

SUPREME COURT OF MISSISSIPPI

ERA Franchise Systems, Inc. v. Mathis

931 So. 2d 1278 (Miss. 2006) · No. No. 2005-IA-00350-SCT · Decided June 22, 2006

SUMMARY

The Mississippi Supreme Court reviewed an interlocutory appeal concerning whether a chancery-court action involving derivative and direct claims should be transferred to circuit court. The court held that the claims were primarily legal, involved contractual obligations, sought punitive damages, and implicated the defendants' right to a jury trial. It reversed the chancery court's denial of the transfer motion and remanded with instructions to transfer the case to the Covington County Circuit Court.

CASE DETAILS

COURT	Supreme Court of Mississippi
WRITING FOR THE COURT	Waller, Presiding Justice; Smith, Chief Justice; Carlson, Justice; Dickinson, Justice; Easley, Justice; Graves, Justice; Diaz, Justice; Cobb, Presiding Justice; Randolph, Justice
JURISDICTION	Mississippi
DECIDED	June 22, 2006
DOCKET	No. 2005-IA-00350-SCT
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	ERA sought interlocutory review of the chancery court's denial of its motion to transfer a mixed equitable and legal action to circuit court.
STANDARD OF REVIEW	De novo. Jurisdiction and a ruling on a motion to transfer between chancery and circuit court are questions of law reviewed de novo.
PRECEDENTIAL VALUE	Published Mississippi Supreme Court en banc decision; precedential.
PARTIES	ERA Franchise Systems, Inc. v. Vennit B. Mathis, II

TOPICS

- interlocutory appeal
- appellate jurisdiction
- civil procedure
- contracts
- corporate law

PRACTICE AREAS

- civil procedure
- appellate procedure
- contracts
- corporate law
- real estate

QUESTIONS PRESENTED

1. Whether the chancery court erred by refusing to transfer to circuit court a complaint containing both equitable and legal claims.
2. Whether Mathis's purported derivative claims seeking compensatory and punitive damages were actually direct legal claims rather than a true shareholder derivative action.
3. Whether the contractual and related legal claims, together with the requests for compensatory and punitive damages, were more appropriately adjudicated in circuit court.

HOLDINGS

1. Although a true shareholder derivative action is equitable, Mathis's claims seeking an individual recovery for his own benefit, to the exclusion of the other equity owner, were direct legal claims rather than a true derivative action.
2. The chancery court erred in refusing to transfer the action to circuit court because the claims primarily arose from contractual obligations, included legal claims and punitive-damages requests, and adjudication in chancery court would impair the defendants' constitutional jury-trial right.

KEY QUOTATIONS

“Because Mathis's claims contain questions of law and equity, request punitive damages, and because having the claims adjudicated in chancery court would deprive ERA of the right to a jury trial, we find the chancellor erred in denying the defendants' motion to transfer the case to circuit court.” (1284)

FACTUAL BACKGROUND

Mathis alleged that he owned a fifty-percent equity interest in Real Estate Professionals, LLC, and had made loans and pledged personal assets based on representations by a former business partner that real property would be conveyed to him. He alleged that the former partners and related entities diverted the company's assets, real estate listings, franchise rights, commissions, and agents to newly formed entities, leaving the original company unable to operate or pay its obligations to ERA. His complaint asserted derivative and direct contract, fiduciary-duty, tort, and other claims and sought equitable relief, actual damages, and punitive damages.

PROCEDURAL HISTORY

Mathis filed a fourteen-count complaint in the Chancery Court of Covington County involving derivative and direct claims arising from the operation of a real estate franchise business. ERA moved to transfer the case to circuit court. The chancellor denied the motion and proposed bifurcating the equitable and legal claims. The Mississippi Supreme Court granted ERA's petition for interlocutory appeal and reversed.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

Reverse the chancery court's denial of ERA's motion to transfer and remand with instructions to transfer the case to the Covington County Circuit Court.

CASES CITED

- Union National Life Insurance Co. v. Crosby, 870 So. 2d 1175 (Miss. 2004)
- Derouen v. Murray, 604 So. 2d 1086 (Miss. 1992)
- Copiah Medical Associates v. Mississippi Baptist Health Systems, 898 So. 2d 656 (Miss. 2005)
- Briggs & Stratton Corp. v. Smith, 854 So. 2d 1045 (Miss. 2003)
- Burnette v. Hartford Underwriters Insurance Co., 770 So. 2d 948 (Miss. 2000)
- Southern Leisure Homes, Inc. v. Hardin, 742 So. 2d 1088 (Miss. 1999)
- RE/Max Real Estate Partners v. Lindsley, 840 So. 2d 709 (Miss. 2003)
- McNeil v. Hester, 753 So. 2d 1057 (Miss. 2000)
- Saulsberry v. Saulsberry, 223 Miss. 684, 78 So. 2d 758 (1955)
- Roberts v. Spence, 209 So. 2d 623 (Miss. 1968)
- In re Estate of Pickett, 879 So. 2d 467 (Miss. Ct. App. 2004)
- Osborne v. Bullins, 549 So. 2d 1337 (Miss. 1989)
- Tideway Oil Programs, Inc. v. Serio, 431 So. 2d 454 (Miss. 1983)
- Louisville & Nashville Railroad v. Hasty, 360 So. 2d 925 (Miss. 1978)
- Poole v. Gwin, Lewis & Punches, LLP, 792 So. 2d 987 (Miss. 2001)
- New Orleans & N.E.R. Co. v. Gable, 252 Miss. 605, 172 So. 2d 421 (1965)
- Johnson v. Bagby, 252 Miss. 125, 171 So. 2d 327 (1965)