A writer and a publisher entered into a contract in which the publisher agreed to pay the writer royalties from the sale of her book at a set percentage. At the end of the first year of the contract, the writer received a royalty check for an amount that she believed was lower than agreed.

The writer sued the publisher in state court for breach of contract. The writer claimed that the contract set the royalty percentage at 7%. However, the publisher claimed that the contract only required 4% royalties due to a condition precedent. The jury returned a verdict in favor of the writer, and the court entered a judgment consistent with the verdict.

At the end of the second year of the contract, the writer received another royalty check for an amount she again believed was low. She sued the publisher in a federal court for breaching the same contractual provision. The publisher has asserted the defense of claim preclusion (res judicata) in its answer.

Is the federal court likely to give preclusive effect to the state court judgment?

A. No, because the judgment was entered by a state court.

B. No, because the second action involves a different claim.

C. Yes, because both actions involve identical claims between the same parties.

D. Yes, because the first action was actually litigated.

Explanation:

Under the doctrine of **claim preclusion** (ie, res judicata), 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**. To determine whether claims arise from the same transaction or occurrence, courts consider the following factors:

- whether the facts are related in time, space, origin, or motivation
- whether the facts form a convenient trial unit *and*
- whether treatment of the facts as a unit conforms to the parties' expectations or business usage.

Here, the state court entered a final judgment in favor of the writer for the publisher's year-one breach of the contract. The writer then sued the publisher in federal court for the publisher's year-two breach. Although both claims arise from the same contractual provision, the writer's claim for her year-two royalties did not exist at the time of the first action. Therefore, the claims are *not* identical, and the federal court is unlikely to give preclusive effect to the state court judgment **(Choice C)**.

(Choice A) The fact that a state court entered the judgment in the first action is irrelevant because *all* courts must give full faith and credit to state court judgments.

(Choice D) Claim preclusion applies even if the first action was *not* actually litigated (eg, when a default judgment was entered). In contrast, the related doctrine of issue preclusion (ie, collateral estoppel) applies only when issues that were *actually litigated*, determined, and essential to a valid final judgment are raised in a subsequent action.

Educational objective:

Claim preclusion (ie, res judicata) 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.

References

- Restatement (Second) of Judgments § 24 (Am. Law Inst. 1982) (defining identical claims).
- Lawlor v. Nat'l Screen Serv. Corp., 349 U.S. 322, 327–28 (1955) (holding that claim preclusion only applies to claims that existed at the time of the first action).

Claim-preclusion requirements

Valid final judgment on the merits

- Made in consideration of substantive (not technical) grounds of claim or defense
- Leaves nothing for court to do but enforce judgment

Identical claims

- Claims arose from same transaction, occurrence, or series thereof
- Both claims could have been raised in first action

Identical parties

- Involves same parties or those in privity
- Parties occupy same role in both actions*

*Parties need not occupy the same role if a party violates the first court's compulsory counterclaim rule.