibited from

JGR, Inc. v. Thomasville Furniture Industries, Inc., 505 Fed.Appx. 430 (2012)

presenting to the jury a loss of value calculation based \*433 on the assumption that JGR would have doubled the sizes of its first and second stores after five years of operation; and (4) that JGR, in presenting a value of the second store to the jury, must subtract the cost of opening the second store.

## II.

### A. 1999 Judgment

JGR argues that the district court erred in finding that JGR cannot recover damages in an amount equal to the interest it owes Thomasville on the 1999 judgment that Thomasville obtained against JGR in case No. 1:96-cv-1424. The district court entered the 1999 judgment pursuant to a stipulation between Thomasville and JGR. After the district court entered summary judgment on the question of JGR's liability for furniture delivered by Thomasville to JGR, the parties agreed on the amount JGR owed to Thomasville. JGR did not appeal either the district court's liability ruling or its entry of the stipulated judgment. On March 21, 2005, in this case the district court ruled that Thomasville was entitled to offset the 1999 Judgment against any damages awarded to JGR in the amount of \$869,829.94 plus post-judgment interest. JGR now argues that it is due consequential damages in an amount equal to the interest JGR owes Thomasville on the 1999 judgment. JGR argues that but for Thomasville's 1992 breach of contract, JGR would have been in business and able to pay its debts to Thomasville and thus would not have been required to pay any interest to Thomasville.

The district court found that JGR was barred from submitting this claim to a jury because any such claim amounts to "an impermissible collateral attack" on Thomasville's 1999 judgment "and/or is barred by principles of *res judicata*." We review legal questions, including the application of the collateral attack doctrine, de novo. See *Gargallo v. Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 918 F.2d 658, 660 (6th Cir.1990). JGR argues that the district court wrongfully applied the doctrines of collateral attack and *res judicata*. Thomasville defends the judgment of the district court on the basis of the doctrines of collateral attack and *res judicata*, and, in the alternative, argues that the interest damages JGR seeks to obtain are not consequential damages because they were not damages proximately caused by the breach.

\*\*4 [1] Even if we assume that there exist some instances in which an amount equal to the interest one party owes another on a previously entered judgment could be a consequential damage resulting from a contract breach interest, which is a proposition that we doubt, we find that allowing JGR to submit a claim for consequential damages in an amount equal to the interest JGR owes Thomasville would amount to an impermissible collateral attack on the 1999 judgment. The Ohio Supreme Court has defined a collateral attack as "an attempt to defeat the operation of a judgment, in a proceeding where some new right derived from or through the judgment is involved." *Ohio Pyro, Inc. v. Ohio Dep't of Commerce*, 115 Ohio St.3d 375, 875 N.E.2d 550, 555 (2007). "[C]ollateral or indirect attacks are disfavored and ... they will succeed only in very limited situations." *Id.* Indeed, a collateral attack will only be permissible if the initial judgment was entered by a court lacking jurisdiction or an act of fraud resulted in the entry of the judgment. *Id.* at 553. JGR agrees that the 1999 judgment is valid and asserts that it is not attempting to attack the judgment. Nonetheless, the success of JGR's argument hinges on allowing a jury to consider whether, but for Thomasville's breach, any judgment would have been entered at all. Moreover, if JGR were \*434 allowed to pursue its consequential damages claim, Thomasville would be deprived of a large part of the benefit of the 1999 judgment. We believe JGR's claim for consequential damages is actually a collateral attack on the 1999 judgment. JGR neither claims that the district court was without jurisdiction to enter the 1999 judgment nor that the judgment was the product of fraud, thus it is an impermissible attack on the 1999 judgment. See *id.*; *Saud v. Bank of New York*, 929 F.2d 916 (2d Cir.1991) (precluding plaintiff from raising an affirmative RICO claim to recover treble the amount of a default judgment entered against him in prior action); *Henry v. Farmer City Bank*, 808 F.2d 1228, 1235-36 (7th Cir.1986) (barring RICO claims brought in later action after foreclosure and deficiency judgment; "if the [plaintiffs] were to recover the damages they seek, the deficiency judgments awarded Farmer City State Bank would be rendered meaningless"); *Sheahy v. Primus Auto. Fin. Servs., Inc.*, 284 F.Supp.2d 278, 283 n. 5 (D.Md.2003) (finding that plaintiff improperly "implicitly seeks to void the [previously entered] default judgment" by raising in a subsequent action affirmative claims for "damages that would presumably include the full amount of the default judgment").

JGR, Inc. v. Thomasville Furniture Industries, Inc., 505 Fed.Appx. 430 (2012)

**JGR** argues that the collateral attack doctrine does not apply in this case because **JGR's** consequential damages claim to recover interest it owes to **Thomasville** was brought in the same court that entered the 1999 judgment. This argument is based on a faulty legal premise: collateral attacks on a judgment need not involve separate or subsequent courts. See, e.g., *Black & White Children of the Pontiac Sch. Sys. v. Sch. Dist. of City of Pontiac*, 464 F.2d 1030, 1030–31 (6th Cir.1972) (applying collateral attack doctrine to bar a complaint because it was filed as “an attempt collaterally to attack” an order entered in “the principal case” handled by the same judge) (per curiam).

\*\*5 **JGR** also argues that its claim for damages based on the amount it owes in interest is not a collateral attack because it is not “actually an attack on the integrity of the judgment,” nor does it render the underlying judgment “ineffective” as required by the Ohio Supreme Court’s definition of collateral attack in *Ohio Pyro*, 875 N.E.2d at 555. However, as **JGR** acknowledged before the district court, consideration of the claim of interest damages requires a jury to find “whether any judgment would have been taken—and therefore whether any pre-judgment or post-judgment interest would have been assessed against **JGR**—had there been no breach of contract by **Thomasville**.” Thus, though **JGR** requests only submission of the interest on the judgment be submitted to the jury, the logic used by **JGR** would allow reconsideration of the entire judgment. Moreover, the purpose of awarding interest is to compensate a party—in this case **Thomasville**—“for the lapse of time between the accrual of the claim and judgment,” and then for the lapse in time until the payment of judgment. *Royal Elec. Constr. Corp. v. Ohio State Univ.*, 73 Ohio St.3d 110, 652 N.E.2d 687, 692 (1995). An award of the amount of the interest on the 1999 judgment as damages would undermine the judgment award entered in 1999.

Because we conclude that **JGR's** effort to obtain damages in an amount equal to the interest it owes **Thomasville** on the 1999 judgment is a collateral attack on that judgment, we need not consider the parties’ arguments relating to the application of *res judicata* or the propriety of framing the request for awards in the amount of interest **JGR** owes to **Thomasville** based on the 1999 judgment as a request for consequential damages. We affirm the district court’s denial of **JGR's** \*435 motion to reconsider the district court’s previous ruling that **JGR** would not be allowed to submit

claims for the amount of interest it owes to **Thomasville** on the 1999 judgment.

#### B. Evidentiary Rulings

**JGR** also appeals the district court’s rulings on three evidentiary issues. First, **JGR** appeals the district court’s ruling disallowing **JGR** from presenting evidence on the value of two planned stores that would have been the third and fourth **JGR** stores. Second, **JGR** appeals the district court’s ruling to deny **JGR** the opportunity to present to the jury its alternative loss of value calculation based on the assumption that **JGR** would have doubled the sizes of its first and second stores after five years of operation. Third, **JGR** appeals the district court’s ruling that **JGR**, in presenting a value of a planned second store to the jury, must also subtract the cost of opening the second store. We review the district court’s evidentiary rulings for abuse of discretion. See *Taylor v. TECO Barge Line, Inc.*, 517 F.3d 372, 378 (6th Cir.2008). “A court abuses its discretion when it commits a clear error of judgment, such as applying the incorrect legal standard, misapplying the correct legal standard, or relying upon clearly erroneous findings of fact.” *Jones v. Ill. Cent. R. Co.*, 617 F.3d 843, 850 (6th Cir.2010). There was no abuse.

\*\*6 [2] We begin by assessing the district court’s decision to exclude **JGR's** valuation of two planned, unopened, stores that would have been the third and fourth **JGR** stores. At the time of the contract breach, **JGR** had one open store and there is evidence that it had begun negotiations on a lease for a second store. Prior to the last trial, the district court ruled that **JGR** could not submit testimony by its expert regarding damages for lost profits or lost opportunity costs resulting from the planned third and fourth stores because “[t]he third and fourth stores were never more than amorphous plans on the part of **JGR**, without even the lease negotiations **JGR** entered into regarding a possible second store at some location on the west side of Cleveland.” The district court concluded that “any testimony or evidence, to the extent they discussed lost profits from planned third or fourth stores,” would be excluded. After the trial, **JGR** did not appeal this ruling. The district court concluded that **JGR's** failure to appeal this issue meant that the previous district court holding had become “law of the case” that could not be reconsidered. “A party that fails to appeal an issue ‘waive[s] his right to raise the [ ] issue[ ] before the district court on remand or before this court on appeal after remand. The law-of-the-case doctrine

JGR, Inc. v. Thomasville Furniture Industries, Inc., 505 Fed.Appx. 430 (2012)

bars challenges to a decision made at a previous stage of litigation which could have been challenged in a prior appeal, but were not.’ ” **JGR III**, 550 F.3d at 532 (citation omitted).

**JGR** argues that the law-of-the-case doctrine does not apply here because the district court's initial ruling applied to the use of evidence regarding stores three and four as evidence of “loss of profits.” In contrast, **JGR** hoped to use the evidence in the third trial as evidence of loss of business value. **JGR** argues that loss of value damages are less speculative than loss of profit damages and therefore subject to different, more lenient evidentiary rules. See *Schonfeld v. Hilliard*, 218 F.3d 164, 175–76 (2d Cir.2000) (comparing “market value of an income-producing asset” with lost profits and finding that market value is “inherently less speculative than lost profits” so “it is appropriate to apply ... proof requirements more leniently [to market loss damages] than [to] proof of lost profits”). Thus, according to **JGR**, the \*436 district court's ruling on the admissibility of evidence of planned stores three and four to “loss of profit” cannot be applied to the use of the stores as evidence of loss of business value. The district court, however, did not base its previous ruling barring the admission of evidence regarding stores three and four on the speculative nature of the damages calculation but rather on the speculative nature of the existence of Stores # 3 and #4. “[C]onsequential damages for breach of contract ... have long been subject to the rule of law that a plaintiff is only entitled to recover such damages as may reasonably be supposed to have been in the contemplation of the parties at the time they made the contract.” *Ed Stimm Chevrolet, Inc. v. Nat'l City Bank*, 28 Ohio St.3d 221, 503 N.E.2d 524, 536 (1986). Given the district court's previous finding that Stores # 3 and # 4 were not “sufficiently within the contemplation of the parties at the time of the contract's formation,” and **JGR's** failure to appeal this ruling, we find that the district court did not abuse its discretion in accepting this finding that the evidence on the value of the third and fourth stores could not be submitted to the jury.

\*\*7 Greenwald's supplemental damages report claimed “that if [**JGR's** principal] had been unable, for any reason, to proceed with Stores # 3 and # 4 as originally planned, he would have expanded the size of both Store # 1 and Store # 2” after five years of operation. The district court held that the basis for its original ruling disallowing evidence regarding Stores # 3 and # 4—that evidence regarding a plan to open a third and fourth store is too speculative—applies

equally to the projected expansion of Stores # 1 and # 2, which would have been entirely contingent on the outcome of the already speculative plans for Stores # 3 and # 4. **JGR** mentioned plans to double the sizes of Stores # 1 and # 2 for the first time in April 2011, after more than a decade of litigation and only after the district court disallowed evidence regarding Stores # 3 and # 4. Moreover, the district court correctly distinguished the cases relied upon by **JGR** for support. Under the standards set forth in both *Bd. of Cnty. Comm'rs of Hamilton Cnty. v. Flanco Realty Co.*, No. C–980781, 1999 WL 420156 (Ohio Ct.App. June 25, 1999) and *Heattransfer Corp. v. Volkswagenwerk, A.G.*, 553 F.2d 964 (5th Cir.1977), the expansion of Stores # 1 and # 2 is highly speculative.

[3] We find that the district court did not abuse its discretion in accepting the magistrate judge's recommendation that **JGR** could not obviate its ruling disallowing evidence regarding Stores # 3 and # 4 by presenting to the jury a loss of value calculation based on the assumption that **JGR** would have doubled the sizes of its first and second store after five years of operation.

[4] Greenwald stated that the cost of opening **JGR's** second store would have been \$225,000, but that a new buyer determining the value of **JGR's** business at the time of the breach would have determined that the cost of opening a new store was \$58,000 because approximately \$167,000 of the cost would have been offset by the projected profits of Store # 1. Thus, in determining the value of Store # 2, Greenwald's report subtracts \$58,000 from its total value. Relying on this Court's decision to preclude recovery for “lost profits” or “lost opportunity costs” due to **JGR's** failure to appeal the issue, the district court accepted the magistrate judge's recommendation that it would be consistent with the law of the case to prohibit **JGR's** expert from taking into consideration the projected profits of Store # 1 in determining the value of Store # 2; therefore, the district court held that Greenwald must \*437 subtract the entire cost of a new store, \$225,000, from his valuation of Store # 2. In addition, **JGR's** expert admitted that at the time of the breach, a buyer would have needed \$225,000 to open Store # 2 because there were no funds available from Store # 1. **Thomasville's** breach was not the cause Store # 1's lack of profits at the time of the breach. We find that the district court did not abuse its discretion in ruling that, in determining the value of Store # 2, **JGR** must subtract the actual cost of opening the second store.

JGR, Inc. v. Thomasville Furniture Industries, Inc., 505 Fed.Appx. 430 (2012)

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\*\*8 Judgment AFFIRMED.

**All Citations**

505 Fed.Appx. 430, 2012 WL 5477116

**Footnotes**

- \* The Honorable [Herman J. Weber](#), Senior United States District Judge for the Southern District of Ohio, sitting by designation.

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