

UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

Curtis Etherton v. Service First Logistics, Inc.

No. No. 19-1362, United States Court of Appeals for the Sixth Circuit (March 30, 2020)

SUMMARY

Res judicata (claim preclusion) barred former employees' FLSA overtime claims against their employer because they arose from the same employment relationship as a prior state-court non-compete suit, could have been raised as counterclaims, and the parties stipulated to dismiss "all claims ... which could have been raised." Applying Michigan's transactional test, the Sixth Circuit held that the employees' duties and compensation were intertwined with the non-compete agreement, making the two suits a convenient trial unit. The dissent argued the overtime claims (based on conduct during employment) and the non-compete claims (based on post-employment conduct) involved separate transactions.

CASE DETAILS

COURT	United States Court of Appeals for the Sixth Circuit
WRITING FOR THE COURT	Murphy; Suhrheinrich; Donald
JURISDICTION	Federal
DECIDED	March 30, 2020
DOCKET	No. 19-1362
DISPOSITION	affirmed
PROCEDURAL POSTURE	Appeal from the United States District Court for the Eastern District of Michigan
PRECEDENTIAL VALUE	Unpublished
PARTIES	Curtis Etherton; Chad Michael Fuller v. Service First Logistics, Inc.; Royce Neubauer

TOPICS

[res judicata](#)[flsa](#)[noncompete agreements](#)[summary judgment](#)[civil procedure](#)

PRACTICE AREAS

[Employment Law](#)[Civil Procedure](#)

QUESTIONS PRESENTED

1. Whether res judicata bars Etherton and Fuller from bringing their overtime claims after they settled a prior state court action brought by Service First for non-compete violations.

HOLDINGS

1. Res judicata bars the overtime claims because they arise from the same transaction as the non-compete claims under Michigan's transactional test.

KEY QUOTATIONS

“Applying Michigan's transactional test here, we likewise find that res judicata bars Etherton's and Fuller's overtime claims.” (at 6)

“res judicata 'bars not only claims already litigated, but also every claim arising from the same transaction that the parties, exercising reasonable diligence, could have raised but did not.’” (at 4)

“by considering whether the facts are related in time, space, origin or motivation, [and] whether they form a convenient trial unit.” (at 5)

FACTUAL BACKGROUND

Service First Logistics hired Curtis Etherton and Chad Michael Fuller as freight brokers. After the company demoted them in fall 2016, they left to work for a competitor. Service First sued them in state court for violating non-compete agreements and misappropriating trade secrets. The parties settled, dismissing with prejudice all claims and counterclaims. Forty-two days later, Etherton and Fuller sued Service First and its CEO in federal court for unpaid overtime under the Fair Labor Standards Act and the Michigan Workforce Opportunity Wage Act.

PROCEDURAL HISTORY

Service First sued Etherton and Fuller in Michigan state court for violating non-compete agreements and misappropriating trade secrets. The parties settled, dismissing with prejudice all claims and counterclaims. Forty-two days later, Etherton and Fuller sued in federal court for unpaid overtime under the FLSA and Michigan law. The district court granted summary judgment to Service First on res judicata grounds.

DISPOSITION

affirmed

CASES CITED

- San Remo Hotel, L.P. v. City & Cty. of San Francisco, 545 U.S. 323 (2005)
- Allen v. McCurry, 449 U.S. 90 (1980)
- AuSable River Trading Post, LLC v. Dovetail Sols., Inc., 874 F.3d 271 (6th Cir. 2017)
- Adair v. State, 680 N.W.2d 386 (Mich. 2004)

- Sewell v. Clean Cut Mgmt., Inc., 621 N.W.2d 222 (Mich. 2001)
- Limbach v. Oakland Cty. Bd. of Cty. Rd. Comm'rs, 573 N.W.2d 336 (Mich. Ct. App. 1997)
- Gose v. Monroe Auto Equip. Co., 294 N.W.2d 165 (Mich. 1980)
- Leslie v. Mollica, 211 N.W. 267 (Mich. 1926)
- Ternes Steel Co. v. Ladney, 111 N.W.2d 859 (Mich. 1961)
- Stanton v. Auto Owners Ins. Co., 2016 WL 6269614 (Mich. Ct. App. 2016)
- Sprague v. Buhagiar, 539 N.W.2d 587 (Mich. Ct. App. 1995)
- Boland v. C.D. Barnes Assocs., Inc., 337 N.W.2d 581 (Mich. Ct. App. 1983)
- Rondigo, L.L.C. v. Twp. of Richmond, 522 F. App'x 283 (6th Cir. 2013)
- Bass v. Peters, 2017 WL 4844994 (Mich. Ct. App. 2017)
- Bd. of Cty. Rd. Comm'rs v. Schultz, 521 N.W.2d 847 (Mich. Ct. App. 1994)
- Van Pembroke v. Zero Mfg. Co., 380 N.W.2d 60 (Mich. Ct. App. 1985)
- Scott v. Reif, 659 F. App'x 338 (6th Cir. 2016)
- United States ex rel. Awad v. Chrysler Grp., LLC, 571 F. App'x 366 (6th Cir. 2014)
- Engle v. City of Livonia, 2007 WL 1206833 (Mich. Ct. App. 2007)
- McConnell v. Applied Performance Techs., Inc., 2002 WL 32882707 (S.D. Ohio 2002)
- McNeill v. Wayne Cty., 2009 WL 799164 (E.D. Mich. 2009)
- Darrow v. City of Potterville, 2008 WL 5382341 (W.D. Mich. 2008)
- Schulz v. Hope Network Rehab. Servs., 2007 WL 330201 (W.D. Mich. 2007)
- Delphi Auto. PLC v. Absmeier, 167 F. Supp. 3d 868 (E.D. Mich. 2016)
- Huron Tech. Corp. v. Sparling, 2014 WL 4495207 (Mich. Ct. App. 2014)
- Fritz v. Delfield Co., 2003 WL 21279555 (Mich. Ct. App. 2003)
- HTC Global Servs., Inc. v. HG Detroit Consulting, L.L.C., 2014 WL 3794478 (Mich. Ct. App. 2014)
- Bodle v. TXL Mortg. Corp., 788 F.3d 159 (5th Cir. 2015)
- Viededo v. New Horizons Computer Learning Ctr. of Columbus, Ltd., 246 F. Supp. 2d 886 (S.D. Ohio 2003)

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