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Sweet Pea Marine, Ltd. v. APJ Marine, Inc. United States Court of Appeals for the 11th Circuit 411 F.3d 1242 (Decided June 8, 2005)

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The Court held that the summary judgment for defendant was appropriate, since no reasonable juror could conclude the defendant was liable under the Jones Act claims for vicarious and direct liability.

Gregory Bougopoulos
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DISTRICT COURT'S AWARD OF DAMAGES AND IMPOSITION OF A MARITIME LIEN ON A VESSEL WERE CLEARLY ERRONEOUS

The Court of Appeals for the Eleventh Circuit affirmed the district court's exercise of jurisdiction in a diversity suit brought by a Cayman Islands Corporation, the owner of a motor yacht, against a Florida contractor. However, the Court vacated the district court's judgment awarding damages to the contractor and imposing a maritime lien on the yacht because the contractor failed to provide any evidence by which a trier of fact could infer that its charges were reasonable according to industry standards. Reasonable price was a required element of the contractor's burden of proof in establishing such a lien and collecting damages.

Sweet Pea Marine, Ltd. V. APJ Marine, Inc.
United States Court of Appeals for the 11th Circuit
411 F.3d 1242
(Decided June 8, 2005)

Defendant-appellee/Cross-appellant APJ Marine, Inc. ("APJ") appealed the district court's exercise of diversity jurisdiction over claims brought by Plaintiff-appellant/Cross-appellee Sweet Pea Marine, Ltd. ("Sweet Pea"), owner of the vessel M/V SWEET PEA ("the Vessel"). Sweet Pea appealed the district court's award of damages to APJ and imposition of a maritime lien on the Vessel.

In September of 1999, representatives of APJ and Sweet Pea reached an oral agreement to redesign and refit the interior of the Vessel, a 127-foot motor yacht. The agreement established various hourly wage rates for labor and allowed APJ to charge Sweet Pea a 15% mark-up on materials and supplies which it purchased for the Vessel. After paying APJ $4.3 million according to the agreed-upon rates, Sweet Pea terminated APJ in November of 2001for work completion delays as well as billing irregularities revealed by an audit. In March of 2002, APJ sent Sweet Pea a bill for $1.292 million in outstanding costs incurred prior to termination. Sweet Pea refused to pay and on May 17, 2002 filed a complaint against APJ in federal court, based on diversity jurisdiction, containing several allegations including breach of an oral contract, negligent misrepresentation and fraud in the inducement. On May 22, 2002, APJ filed a complaint in federal court under admiralty jurisdiction; in personam against Sweet Pea and in rem against the Vessel for $1.292 million. The complaint alleged breach of an oral contract under maritime law and a claim for a maritime lien. The district court consolidated the two actions for discovery purposes, but allowed them to proceed on separate dockets.

On October 20, 2003, both actions were tried together. After a two-week trial, the jury awarded Sweet Pea $239,000 in damages on its breach of warranty claim. In its advisory capacity, the jury found for APJ on its maritime claims in the amount of $244,000. The district court found that APJ was not entitled to compensation for labor by subcontractors because Sweet Pea had already paid for work performed. However, because evidence showed that APJ had paid vendors $1,631,262.15 for goods and materials, the court ruled that Sweet Pea owed APJ 15% of that amount in damages, or $244,689.31. The court also imposed a maritime lien on the Vessel in the same amount.

On appeal, APJ argued that the district court lacked subject matter jurisdiction over Sweet Pea's diversity claims because Sweet Pea's principal place of business ("PPB") was in Florida, and that the requisite diversity of citizenship between parties thus was lacking. APJ contended that because the Vessel was in Florida for more than two years during refurbishment, Sweet Pea's PPB was Florida. A district court's finding as to a corporation's PPB for the purpose of establishing diversity jurisdiction is a question of fact which cannot be overturned unless clearly erroneous. The Court of Appeals applied the "place of activities" and "nerve center" tests in analyzing the district court's findings. The district court found that neither Sweet Pea nor the Vessel had any contacts with Florida, and noted several facts which supported findings that Sweet Pea's PPB was either in the Cayman Islands or Colorado, the location of the trust which owned Sweet Pea. The district court did not have to determine Sweet Pea's exact PPB to establish complete diversity; it was sufficient that the court found that the PPB was not in Florida. The Court of Appeals held that diversity jurisdiction did exist and that the district court had proper subject matter jurisdiction.

The Court then analyzed the district court's award of damages and imposition of a maritime lien and noted that the judgment of a court sitting in admiralty fell under a clearly erroneous standard of review. To recover damages for a breach of an oral contract to repair a vessel, a plaintiff must prove: (1) the terms of a maritime contract; (2) that the contract was breached; and (3) the reasonable value of the purported damages. *Exxon Corp. v. Cent. Gulf Lines, Inc.*, 500 U.S. 603. To establish a maritime lien on a vessel in an in rem action, a plaintiff must prove (1) it provided "necessaries" (2) at a reasonable price (3) to the vessel (4) at the direction of the vessel's owner or agent. *S.E.L. Maduro Inc. v. M/V Antonio De Gastaneta*, 833 F.2d 1477. Sweet Pea argued that APJ failed to present any evidence that its charges for goods and materials were reasonable. In the maritime context, the "reasonableness" of charges is measured by whether they are "customary" and "in accord with prevailing charges for the work done and the materials furnished." *Shelly Tractor & Equip. Co. v. The Oil Screw Boots*, 140 F. Supp. 425. The plaintiff may satisfy his burden of proof by presenting evidence that compares his charges with what other competitors would have charged for similar work or materials, or through witness testimony that the charges were reasonably in accord with industry standards.

APJ argued that Sweet Pea had waived its right to contest the reasonableness of the charges because it had agreed to a 15% mark-up premium. The Court dismissed this argument by stating that a general mark-up on goods and services had no bearing on whether the actual charges themselves were reasonable. APJ also asserted that it had adduced a sufficient amount of evidence to establish the reasonableness of the charges. The Court found otherwise, noting that a review of the record revealed a "dearth" of evidence to support the inference that APJ's charges were reasonable. Moreover, there was no evidence that APJ had sought bids from various suppliers in order to contract with the lowest-cost provider. Simply put, APJ had presented no evidence by which a trier of fact could infer that its charges were reasonable by industry standards. As a final observation, the Court noted that maritime liens "encumber commerce," are "disfavored in the law," are construed "stricti juris" (narrowly, by strict interpretation of the law) by courts and thus should not be imposed where the litigant failed to satisfy the requisite evidentiary burden. The Court of Appeals affirmed Sweet Pea's damages award and vacated the district court's damages award to APJ and imposition of a maritime lien on the Vessel.

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