

UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF  
NEW YORK

Norris v. Grosvenor Marketing Ltd.

632 F. Supp. 1193 (S.D.N.Y. 1986) · No. No. 85 Civ. 3194 (CHT) · Decided April 7, 1986

SUMMARY

The court granted defendants' motion for summary judgment, holding that collateral estoppel barred the plaintiffs' claims arising from a 1969 distributorship agreement. The court concluded that the issues concerning breach, fiduciary duties, tortious interference, and future payments had already been fully litigated in an arbitration proceeding and that the plaintiffs had a full and fair opportunity to contest them. The court denied defendants' motion for attorneys' fees and did not reach the statute-of-limitations or failure-to-state-a-claim arguments.

CASE DETAILS

|                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| COURT                 | United States District Court for the Southern District of New York                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| WRITING FOR THE COURT | Tenney, District Judge                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| JURISDICTION          | New York                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| DECIDED               | April 7, 1986                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| DOCKET                | No. 85 Civ. 3194 (CHT)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| DISPOSITION           | other                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| PROCEDURAL POSTURE    | Plaintiffs brought a diversity action asserting claims based on a 1969 contract, including breach of fiduciary duty, tortious interference with contract, and wrongful deprivation of future payments. Defendants moved under Federal Rules of Civil Procedure 12(b) and 56, arguing that the claims were barred by collateral estoppel and res judicata and were time barred. Because the parties submitted matters outside the pleadings, the court treated the Rule 12(b) motion as one for summary judgment. |
| STANDARD OF REVIEW    | Summary judgment standard under Federal Rule of Civil Procedure 56; the court considered matters outside the pleadings and treated the Rule 12(b) motion accordingly. In determining whether collateral estoppel applied in this diversity action, the court applied New York law.                                                                                                                                                                                                                               |
| PRECEDENTIAL VALUE    | Published federal district court 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

civil procedure

contracts

commercial litigation

## PRACTICE AREAS

civil procedure

contracts

commercial litigation

torts

remedies

## QUESTIONS PRESENTED

1. Whether collateral estoppel under New York law barred plaintiffs from litigating claims against defendants who were not parties to the prior arbitration when the claims rested on issues previously litigated by Norris against Cooper.
2. Whether the prior arbitration and confirmed award adjudicated the same contractual, fiduciary-duty, and future-payment issues asserted in the present action.
3. Whether the plaintiffs had a full and fair opportunity to litigate those issues in the prior arbitration.
4. Whether defendants were entitled to summary judgment based on collateral estoppel.

## HOLDINGS

1. Under New York law, collateral estoppel may be invoked when the issue was necessarily decided in a prior adjudication and the party to be bound had a full and fair opportunity to litigate it, even if the party asserting estoppel was not a party to the prior proceeding.
2. Collateral estoppel barred all of plaintiffs' claims because they were premised on the same issues litigated in the arbitration: Cooper's breach of the 1969 Agreement, the alleged breach of fiduciary duty, and plaintiffs' claimed right to present and future payments from the distributorship.
3. Plaintiffs had a full and fair opportunity to litigate the pertinent issues in the arbitration.

## KEY QUOTATIONS

*"The critical factor, however, is not the theory of liability on which the case proceeds; the critical factor is whether liability is premised on the same issues in both proceedings."* (1196)

*"These issues have been adjudicated once and cannot be relitigated here."* (1197)

*"In sum, the plaintiffs were provided a fair opportunity to litigate their claims concerning the 1969 Agreement and Norris received a substantial award for damages."* (1198)

## FACTUAL BACKGROUND

Norris had been Twining's United States tea distributor and in 1969 sold his distribution network to Cooper under an agreement providing Norris with specified shares of distributorship profits, including payments to his wife if he predeceased her. After Twining indicated that Cooper's distributorship would not be renewed, Cooper

sold the distribution network to Grosvenor and stopped making payments to Norris. Norris arbitrated claims against Cooper and received a \$750,000 award for disposition of assets, but later sued Grosvenor and Twining-related defendants alleging that they caused or participated in the same contractual and fiduciary breaches and deprived the plaintiffs of present and future payments.

## PROCEDURAL HISTORY

Norris previously arbitrated claims against Cooper concerning Cooper's breach of the 1969 Agreement. The arbitrator awarded Norris \$750,000 for disposition of assets and the New York Court of Appeals confirmed the award; Cooper paid it in full. Norris and his wife then sued Cooper's successor or affiliated entities, which were not parties to the arbitration, asserting claims arising from the same agreement and alleged injury. The district court granted defendants' motion for summary judgment on collateral-estoppel grounds and denied defendants' motion for attorney fees.

## DISPOSITION

other

## CASES CITED

- *Kremer v. Chemical Construction Corp.*, 456 U.S. 461, 466 n.6, 102 S. Ct. 1883, 1889-90 n.6, 72 L. Ed. 2d 262 (1982)
- *Wilson v. Steinhoff*, 718 F.2d 550, 552 (2d Cir. 1983)
- *Parklane Hosiery Co. v. Shore*, 439 U.S. 322, 99 S. Ct. 645, 58 L. Ed. 2d 552 (1979)
- *Collard v. Village of Flower Hill*, 604 F. Supp. 1318, 1322-23 (E.D.N.Y. 1984), *aff'd*, 759 F.2d 205 (2d Cir. 1985), *cert. denied*, 474 U.S. 1059 (1986)
- *Ufheil Construction Co. v. Town of New Windsor*, 478 F. Supp. 766, 768 (S.D.N.Y. 1979), *aff'd*, 636 F.2d 1204 (2d Cir. 1980)
- *American Insurance Co. v. Messinger*, 43 N.Y.2d 184, 189-90, 401 N.Y.S.2d 36, 39, 371 N.E.2d 798, 801-02 (1977)
- *Ritchie v. Landau*, 475 F.2d 151, 154-56 (2d Cir. 1973)
- *Schwartz v. Public Administrator of the County of Bronx*, 24 N.Y.2d 65, 71, 298 N.Y.S.2d 955, 960, 246 N.E.2d 725, 729 (1969)
- *Ryan v. New York Telephone Co.*, 62 N.Y.2d 494, 501, 478 N.Y.S.2d 823, 827, 467 N.E.2d 487, 491 (1984)
- *Gilberg v. Barbieri*, 53 N.Y.2d 285, 291, 441 N.Y.S.2d 49, 50, 423 N.E.2d 807, 808 (1981)
- *O'Brien v. Syracuse*, 54 N.Y.2d 353, 357, 445 N.Y.S.2d 687, 688, 429 N.E.2d 1158 (1981)
- *Matter of Reilly v. Reid*, 45 N.Y.2d 24, 29-30, 407 N.Y.S.2d 645, 648-49, 379 N.E.2d 172, 175-77 (1978)
- *Lowell v. Twin Disc, Inc.*, 527 F.2d 767, 771 (2d Cir. 1975)
- *Simon v. Royal Business Funds Corp.*, 29 N.Y.2d 692, 692, 325 N.Y.S.2d 649, 649, 275 N.E.2d 21, 21 (1971)
- *Boehm v. Ekco Products Co.*, 47 A.D.2d 807, 807, 365 N.Y.S.2d 101, 102 (1975)
- *Norris v. Cooper*, 61 N.Y.2d 299, 473 N.Y.S.2d 774 (1984)

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