

A distributor brought a diversity action against its competitor in a federal district court in State A. During discovery, the competitor moved for summary judgment. The court entered summary judgment in favor of the competitor after finding that there was no genuine dispute of material fact and that the competitor was entitled to judgment as a matter of law.

The distributor then filed the same claim against the competitor in a federal district court in State B. The competitor filed an answer in which it moved to dismiss the suit based on claim preclusion (*res judicata*).

Should the court grant the competitor's motion to dismiss?

- A. No, because the first action did not result in a final judgment on the merits.
- B. No, because the second action was brought in a different federal court.
- C. Yes, because the distributor's claim is barred by the entry of summary judgment.
- D. Yes, because the distributor's claim merged with the entry of summary judgment.

Explanation:

The doctrine of **claim preclusion** (ie, res judicata) prohibits identical parties from relitigating a claim after *any* court enters a valid final judgment on the merits on an identical claim **(Choice B)**. A **summary judgment** is **final** because it **fully resolves a dispute** and leaves nothing for the court to do but enforce the judgment. It is also issued **on the merits** because it is based on the **substantive elements** of a claim or defense. Entry of final judgment has two effects, both of which extinguish the plaintiff's ability to raise the claim in a later case:

- When final judgment is entered in favor of the *plaintiff*, the plaintiff's claim *merges* with the judgment and is extinguished.
- When final judgment is entered in favor of the *defendant*, the plaintiff's claim is *barred* by the judgment and is extinguished.

Here, the first action resulted in a valid final judgment on the merits when the federal court in State A entered summary judgment in favor of the competitor **(Choice A)**. The distributor then filed the same claim against the same competitor in a federal court in State B. Since summary judgment was entered in favor of the competitor (defendant) in the first action, the distributor's claim in the second suit is *barred* by the judgment **(Choice D)**. As a result, the court should grant the competitor's motion to dismiss the suit based on claim preclusion.*

*Instead of filing the same claim in a different court, the distributor should have appealed the grant of summary judgment. An appellate court has the power to review final judgments entered by district courts within its [boundaries](#).

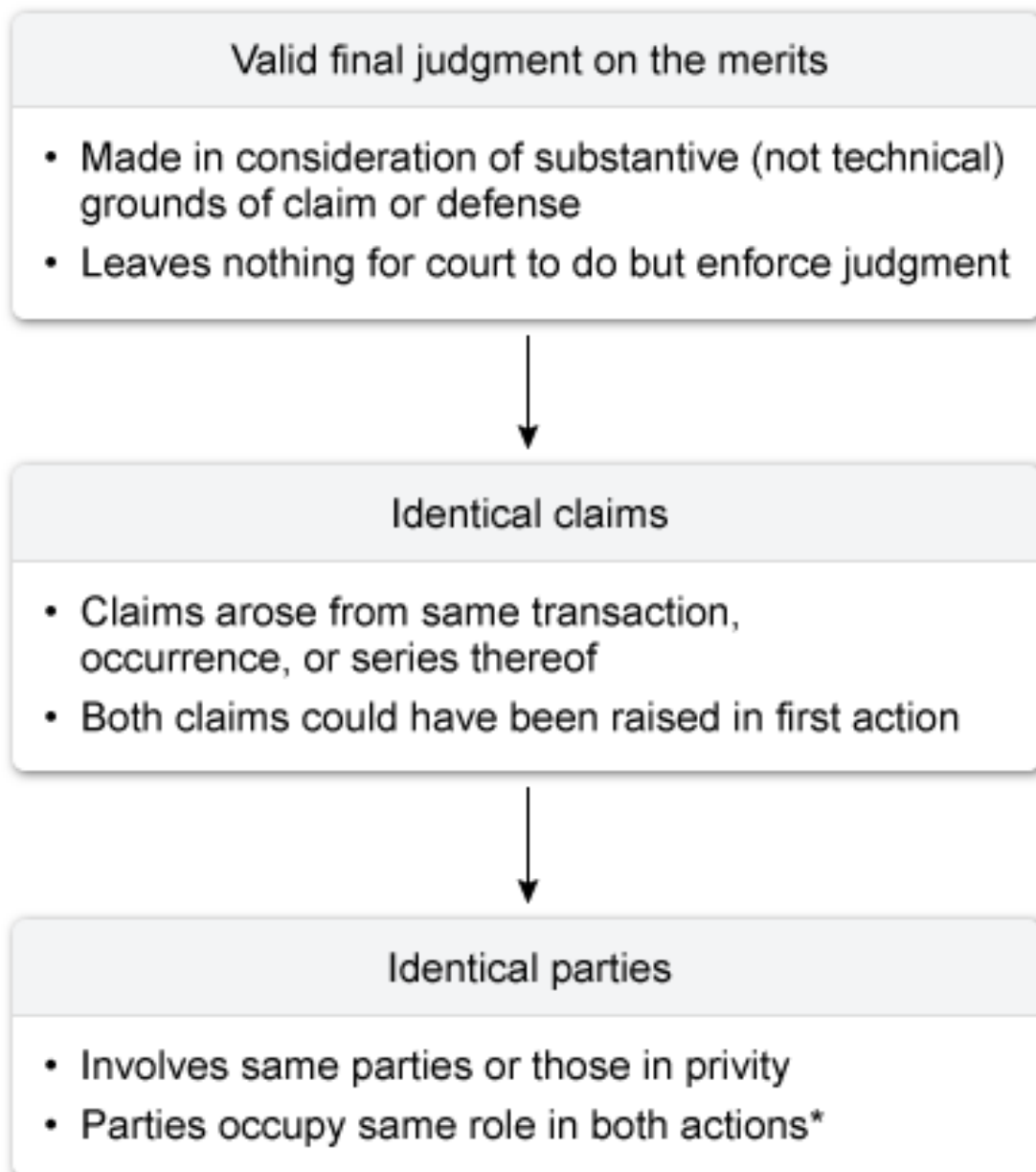
Educational objective:

Claim preclusion (ie, res judicata) provides that a valid final judgment on the merits precludes identical parties from relitigating identical claims. Summary judgment is a final judgment on the merits because it fully resolves a dispute (leaving only enforcement) and is based on the substantive elements of a claim or defense.

References

- Restatement (Second) of Judgments § 17 (Am. Law Inst. 1982) (defining claim preclusion).

Claim-preclusion requirements



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

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