

Dispute Over Existence of Settlement Agreement Not Enough To Reopen Case

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When the parties to a dispute inform the court that they have reached a settlement, and the court issues an order dismissing the case with prejudice—only permitting it to be reopened for “good cause”—that is ordinarily the end of the court’s involvement in the parties’ dispute. But what happens when the parties subsequently disagree about whether they reached a settlement and move to reopen the case? Does the parties’ dispute about the existence of the settlement constitute “good cause” required to reopen the case?

In *Go New York Tours v. Tour Central Park*, a trademark infringement action, the parties informed the district court (Caproni, J.) that they had settled their dispute. The court then issued an order dismissing the case with prejudice, only permitting the case to be reopened for “good cause.” Thereafter, a dispute arose about whether the parties had in fact reached a settlement. The plaintiff then moved to reopen the case and enforce the settlement agreement, or in the alternative, for leave to amend its complaint to add a breach of contract claim. The defendant joined the plaintiff’s motion to reopen the case but argued that the trademark infringement and related claims should proceed immediately to trial because there was no settlement agreement.

In its Aug. 20, 2021 decision, the court noted that “good cause” to reopen a case that was dismissed with prejudice can exist if no settlement agreement was reached. The court noted, however, that it could only make that determination if it had subject matter jurisdiction to do so. After reviewing its order dismissing the case, the court determined that it lacked supplemental jurisdiction over the plaintiff’s proposed contract claim because that claim concerned the settlement agreement and did not “share a common nucleus of operative fact with the trademark claims.” In addition, the court held that it lacked ancillary jurisdiction to enforce the settlement agreement because it had stated in the dismissal order that, if the parties wished for the court to retain jurisdiction to enforce the settlement agreement, they were required to submit their settlement agreement to the court and request that it retain jurisdiction, but they did not do so. Further, the terms of the settlement agreement were not incorporated into the dismissal order. Consequently, the court held that it lacked good cause to reopen the case.

This decision is significant because it makes clear that after a court dismisses a case because the parties have settled, the court cannot reopen the case if the parties dispute the existence of their settlement agreement unless it has subject matter jurisdiction to do so.