Texas Supreme Court
February 27, 2015

American Star Energy and Minerals Corporation v. Richard "Dick" Stowers, et. al.
No. 13-0484
Case summary written by Samantha Kelly, Staff Member.

Justice Brown delivered the unanimous opinion of the Court.

In 1980, four partners formed S&J Investments to manage oil and gas properties. S&J and another corporation, American Star Energy and Minerals Corporation, became parties to an agreement concerning the operations of the oil and gas properties. American Star prevailed in a suit against S&J for breach of the contract in the early 1990s. S&J appealed the judgment against it and the appellate court remanded the case to the trial court. In 2007, the trial court awarded a second judgment in favor of American Star. S&J also appealed the second judgment, but the court of appeals affirmed in favor of American Star. The judgment required S&J to pay American Star $227,884.46, but S&J was insolvent by 2009 when the final judgment was entered. So, in 2010, American Star brought suit against the partners of S&J individually (Richard "Dick" Stowers, et. al.) to satisfy the judgment. Because the underlying claim was breach of contract, the partners of S&J argued that the four-year statute of limitations barred the suit. The trial court found in favor of the partners, and the court of appeals affirmed. American Star appealed the holding of the court of appeals, which held that the limitations period began when the breach of contract claim accrued in the 1990s.

Issue: The Court had to decide when the limitations period begins running when a plaintiff seeks to enforce a partner's liability for partnership debt. The Court reversed the court of appeals, holding that the limitations period began when final judgment against the partnership was entered in 2009, and not when the underlying breach of contract claim accrued in the early 1990s. Therefore, American Star's claim against the partners was not time barred.

Under the Business Organizations Code, a partner is jointly and severally liable for the obligations of the partnership. TEX. BUS. ORGS. CODE § 152.304(a). However, Texas has adopted the entity theory of partnerships, so that the partnership is an entity distinct and independent from its partners. TEX. BUS. ORGS. CODE § 152.056. Therefore, a judgment against a partnership is not a judgment against a partner, and in order to enforce the personal liability of the partners, the Code requires creditors to obtain a judgment against the partner individually. TEX. BUS. ORGS. CODE § 152.306(a). The Code, however, uses the term "accrues" but does not expressly state when accrual occurs.

The Court looked at the overall scheme of the Business Organizations Code, legislative intent behind the Code, as well as policy implications and the equity of the consequences of determining when accrual occurs. The Code, specifically § 152.306, provides a specific enforcement scheme for judgments against a partnership. It requires the entry of a judgment against the partnership, and then provides a 90-day waiting period for the partnership to pay the judgment before the plaintiff may sue the partners individually. This scheme suggests that the Legislature views the collection action as separate from the underlying litigation, and therefore the limitations period for suit against the partners accrues 90 days after the entry of the final judgment against the partnership. Furthermore, the policy purposes behind the limitations period are to exact the exercise of a cause of action within a reasonable time. Holding that the limitations period accrued on the date of the underlying claim fails to serve this purpose and would render the limitations period a purely formal rule.

For these reasons, the Court held that the limitations period does not bar American Star's claim against the partners. The limitations period accrued upon final entry of the judgment against the partnership, not on the date of the underlying breach of contract litigation.

In re Crawford & Co.
No. 14-0256
Case Summary written by Bryson Matthews, Staff Member.

Per Curiam

In 1998, Glenn Johnson suffered injuries while working for ASARCO. Disputes arose over the details and amounts of the workers' compensation benefits that he was entitled too. In 2008, Johnson requested a benefit review conference, which led to a contested case hearing the next year. In addition to these proceedings, Johnson also filed a suit against ASARCO's workers' compensation insurance provider, two service contractors, and an employee (collectively, Crawford).

Johnson was alleging that Crawford resorted to combat-like tactics, instead of just managing and adjusting the claim in a fair and reasonable manner. Due to these allegations, Johnson pled many tort, contract, and statutory causes of action. Johnson was also seeking many forms of damages, including injunctive relief. The main issue at trial was whether Johnson must use the administrative procedures and remedies under the Texas Workers' Compensation Act for these additional claims. Johnson argued that his additional claims were unrelated to the workers' compensation injuries and, therefore, he could pursue these additional claims in the courts. Crawford argued, however, that all of Johnson's claims arose from the workers' compensation claims-handling process, and the Texas Department of

Insurance Division of Workers' Compensation had exclusive jurisdiction over the claims. The trial court denied some, but not all of the claims. The court of appeals denied Crawford's petition for mandamus relief, and held that the trial court did not abuse its discretion by not dismissing all claims.

Issue: Under the Texas Workers' Compensation Act, did the Division of Workers' Compensation have exclusive jurisdiction over Johnson's claims, and did the Act provide his exclusive remedies?

The Supreme Court of Texas held that the Division of Workers' Compensation has exclusive jurisdiction over the Johnsons' claims and the Workers' Compensation Act provides his exclusive remedies. The Court began by explaining the Act's comprehensive system for handling workers' compensation claims. Next, the Court referred to an earlier decision, which stated that the Act provides the exclusive procedures and remedies for claims in which a workers' compensation carrier has improperly investigated, handled, or settled a workers' claim for benefits. *Texas Mutual Insurance Co. v. Ruttiger*, 381 S.W.3d 430 (Tex. 2012).

The Court in *Ruttiger* held that the claimant in that case could not recover under certain common-law claims and claims under the Insurance Code because they fell under the Act's claims-settlement process. The Court held that the lower courts read the *Ruttiger* holding too narrowly. The Act's procedures and remedies do not depend upon the label of the cause of action, but rather, whether the claims arise out of the investigation, handling, or settling of a claim for workers' compensation benefits. After clarifying the rule from *Ruttiger*, the Court proceeded to analyze Johnson's claims and found that all of the claims arose from the investigation, handling, or settling of his workers' compensation claim. Therefore, the Court held that because the Division of Workers' Compensation had exclusive jurisdiction over Johnson's claims, the district court lacked jurisdiction and should have dismissed the claims. The Supreme Court of Texas granted the mandamus relief for Crawford.