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BLOGS

Preliminary Injunctions

Michigan Federal Court Denies Motion to Enjoin Related Proceedings Pending in Texas State Court

The U.S. District Court for the Eastern District of Michigan recently denied a franchisor's motion to enjoin a franchisee from proceeding with its counterclaim in a related matter pending in Texas state court. *Live Cryo, LLC v. CryoUSA Import & Sales, LLC*, 2018 WL 2355662 (E.D. Mich. May 24, 2018). The Texas action was initiated by defendant-franchisor CryoUSA. A few days later, plaintiff-franchisee Live Cryo filed the related federal suit in the Eastern District of Michigan. After the Michigan court granted in part and denied in part a motion to dismiss filed by CryoUSA, CryoUSA offered to amend its answer to assert a counterclaim in the federal case and to dismiss its first-filed state court action. However, Live Cryo refused to consent to that amendment and instead filed a counterclaim in the state court action. CryoUSA argued that the federal court should enjoin Live Cryo from bringing its counterclaim in the state suit under the "relitigation exception" to the Anti-Injunction Act, which authorizes a district court to issue injunctions to stay proceedings in a state court "to protect or effectuate its judgments."

In considering CryoUSA's motion to enjoin the Texas proceedings, the Michigan court held that the "relitigation exception" did not prohibit Live Cryo from asserting a counterclaim in the Texas suit. The court noted that the exception was designed to implement the doctrine of res judicata, which does not apply until there has been a final decision on the merits. The court explained that its prior decision granting in part and denying in part CryoUSA's motion to dismiss did not constitute a final decision; rather, it was an interlocutory denial of a motion that was not entitled to a preclusive effect. Therefore, the court reasoned, there was no basis on which to enjoin the state court proceedings.

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