

Not So Fast – Appellate Court Changes Direction After Holding Prior No-Fault Action Invokes Res Judicata in Uninsured Motorist Claims

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In February 2014, the Michigan Court of Appeals held that an action for Uninsured Motorist (UM) benefits was barred by *res judicata* after a prior action for Personal Injury Protection (PIP) benefits was dismissed with prejudice per a settlement agreement.

The doctrine of *res judicata* bars a second subsequent action when (1) the prior action was decided on the merits, (2) both actions involve the same parties or their privies, and (3) the matter in the second case was, or could have been resolved in the first. *Washington v Sinai Hosp of Greater Detroit*, 478 Mich 412, 417 (2000)

In *Graham v State Farm*, Docket No. 313214 (Feb. 18, 2014), the court examined the third element of *res judicata* and applied the *same transaction test* which stands for the proposition that different kinds of theories of relief can still constitute a single cause of action if a single group of operative facts gives rise to the assertion of relief. Applying this test, *Graham* held that PIP and UM claims arise from the same collision, involve the same parties and are related in time, space, origin and motivation, and, therefore, should be brought together at the outset, invoking *res judicata* for subsequent actions.

However, in *Miles v State Farm*, Docket No. 311699 (May 6, 2014), the appellate court changed directions when it held that a prior PIP action decided on the merits did not invoke *res judicata* for a subsequent UM action against the same party. Notably, the court made no reference to its decision in *Graham* though the “same transaction” test was still applied.

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Unlike *Graham*, the court analyzed the difference in burdens of proof necessary to assert a claim for PIP benefits and a claim for UM benefits. The court reasoned that because the original suit only involved a dispute over whether the plaintiff's claimed PIP benefits were *causally* related to the motor vehicle accident, it was not necessary to join the plaintiff's uninsured motorist claim that involved proving negligence and whether the plaintiff's injuries satisfied the *serious impairment threshold*.

Expect *Miles* to complicate what was a seemingly clear holding in *Graham* where parties will look to align the facts of their case with the decision most beneficial to their position.

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