UNITED STATES DISTRICT COURT FOR THE MIDDLE DISTRICT OF NORTH CAROLINA

USConnect, LLC v. Vendors Exchange International, Inc. and Vendors Exchange International, LLC d/b/a VE Solutions

USConnect, LLC v. Vendors Exchange International, Inc. and Vendors Exchange International, LLC d/b/a VE Solutions · No. 1:26CV174 · Decided June 22, 2026

SUMMARY

This memorandum opinion and recommendation addresses defendants' motion to dismiss a second action as impermissible claim-splitting and plaintiff's motion to consolidate it with an earlier action. The magistrate judge recommends denying dismissal and granting consolidation under Federal Rule of Civil Procedure 42(a), because the actions involve common factual questions and consolidation would promote efficiency without undue prejudice.

CASE DETAILS

COURT	United States District Court for the Middle District of North Carolina
WRITING FOR THE COURT	United States Magistrate Judge McFadden
JURISDICTION	United States District Court for the Middle District of North Carolina
DECIDED	June 22, 2026
DOCKET	1:26CV174
DISPOSITION	other
PROCEDURAL POSTURE	Defendants moved to dismiss this action as impermissible claim-splitting. Plaintiff opposed dismissal and moved to consolidate this action with an earlier related action, 1:25CV692. The magistrate judge issued a memorandum opinion and recommendation that the motion to dismiss be denied and the motion to consolidate be granted.
STANDARD OF REVIEW	The opinion applied the federal claim-splitting doctrine and the discretionary consolidation standard under Federal Rule of Civil Procedure 42(a); no separate appellate standard of review was stated.
PRECEDENTIAL VALUE	nonprecedential recommendation

TOPICS

motions to dismiss · civil procedure · joinder · commercial litigation · breach of contract

PRACTICE AREAS

civil procedure · commercial litigation · contracts · intellectual property

QUESTIONS PRESENTED

1. Whether the 2026 action should be dismissed as impermissible claim-splitting because it involved the same parties and transaction as the 2025 action.
2. Whether the 2025 and 2026 actions should be consolidated under Federal Rule of Civil Procedure 42(a).

HOLDINGS

1. Dismissal was not warranted, even assuming that the 2026 action involved claim-splitting, because the plaintiff was not attempting to circumvent an adverse ruling, the earlier action remained at the motion-to-dismiss stage, and consolidation was a more appropriate remedy under the circumstances.
2. The court recommended granting consolidation because the actions involved common questions of law and fact, and consolidation would reduce duplicative discovery, litigation expense, witness burden, and the risk of inefficient case administration without merging the actions or altering the parties' rights.

KEY QUOTATIONS

> *"The doctrine of claim-splitting prohibits a plaintiff from prosecuting its case piecemeal . . . ."* (Discussion II.A)

> *"Ultimately, the court need not resolve the claim-splitting question, because even assuming arguendo that this action involves claim-splitting, consolidation, rather than dismissal, is the appropriate remedy."* (Discussion II.A)

> *"When actions involve a common question of law or fact, as these actions do, Rule 42(a) of the Federal Rules of Civil Procedure provides the court with several options."* (Discussion II.B)

> *"consolidation is permitted as a matter of convenience and economy in administration, but does not merge the suits into a single case, or change the rights of the parties."* (Discussion II.B)

FACTUAL BACKGROUND

USConnect filed a 2025 action asserting state and federal claims arising from its business relationship with the defendants, including claims involving an alleged Master Services Agreement, trade secrets, technology, and intellectual property. After discovering that defendants allegedly concealed the conversion of money contractually belonging to USConnect, USConnect filed the 2026 action asserting additional contract-related and other claims. The 2025 action remained at the motion-to-dismiss stage, and the two actions involved overlapping parties, transactions, contractual issues, and alleged conduct involving USConnect and its affiliates.

PROCEDURAL HISTORY

USConnect filed an earlier action against the defendants in 2025 concerning their fractured business relationship. After allegedly discovering additional conduct, USConnect filed this second action in February 2026 instead of seeking leave to amend the earlier complaint. Defendants moved to dismiss the second action, and USConnect moved to consolidate the two cases. The magistrate judge recommended denying dismissal and granting consolidation.

DISPOSITION

other

CASES CITED

- Sensormatic Sec. Corp. v. Sensormatic Elecs. Corp., 452 F. Supp. 2d 621, 626 (D. Md. 2006), aff'd, 273 F. App'x 256 (4th Cir. 2008) (unpublished)
- Smith v. Bank of the Carolinas, No. 1:11CV1139, 2012 WL 4848993 (M.D.N.C. Oct. 11, 2012), report and recommendation adopted, 2013 WL 2156008 (M.D.N.C. May 17, 2013)
- Semtek Int'l Inc. v. Lockheed Martin Corp., 531 U.S. 497, 508 (2001)
- Q Int'l Courier Inc. v. Smoak, 441 F.3d 214, 218 (4th Cir. 2006)
- Bockweg v. Anderson, 428 S.E.2d 157, 161 (N.C. 1993)
- Zapata Hermanos Sucesores S.A. de C.V. v. Fein, No. 3:07-CV-441, 2008 WL 1944536, at *1 (W.D.N.C. Apr. 30, 2008)
- Brightview Grp., LP v. Glynn, No. SAG-21-3027, 2022 WL 743937, at *11 (D. Md. Mar. 11, 2022)
- Campbell v. Boston Scientific Corp., 882 F.3d 70, 74 (4th Cir. 2018)
- Arnold v. E. Air Lines, 681 F.2d 186, 193 (4th Cir. 1982)
- Hall v. Hall, 584 U.S. 59, 70 (2018)
- Johnson v. Manhattan Ry. Co., 289 U.S. 479, 496-97 (1933)

OPINION

USConnect, LLC v. Vendors Exchange International, Inc. and Vendors Exchange International, LLC d/b/a VE Solutions
PER CURIAM.
IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF NORTH CAROLINA
USCONNECT, LLC,
Plaintiff, v. 1:26CV174
VENDORS EXCHANGE
INTERNATIONAL, INC. and
VENDORS EXCHANGE
INTERNATIONAL, LLC d/b/a
VE SOLUTIONS,
Defendants.
MEMORANDUM OPINION AND RECOMMENDATION OF
UNITED STATES MAGISTRATE JUDGE

The issue before the court is different mechanisms: via amended straightforward: Should the court complaint in the 2025 Action (the dismiss this action because defendants) or consolidated actions USConnect, LLC ("USConnect") could (the plaintiff). Because the case law have sought leave to amend its supports consolidation and it will not complaint in the 1:25CV692 civil prejudice the parties or the court, the action ("2025 Action") instead of court should deny the motion to filing this suit or should the court dismiss and grant the motion to consolidate the two cases to allow all consolidate. claims to move forward? The defendants have moved to dismiss I. BACKGROUND this action, representing they would not oppose any motion by the plaintiff USConnect initially filed suit against to amend. Mot. to Dismiss, Docket the defendants on June 27, 2025, Entry 7. USConnect has moved to alleging various claims arising from consolidate the cases. Mot. to their fractured business relationship. Consolidate Cases, Docket Entry 11. See 2025 Action. On February 27, 2026, rather than amending its The parties agree that the claims Complaint in the 2025 Action, belong together, albeit through USConnect filed the instant action ("2026 Action") alleging various and unjust enrichment. See Compl., claims arising from the same Docket Entry 1. fractured business relationship. The defendants have moved to More specifically, in the 2025 Action, dismiss this action because, as they USConnect brings claims for breach argue, it involves improper claim- of contract, contractual splitting. USConnect disagrees but indemnification, misappropriation of nevertheless moves to consolidate the trade secrets, common law unfair 2025 Action and 2026 Action. competition, unfair and deceptive trade practices, unjust enrichment, II. DISCUSSION and breach of implied covenant of good faith and fair dealing — all in A. Dismissal is not warranted. violation of North Carolina law, and misappropriation of trade secrets and The doctrine of claim-splitting passing off — both in violation of "prohibits a plaintiff from prosecuting federal law. See generally Compl., its case piecemeal . . . ." Sensormatic Docket Entry 3, 1:25CV692. Sec. Corp. v. Sensormatic Elecs. Corp., 452 F. Supp. 2d 621, 626 (D. In late 2025, "USConnect discovered Md. 2006), aff'd, 273 F. App'x 256 that Defendants had been concealing (4th Cir. 2008) (unpublished). This is their conversion of thousands (and precisely what the defendants argue potentially hundreds of thousands) of USConnect is doing with its separate dollars that otherwise contractually actions. They contend that this action belonged to USConnect." See Pl.'s "involve[s] the same parties" and Resp. to Defs.' Mot. to Dismiss "arise[s] out of the same transaction, ("Resp. to Mot. to Dismiss") at 1-2, the MSA" as the 2025 Action, and, as Docket Entry 9, 1:26CV174. By this a result, "[t]he rule against claim time, the defendants had moved to splitting warrants dismissal of" this dismiss various claims in the 2025 suit. Defs.' Br. in Supp. of Mot. to Action and the motion had been Dismiss ("Br. in Supp. of Mot. to referred for a recommended ruling. Dismiss") at 4, Docket Entry 8 (citing Sensormatic Sec. Corp., 452 F. Supp. On February 17, 2026, several months 2d 621; Smith v. Bank of the after its discovery of the defendants' Carolinas, No. 1:11CV1139, 2012 WL "conversion" of money "that 4848993 (M.D.N.C. Oct. 11, 2012), otherwise contractually belonged to report and recommendation USConnect," the plaintiff filed this adopted, 2013 WL 2156008 action against the defendants for

(M.D.N.C. May 17, 2013)). According breach of contract, breach of the to the defendants, USConnect should covenant of good faith and fair have sought leave to amend the dealing, contractual indemnification, complaint in the 2025 Action to add its new claims. See id. at 5. Because it brought this second suit instead, the USConnect argues that applying the case should be dismissed. “transactional approach” to claim- splitting, as do the defendants, also USConnect disagrees. It argues that supports its position that dismissal is the defendants improperly applied not warranted. Id. at 11-15. federal claim-splitting law, whereas North Carolina law applies here. And The defendants reply that the cases North Carolina law does not bar this USConnect cites apply state claim action. See Resp. to Mot. to Dismiss at preclusion law in diversity cases. See 7-11 (citing Semtek Int’l Inc. v. Lockheed Defs.’ Reply in Supp. of Mot. to Martin Corp., 531 U.S. 497, 508 (2001); Dismiss at 3, Docket Entry 13. But Sensormatic Sec. Corp., 273 F. App’x at when the court in Sensormatic Sec. 261; Q Int’l Courier Inc. v. Smoak, 441 Corp. decided the issue of claim- F.3d 214, 218 (4th Cir. 2006)).1 splitting, it applied federal law. Id. at 3-4 (citing Sensormatic Sec. Corp., According to USConnect, North 273 F. App’x at 265). Carolina’s “‘common law rule against claim-splitting [is] based on the Ultimately, the court need not resolve principle that all damages incurred as the claim-splitting question, because the result of a single wrong must be even assuming arguendo that this recovered in one lawsuit,’” but action involves claim-splitting, “‘[w]here a plaintiff has suffered consolidation, rather than dismissal, multiple wrongs at the hands of a is the appropriate remedy. The cases defendant, a plaintiff may normally the defendants cite are bring successive actions or, at his distinguishable from this action. For option, may join several claims example, the court in Smith was together in one lawsuit.’” Id. at 10 tasked with ruling on a motion to (quoting Bockweg v. Anderson, 428 dismiss a breach of contract claim S.E.2d 157, 161 (N.C. 1993)). In that the plaintiff asserted in a second addition, “North Carolina’s action after judgment was entered preclusion law will not bar a and satisfied in the first. 2012 WL subsequent claim where the 4848993, at *5. The question of subsequent claim was not known at consolidation was not before the the time of the original suit.” Id. court. See generally id. Naturally, the (citing Zapata Hermanos Sucesores court found that “allowing Plaintiff to S.A. de C.V. v. Fein, No. 3:07-CV-441, proceed with a second breach of 2008 WL 1944536, at *1 (W.D.N.C. contract claim arising from the Apr. 30, 2008)). Nevertheless, Employment Agreement when she 1 These cited cases apply state law in the misappropriation of trade secrets and second action if the first court was passing off. Therefore, this is not a sitting in diversity. But the 2025 Action scenario where the first court was sitting is before the court on original jurisdiction in diversity. over the two federal claims of could have brought that claim along with her earlier breach of contract Here, USConnect is not claim arising from the Employment circumventing an adverse ruling by Agreement would disserve the goals filing this action. While it delayed in of efficiency and judicial economy doing so once it discovered the which res judicata aims to promote.” defendants’ additional conduct, that Id. at *6. delay was only a few months. The 2025 Action is still at the motion to In Sensormatic Sec. Corp., the district dismiss stage. As such, the court has court denied the plaintiff's motion for yet to enter a discovery scheduling leave to amend its complaint in its order governing the procedural original action for failure to show timing of the case. Accordingly, good cause. 273 F. App'x at 260. dismissal of this action is not Consequently, the plaintiff filed a warranted. second suit asserting, among others, the claim it sought to add to the Therefore, the Court should deny the complaint in the other action. Id. The defendants' motion to dismiss. Fourth Circuit Court of Appeals affirmed the district court's dismissal B. Consolidation is warranted. of the duplicative claim in the second action as improper claim-splitting. Id. When actions "involve a common at 265. The plaintiff had "sought to question of law or fact," as these circumvent the Sensormatic I court's actions do, Rule 42(a) of the Federal decision to deny [its] motion for leave Rules of Civil Procedure provides the to file an amended complaint," and court with several options. "[T]he the claims were "on the same subject court may: (1) join for hearing or trial in the same court, against the same any or all matters at issue in the defendant at the same time." Id. See actions; (2) consolidate the actions; or also Brightview Grp., LP v. Glynn, (3) issue any other orders to avoid No. SAG-21-3027, 2022 WL 743937, unnecessary cost or delay." Fed. R. at *11 (D. Md. Mar. 11, 2022) Civ. P. 42(a). (dismissing the second action for claim-splitting, rather than Here, USConnect identifies several consolidating the two actions, where common questions of fact between the plaintiff "declined [to seek leave to the two actions. See Mem. in Supp. of amend the complaint in the first Pl.'s Mot. to Consolidate ("Mem. in action] for more than a year, during Supp. of Mot. to Consolidate"), which time the parties fully briefed Docket Entry 12. In the 2025 Action, dispositive motions that were resolved by th[e] Court, commenced the factfinder will be required settlement negotiations, closed the to determine, among other case, reopened the case, and agreed things, that the parties agreed upon a schedule for trial"). to the Master Services Agreement ("MSA"); that second action) turns on several Defendants unlawfully used factors, including "'whether the USConnect's technology, specific risks of prejudice and possible network, and other confidential confusion' from consolidation 'were information and intellectual overborne by the risk of inconsistent property (to which they gained adjudications . . . , the burden on access pursuant to the MSA); parties, witnesses, and available and that Defendants had judicial records posed by multiple interactions with USConnect's lawsuits, the length of time required Affiliates that violate the MSA to conclude multiple suits as against a or are otherwise unlawful. single one, and the relative expense to all concerned of the single-trial, Id. at 1-2 (internal citations omitted). multiple-trial alternatives.'" Campbell v. Boston Scientific Corp., Similarly, the [2026 Action] 882 F.3d 70, 74 (4th Cir. 2018) will require the factfinder to (quoting Arnold v. E. Air Lines, 681 resolve, among other things, F.2d 186, 193 (4th Cir. 1982)). whether Defendants sold the USConnect addressed these factors in Integrated Products (i.e. support of its motion, see Mem. in whether the products sold were Supp. of Mot. to Consolidate at 3, but the actual Integrated Products) the defendants made no mention of without reporting such sales to them, see generally Resp. to Mot. to USConnect thereby depriving Consolidate. USConnect of its share of the monthly service fee in violation At the June 10 hearing,

in response to of the MSA; and whether the Court's inquiry, defense counsel Defendants interacted with contended that consolidation would USConnect's Affiliates and prejudice the defendants because the Operators outside of the MSA matters would proceed on two by selling and servicing separate tracks with separate Integrated Products without pleadings, USConnect would seek reporting same to USConnect. discovery on this action if the court consolidated the matters before ruling Id. at 2 (internal citations omitted). on the motion to dismiss, and one The defendants do not dispute these action could be on appeal for similarities. See generally Defs.' summary judgment while the other Resp. to Pl. USConnect, LLC's Mot. to proceeded to trial. Indeed, as the Consolidate ("Resp. to Mot. to United States Supreme Court Consolidate"), Docket Entry 16. recognizes, "'consolidation is permitted as a matter of convenience Whether to consolidate actions or and economy in administration, but permit them to proceed separately (if does not merge the suits into a single claim-splitting is not a bar to the case, or change the rights of the parties...." Hallv. Hall, 584 U.S. 59, 70 (2018) (quoting Johnson ov. Ill. CONCLUSION Manhattan R. Co., 289 U.S. 479, 496-
97 (1933)). IT IS THEREFORE
RECOMMENDED that the Court However, the other factors — burden DENY the defendants' motion to on witnesses and court resources, dismiss; expense, and time — outweigh any purported prejudice from IT IS FURTHER consolidation to the defendants.? RECOMMENDED that the Court Consolidation permits the cases to GRANT USConnect's motion to proceed with discovery in both consolidate 1:25CV692 and actions at the same _ time. 1:26CV174. Coordinating discovery eases the burden witnesses. And consolidation affords the court This, the 22nd day of June, 2026. greater ability to manage its docket efficiently. J ie er hicFadden United States Magistrate Judge 2 USConnect does not identify any risk of consolidated. See Mem. in Supp. of Mot. inconsistent verdicts were the cases not to Consolidate at 3.

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