WALDEN MACHT & HARAN LLP

Second Circuit Certifies Question to the New York Court of Appeals Regarding Whether Small Claims Court Judgments Are Subject to Claim Preclusion

Is a plaintiff who brings suit in small claims court, taking the case to judgment, thereafter barred from bringing—in another court—additional claims arising from the same facts or occurrences? The Second Circuit has asked the Court of Appeals of New York to answer this question.

In *Simmons v. Trans Express Inc.*,[1] the plaintiff worked as a driver for the defendant transportation services company. After her employment ended, the plaintiff sued the defendant in Queens Small Claims Court seeking recovery of unpaid wages. The small claims court awarded the plaintiff a $1,000 judgment and $20 disbursement, which the defendant then paid.

Shortly after the small claims court judgment, the plaintiff filed a federal action against the defendant alleging unpaid overtime in violation of the Fair Labor Standards Act. The defendant moved to dismiss the case on the ground that the plaintiff's prior small claims court action precluded her federal suit. The district court agreed, and the plaintiff appealed.

In its decision, the Second Circuit started with the bedrock legal principle that a final judgment on the merits precludes a party from relitigating issues that were or could have been raised in the prior lawsuit. The question on appeal was what preclusive effect, if any, did the small claims court judgment have on the subsequent federal action. The Second Circuit analyzed the relevant statute governing the preclusive effect of New York City small claims court judgments, which provides:

> A judgment obtained under this article 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 a judgment awarded under this article.[2]

The Court found the above text "strongly supports" the plaintiff's interpretation that the statute "clearly contemplates a subsequent action 'involving the same facts, issues and parties' as the small claims court action." [3] However, the New York Court of Appeals has never interpreted the meaning of this statute, and the Appellate Divisions have issued conflicting decisions as to its appropriate scope. On the one hand, the Second Department has held that a previously adjudicated small claims court action does not necessarily preclude claims in a new action arising out of the same facts or

[1] --- F.3d ---, 2020 WL 1845059 (Apr. 13, 2020).
[2] City Civ. Ct. Act § 1808.
[3] 2020 WL 1845059, at *3.

occurrences. On the other hand, the First and Third Departments have found that claims arising out of the same facts or occurrences as an adjudicated small claims action are precluded in later suits.

Given the contradictory case law, the Second Circuit determined that it was unable to conclude how the New York Court of Appeals might rule on this issue. The Second Circuit therefore certified the question to the Court of Appeals to decide the proper preclusive effect of a small claims court judgment. It noted that the resolution of this issue "may turn on value judgments and policy choices that the Court of Appeals is best suited to make, balancing the interests of the unsophisticated parties who appear as plaintiffs in small claims court and the need to ensure the efficient administration of judicial resources in New York state courts."[4]

With the question now certified, the Court of Appeals must now decide whether to accept it. The Court of Appeals retains the discretion whether to do so, but it has generally accepted the certifications.[5] If accepted, the Court of Appeals will notify the parties and set a schedule for briefing and argument. On average, the Court of Appeals decides whether to accept a certified question 27 days after it receives the request and issues a decision on the certified question seven months after it accepts the question.[6]

About Walden Macht & Haran LLP

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[4] Id. at *5.

[5] Advisory Grp. to N.Y.S. & Fed. Judicial Council, Practice Handbook on Certification of State Law Questions by the United States Court of Appeals for the Second Circuit to the New York State Court of Appeals 2 (2016), https://www.nycourts.gov/ctapps/forms/certhandbk.pdf (noting the Court of Appeals accepted 131 of 138 certifications from 1986 through 2015).

[6] Id. at 10.