

A gallery contracted with an owner of a painting to display the painting for five years, at which time the gallery agreed to return the painting to the owner. During the fifth year of the contract, the gallery agreed to loan the painting to a foreign businesswoman without obtaining the owner's permission. The businesswoman took the painting and has not been heard from since.

When the owner learned that the gallery no longer possessed the painting, the owner sued the gallery in federal court for breach of contract. At the conclusion of trial, the court entered judgment in favor of the owner for \$100,000, the market value of the painting when the parties entered the contract.

The owner believed that the court should have awarded him \$350,000, the market value of the painting when the contract ended. To recover this amount, the owner sued the gallery in federal court for conversion. The gallery has moved to dismiss this action on the basis of res judicata (claim preclusion).

Is the court likely to grant the gallery's motion?

- A. No.
- B. Yes, because the issue of whether the gallery failed to return the painting to the owner was actually litigated and necessarily decided.
- C. Yes, because the owner violated the election-of-remedies doctrine.
- D. Yes, because the owner's actions involve identical claims between the same parties.

Explanation:

The doctrine of **res judicata** (ie, claim preclusion) provides that a valid final judgment on the merits **precludes identical parties** from **relitigating identical claims**. Claims are identical if they (1) arise from the **same transaction, occurrence, or series** thereof *and* (2) **could have been raised** in the **first action** because the claim existed and could have been joined. This is true even if the claims are labeled differently.

Here, the federal court in the first action entered a final judgment in the owner's favor for the gallery's breach of contract. The owner has now sued the gallery for conversion (identical parties). The breach of contract and conversion claims arise from the same transaction or occurrence because:

- the facts are related in time, space, origin, and motivation (the gallery loaning the owner's painting to the businesswoman without the owner's permission)
- the facts form a convenient trial unit (the same evidence applies to both claims) *and*
- the treatment of the facts as a unit conforms to the parties' expectations (the parties were aware of these facts at the time of the first action).

The conversion claim existed at the time of the first action and could have been joined in that action, so the claims are identical. Therefore, the federal court in the second action is likely to grant the gallery's motion to dismiss based on res judicata **(Choice A)**.*

*The first judgment was in favor of the owner (plaintiff), so the owner's conversion claim merges with the judgment and is extinguished. Had the judgment been in favor of the gallery (defendant), the owner's claim would be barred by the judgment and extinguished.

(Choice B) Claim preclusion applies even if the first action was not actually litigated (eg, entry of a default judgment). In contrast, the related doctrine of **issue preclusion** prohibits the relitigation of issues that were actually litigated, determined, and essential to a valid final judgment.

(Choice C) The election-of-remedies doctrine was a common law rule that forbade plaintiffs from asserting alternative or inconsistent remedies. However, this doctrine does not apply in federal court.

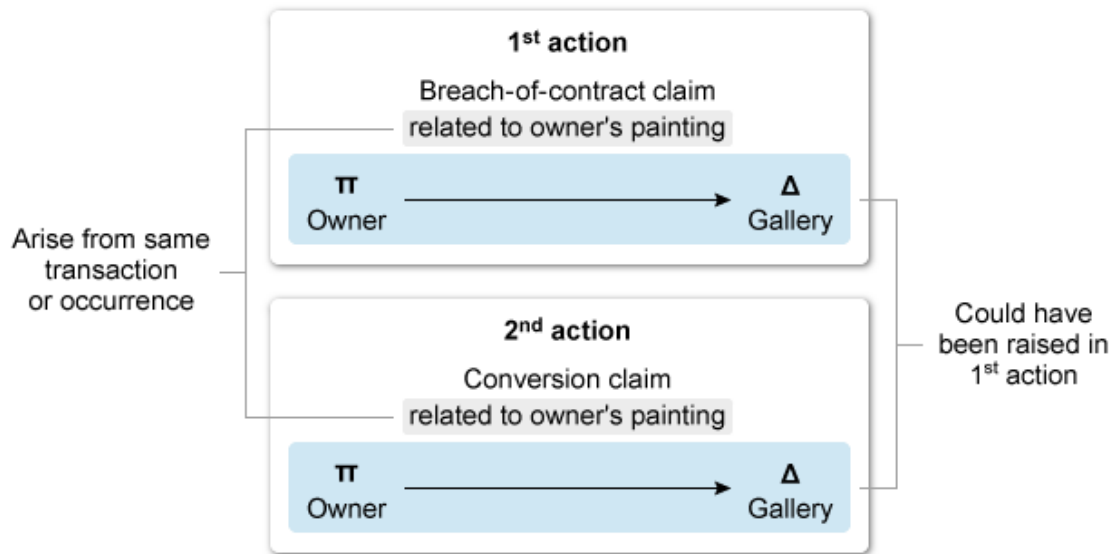
Educational objective:

Under claim preclusion, a valid final judgment on the merits precludes identical parties from relitigating identical claims. Claims are identical if they (1) arise from the same transaction, occurrence, or series thereof and (2) could have been raised in the first action.

References

- Restatement (Second) of Judgments §§ 24–25 (Am. Law Inst. 1982) (defining identical claims for claim preclusion).

Identical claims for claim preclusion



Δ = defendant; PT = plaintiff.