UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

Crawford S. Norris and Kathleen Norris v. Grosvenor Marketing Limited, R. Twinings & Co. Ltd. (U.S.A.), and R. Twining and Company, Ltd.

6 Fed. R. Serv. 3d 109 (2d Cir. 1986) · No. No. 24, Dockets 86-7344, 86-7372 · Decided October 27, 1986

SUMMARY

The Second Circuit affirmed summary judgment for defendants in the Norrises' diversity action arising from the termination of a tea distributorship and alleged interference with lifetime profit payments. The court held that the Norrises' claims were barred by collateral estoppel because the relevant issue had been fully and fairly litigated in a prior arbitration, and independently held that the claims were time barred. The court remanded for determination of sanctions under Federal Rule of Civil Procedure 11.

CASE DETAILS

COURT	United States Court of Appeals for the Second Circuit
WRITING FOR THE COURT	Lumbard; Kearse; Winter
JURISDICTION	Federal
DECIDED	October 27, 1986
DOCKET	No. 24, Dockets 86-7344, 86-7372
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Plaintiffs appealed from the Southern District of New York's entry of summary judgment dismissing their complaint on collateral-estoppel grounds. Defendants cross-appealed the denial of their motion for sanctions under Federal Rule of Civil Procedure 11.
STANDARD OF REVIEW	The court independently reviewed the grant of summary judgment and the legal questions concerning collateral estoppel, statutes of limitations, and Rule 11 sanctions.
PRECEDENTIAL VALUE	published precedential federal appellate opinion
PARTIES	Crawford S. Norris, Kathleen Norris v. Grosvenor Marketing Limited, R. Twinings & Co. Ltd. (U.S.A.), R. Twining and Company, Ltd.

TOPICS

summary judgment · res judicata · statute of limitations · sanctions · appellate procedure

PRACTICE AREAS

civil procedure · appellate procedure · contracts · torts · commercial litigation · remedies

QUESTIONS PRESENTED

1. Whether collateral estoppel barred plaintiffs from relitigating their alleged right to participate in the future profits of Twining's United States distributorship after that issue had been litigated in a prior arbitration.
2. Whether plaintiffs' claims were barred by the applicable statutes of limitations.
3. Whether defendants were entitled to sanctions under Federal Rule of Civil Procedure 11 because plaintiffs' claims were not warranted by existing law or a good-faith argument for changing the law.

HOLDINGS

1. New York's collateral-estoppel doctrine barred plaintiffs' claims because the dispositive issue—their alleged right to share in the continued profits of Twining's United States distributorship—was necessarily decided in the prior arbitration, and plaintiffs had a full and fair opportunity to litigate it.
2. Plaintiffs' claims were barred by applicable limitations principles. Their tortious-interference claim accrued no later than April 12, 1980, and the three-year limitations period had expired before suit was filed on April 25, 1985. The fiduciary-duty and unjust-enrichment theories were also barred because plaintiffs had an adequate legal remedy that they pursued and allowed to become time barred.
3. Rule 11 sanctions were warranted because plaintiffs' claims were patently time barred, had no chance of success under existing precedent, and were unsupported by any reasonable argument for extending, modifying, or reversing the law.

KEY QUOTATIONS

> *"Collateral estoppel, like the related doctrine of res judicata, has the dual purpose of protecting litigants from the burden of relitigating an identical issue with the same party or his privy and of promoting judicial economy by preventing needless litigation."* (803 F.2d at 1285)

> *"More than this the judicial process is not required to provide to disappointed claimants."* (803 F.2d at 1286)

> *"Their "tactical decision" did not toll the running of the statute."* (803 F.2d at 1287)

FACTUAL BACKGROUND

Crawford Norris transferred his Twining tea distributorship, inventory, customer lists, and related business assets to Robert Cooper under a 1969 agreement providing Norris and, potentially, his wife with lifetime payments based on the distributorship's profits. After Twining terminated or accelerated termination of Cooper's distributorship, Cooper stopped making payments, and Norris pursued arbitration against Cooper seeking unpaid amounts, a share of the termination payment, and future-profit damages. The arbitrator awarded Norris unpaid amounts and $750,000 as his share of Twining's termination payment but awarded nothing for future distributorship profits. Norris and his wife later sued Twining-related defendants for fiduciary-duty, tortious-interference, and conversion-related relief based on the alleged loss of their future profit interest.

PROCEDURAL HISTORY

The district court treated defendants' Rule 12(b) motion as one for summary judgment and dismissed the complaint, holding that plaintiffs' claims were barred by collateral estoppel based on a prior arbitration proceeding involving Crawford Norris and Robert Cooper. The district court denied defendants' request for Rule 11 sanctions. The Second Circuit affirmed summary judgment on both collateral-estoppel and statute-of-limitations grounds and remanded for determination of appropriate Rule 11 sanctions.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

The case was remanded to the Southern District of New York to determine and impose appropriate sanctions under Federal Rule of Civil Procedure 11.

CASES CITED

- Ritchie v. Landau, 475 F.2d 151, 154-55 (2d Cir. 1973)
- Schwartz v. Public Administrator, 24 N.Y.2d 65, 298 N.Y.S.2d 955, 246 N.E.2d 725 (1969)
- Winters v. Lavine, 574 F.2d 46, 60-61 (2d Cir. 1978)
- Ryan v. New York Telephone, 62 N.Y.2d 494, 500-01, 478 N.Y.S.2d 823, 826-27, 467 N.E.2d 487, 490-91 (1984)
- Gilberg v. Barbieri, 53 N.Y.2d 285, 291, 441 N.Y.S.2d 49, 51, 423 N.E.2d 807, 809 (1981)
- Goldstein v. Doft, 236 F. Supp. 730, 734 (S.D.N.Y. 1964), aff'd, 353 F.2d 484 (2d Cir. 1965), cert. denied, 383 U.S. 960 (1966)
- Cohen v. Dana, 83 N.Y.S.2d 414, 418 (Sup. Ct. 1948), aff'd, 275 A.D. 723, 87 N.Y.S.2d 614, aff'd, 300 N.Y. 608, 90 N.E.2d 65 (1949)
- Collard v. Village of Flower Hill, 604 F. Supp. 1318, 1323 (E.D.N.Y. 1984), aff'd, 759 F.2d 205 (2d Cir.), cert. denied, 106 S. Ct. 88 (1985)
- Parklane Hosiery Co. v. Shore, 439 U.S. 322, 326 (1979)
- Tillman v. National City Bank of New York, 118 F.2d 631, 634 (2d Cir.), cert. denied, 314 U.S. 650 (1941)
- Fury Imports, Inc. v. Shakespeare Co., 625 F.2d 585 (5th Cir. 1980), cert. denied, 450 U.S. 921 (1981)
- Russell v. Todd, 309 U.S. 280, 289 (1940)
- Singleton v. City of New York, 632 F.2d 185, 190 (2d Cir. 1980), cert. denied, 450 U.S. 920 (1981)
- Klein v. Bower, 421 F.2d 338, 344 (2d Cir. 1970)
- Keys v. Leopold, 241 N.Y. 189, 149 N.E. 828 (1925)
- Eastway Construction Corp. v. City of New York, 762 F.2d 243, 254 & n.7 (2d Cir. 1985)

- Disilvestro v. United States, 767 F.2d 30, 32 (2d Cir. 1985) (per curiam), cert. denied, 106 S. Ct. 400 (1985)