

NEW YORK COURT OF APPEALS ROUNDUP

‘SIMMONS’ CLARIFIES CONFUSING PRECLUSION ISSUES

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July 20, 2021

In *Simmons v. Trans Express*, the Court of Appeals recently clarified the extent to which a small claims judgment will have preclusive effect in subsequent actions. The majority and dissenting opinions in the case also addressed an issue that has confused generations of first year law students—the difference between res judicata (or claim preclusion) and collateral estoppel (or issue preclusion).

Plaintiff worked for defendant as a driver in Queens, New York for several years and was terminated in 2018. She alleges that she worked 60 to 84 hours per week without being paid for overtime as required by state and federal law. She filed a pro se complaint against defendant in the small claims part of Civil Court for nonpayment of wages. She requested the maximum jurisdictional amount of \$5,000 and, after a trial, the small claims arbitrator awarded her \$1,000 with an additional \$20 in disbursements.

After defendant satisfied the small claims judgment, plaintiff, now represented by counsel, commenced a new action in the U.S. District Court for the Eastern District of New York seeking additional damages from defendant under the federal Fair Labor Standards Act and the New York Labor Law for defendant’s failure to pay her overtime wages. Defendant moved to dismiss, arguing that under principles of res judicata, plaintiff’s small claims judgment precluded her from bringing a second suit for overtime wages.

Plaintiff argued in response that New York City Civil Court Act §1808 rendered res judicata (or claim preclusion) inapplicable to small claims judgments unless the later action raised exactly the same claim or theory as the small claims action. Section 1808 provides that a small claims judgment “shall not be deemed an adjudication of any fact at issue or found therein in any other action or court; except that a subsequent judgment obtained in another action or court involving the same facts, issues and parties shall be reduced by the amount of [the small claims judgment].”

The District Court rejected plaintiff’s argument and granted the motion to dismiss. Plaintiff appealed to the U.S. Court of Appeals for the Second Circuit, which then certified the following question to the Court of Appeals:

Under New York City Civil Court Act §1808, what issue preclusion, claim preclusion, and/or res judicata effects, if any, does a small claims court’s prior judgment have on subsequent actions brought in other courts involving the same facts, issues, and/or parties? In particular, where a small claims court has rendered a judgment on a claim, does [s]ection 1808 preclude a subsequent

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action involving a claim arising from the same transaction, occurrence, or employment relationship?

In a majority opinion written by Judge Leslie E. Stein and joined by Chief Judge Janet DiFiore and Judges Eugene Fahey and Michael Garcia, the court ruled that small claims judgments do not have collateral estoppel (or issue preclusion) effect (with a limited exception) but they do have claim preclusion effect in any subsequent action between the same parties arising out of the same transaction or series of transactions as the prior small claims action even if the claim is brought under a different theory of recovery or seeks different forms of relief.

The majority noted that under the doctrine of res judicata or claim preclusion, a valid final judgment bars future actions between the same parties on the same cause of action, and that the court has consistently applied a “transactional analysis approach” to determine whether the subsequent case involves the same cause of action. Under that approach, a judgment bars all claims between the same parties that arise out of the same transaction or series of transactions even if the subsequent claims are based on different theories of recovery or seek a different remedy.

Collateral estoppel or issue preclusion, on the other hand, prevents a party from raising in a subsequent proceeding an issue that was decided against the party as long as the party had a full and fair opportunity to litigate the issue. For collateral estoppel to apply, the issues in the two actions must be identical and the issue must have been material and “necessarily decided” in the first action.

The majority found that there was some ambiguity in §1808 that necessitated a review of its statutory context and legislative history. The majority also noted that many small claims litigants appear without counsel and that their case is often their first and only interaction with the judicial system—which underscores the necessity for easily understandable procedural rules.

Based on these considerations, the majority found that §1808 only limits the collateral estoppel or issue preclusion effect of a small claims judgment. Accordingly, a small claims litigant is not barred from relitigating an issue decided in the small claims action, except that any future recovery by the litigant will be reduced by any amounts she actually recovered in the small claims action. But §1808 does not affect traditional res judicata principles and a small claims judgment will bar a subsequent action between the parties arising out of the same transaction or series of transactions—regardless of the theory of recovery or nature of the relief sought.

Judge Jenny Rivera, joined by Judge Rowan Wilson, dissented and argued that §1808 only bars the subsequent litigation of an identical claim that had been rejected on the merits in the small claims case and otherwise does not preclude the subsequent litigation of a claim involving the same facts, issues and parties as the prior small claims action (other than to reduce any subsequent award by the amount of the small claims recovery).

Rivera’s dissent, like the majority opinion, examined the text, legislative history and statutory context of §1808. The dissent also focused on the purpose of the small claims court, which is to provide a simple, informal and inexpensive procedure for litigants who are often unrepresented and have only limited resources. The dissent argued that their interpretation of the statute is more aligned with the text, purpose and legislative history of §1808.

Under the dissent's interpretation, the statute precludes a small claims litigant from obtaining a double recovery, but enables the litigant to obtain an immediate, small award in small claims court while still preserving the ability to seek a full recovery that is not subject to the \$5,000 jurisdictional limit (since raised to \$10,000).

Under the majority ruling, small claims litigants now should proceed with the understanding that by availing themselves of this quicker and less formal procedure, they are limiting any recovery to \$10,000 and foreclosing any later ability to seek a larger recovery from the defendant related to the same transaction—no matter what relief they seek or what theory of recovery they pursue.

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