

UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

Rexing Quality Eggs v. Rembrandt Enterprises, Inc.

No. 19-2146, United States Court of Appeals for the Seventh Circuit (March 26, 2020)

SUMMARY

****Key Legal Topics:**** Claim splitting; res judicata (claim preclusion); Indiana law; diversity jurisdiction; conversion; continuing tort exception. ****Holding:**** The Seventh Circuit affirmed dismissal of a second lawsuit (tort claims for conversion and deception) because it violated Indiana's prohibition on claim splitting. The court held that the claims arose from the same transaction or occurrence as the earlier breach-of-contract action, that Rexing knew of the disputed shipping materials at the time of the first suit, and that conversion is not a continuing tort exempt from the claim-splitting bar. Under *Semtek*, federal courts apply state law (here Indiana) as federal common law when determining the preclusive effect of a prior diversity judgment.

CASE DETAILS

COURT	United States Court of Appeals for the Seventh Circuit
WRITING FOR THE COURT	Wood; Hamilton; Scudder
JURISDICTION	Federal
DECIDED	March 26, 2020
DOCKET	19-2146
DISPOSITION	affirmed
PROCEDURAL POSTURE	Appeal from dismissal on claim-splitting grounds.
PRECEDENTIAL VALUE	Published
PARTIES	Rexing Quality Eggs v. Rembrandt Enterprises, Inc.

TOPICS

- res judicata
- civil procedure
- conversion
- appellate procedure

QUESTIONS PRESENTED

- Whether the district court applied the correct test under Indiana law for claim splitting.
- Whether the rule against claim splitting applies to claims based on facts that were unknown at the time of the first lawsuit.
- Whether conversion is a continuing tort that is exempt from the rule against claim splitting.

HOLDINGS

1. The district court applied the correct test. The 'identical evidence' test under Indiana law requires only that the same general evidence would be used to adjudicate all claims, not that the evidence be exactly identical.
2. The rule applies because Rexing knew about the EggsCargoSystem at the time of Rexing I and had already demanded its return. No material unknown facts later came to light.
3. Conversion is not a continuing tort within the meaning of Restatement § 26(1)(e) for claim-splitting purposes. Indiana law does not recognize such an exception.

KEY QUOTATIONS

“[A] party is not allowed to split a cause of action, pursuing it in a piecemeal fashion and subjecting a defendant to needless multiple suits.” (at 6)

“[M]ultiple legal theories supporting relief on account of one transaction must be litigated at one go.” (at 6)

“the same general evidence would be used to adjudicate all of [the] claims.” (at 7)

“the plaintiff, to avoid splitting, must claim all damages suffered [up] to the time of the suit.” (at 9)

FACTUAL BACKGROUND

Rexing and Rembrandt entered into a contract for the supply of cage-free eggs. Rexing repudiated the contract, claiming Rembrandt breached quality standards. Rexing sued Rembrandt for breach of contract (Rexing I), seeking damages including start-up costs for the EggsCargoSystem (reusable shipping materials). After partial summary judgment against Rexing, but before trial, Rexing brought a second action (Rexing II) in state court for conversion and deception, alleging Rembrandt refused to return the EggsCargoSystem. Rembrandt removed to federal court and moved to dismiss, arguing claim splitting. The district court dismissed Rexing II.

PROCEDURAL HISTORY

Rexing I was a breach of contract action in the Southern District of Indiana. After partial summary judgment, Rexing brought Rexing II in state court for conversion and deception. Rembrandt removed to federal court and moved to dismiss on claim-splitting grounds. The district court granted the motion, and Rexing appealed.

DISPOSITION

affirmed

CASES CITED

- Palka v. City of Chicago, 662 F.3d 428, 437 (7th Cir. 2011)
- Alvear-Velez v. Mukasey, 540 F.3d 672, 678 (7th Cir. 2008)
- Semtek Int'l Inc. v. Lockheed Martin Corp., 531 U.S. 497, 508 (2001)
- MicroVote Gen. Corp. v. Indiana Election Comm'n, 924 N.E.2d 184, 192 (Ind. Ct. App. 2010)

- Quimby v. Becovic Mgmt. Grp., Inc., 946 N.E.2d 30, 34 n.4 (Ind. Ct. App. 2011)
- Wabash Valley Power Ass'n, Inc. v. Rural Electrification Admin., 903 F.2d 445, 455 (7th Cir. 1990)
- Telamon Corp. v. Charter Oak First Ins. Co., 2016 WL 67297 (S.D. Ind. 2016), aff'd, 850 F.3d 866 (7th Cir. 2017)
- Hilliard v. Jacobs, 957 N.E.2d 1043, 1047 (Ind. Ct. App. 2011)
- Atkins v. Hancock Cnty. Sheriff's Merit Bd., 910 F.2d 403, 405 (7th Cir. 1990)
- Erie Ins. Co. v. George, 681 N.E.2d 183, 190 (Ind. 1997)
- Van Bibber v. Norris, 404 N.E.2d 1365, 1380 (Ind. Ct. App. 1980)
- Rexing Quality Eggs v. Rembrandt Enterprises, Inc., 360 F. Supp. 3d 817 (S.D. Ind. 2018)

CITED IN

- Rexing Quality Eggs v. Rembrandt Enterprises, Inc., Rexing Quality Eggs v. Rembrandt Enterprises, Inc., 953 F.3d 998, 1002 (7th Cir. 2020)
- Rexing Quality Eggs v. Rembrandt Enterprises, Inc., Rexing Quality Eggs v. Rembrandt Enterprises, Inc., 953 F.3d 998, 1002 (7th Cir. 2020)