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Inland Dredging v. Sanchez United States Court of Appeals for the 5th Circuit 468 F.3d 864 (Decided October 27, 2006)

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district. Although this rule may be too broad, the second circuit believes that Congress chose a less determinate rule to ensure that attachments may be obtained with minimal amount of litigation.

It does not follow, however, that district courts are without any discretion to vacate attachments. As aforementioned, vacatur may be warranted in limited circumstances. For example, vacatur may also be appropriate when: (1) defendant is subject to suit in convenient adjacent jurisdiction; (2) plaintiff could obtain *in personam* jurisdiction over defendant in district where plaintiff is located; or (3) plaintiff has already obtained sufficient security for potential judgment, by attachment or otherwise. In the absence of any of these compelling reasons, vacatur is appropriate only when plaintiff fails to sustain burden of showing that he has satisfied requirements of Rules B and E.

For the foregoing reasons, the Second Circuit held that the district court was in error when it vacated the attachment. The Second Circuit remanded the case for further proceeding consistent with its decision.

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CHOICE OF FORUM OF JONES ACT SUIT NEED NOT BE PLACED IN COURT THAT GRANTED RELIEF TO SHIPOWNER UNDER LIMITED LIABILITY ACT, PROVIDED INJURED PARTY STIPULATES JONES ACT RECOVERY MAY NOT EXCEED AMOUNT FIXED IN LIMITED LIABILITY ACTION.

Sanchez, a seaman allegedly injured aboard Inland Dredging Company, LLC's vessel, sought to bring a Jones Act suit in the District Court in Galveston against Inland Dredging to recover damages for personal injury. However, Inland Dredging had petitioned to limit its liability to Sanchez in the District Court in Mississippi and obtained an injunction restraining and enjoining all claims and proceedings against Inland Dredging in any other court. Sanchez made a motion, which was denied by the Mississippi District Court, to dissolve this injunction, stipulating that he would not seek to execute a judgment of the Galveston Court in excess of the limits prescribed by the Mississippi Court. The Court of Appeals reversed the order appealed from, granted the motion, and dissolved the injunction, thereby preserving Sanchez's legally protected right to select his choice of forum.

Inland Dredging v. Sanchez
United States Court of Appeals for the 5th Circuit
468 F.3d 864
(Decided October 27, 2006)

The appellant, Ricardo Sanchez, alleged that he suffered personal injuries while employed as a seaman on the M/A MS. PAULA, a vessel owned by Inland Dredging Company,

LLC (“Inland Dredging”). In anticipation of Sanchez’s claim, Inland Dredging commenced a proceeding in the United States District Court for the Northern District of Mississippi to limit its liability in accordance with the Limitation of Liability Act, 42 U.S.C. app § 183. Inland Dredging filed an Ad Interim Stipulation of Value in that proceeding stating that the value of the vessel and her freight did not exceed \$235,000. The District Court in Mississippi approved the stipulation and issued an order “restraining and enjoining all claims and proceedings against the M/V MS. PAULA and/or Inland Dredging Company, LLC, as owner and operator of the M/V MS. PAULA, in any court whatsoever, except in this proceeding for limitation....”

Sanchez, who sought to bring a Jones Act suit to recover damages for his personal injuries in the United States District Court in Galveston, Texas, filed a motion to dissolve the injunction in the District Court in Mississippi, and attached a stipulation to his motion conceding that the Mississippi court had exclusive jurisdiction to determine the limits of Inland Dredging’s liability. Furthermore, Sanchez agreed not to seek the execution of any judgment that he might obtain in the Galveston District Court to the extent that it exceeded the value of the vessel and its cargo as determined by Mississippi District Court. The latter court denied Sanchez’s motion and he appealed to the United States Court of Appeals for the 5th Circuit which reversed and granted the motion.

Under the Limitation of Liability Act, a shipowner may limit its liability for damages to the value of the vessel and her cargo. However, the language of section 185 of the Limitation of Liability Act is ambiguous, reading: “Upon compliance with the requirements of this section all claims and proceedings against the owner with respect to the matter in question shall cease.” It is unclear if this language requires proceedings concerning the limitation of liability to be brought in the same court in which the shipowner was granted limited liability or if it prohibits any other proceedings respecting the facts of the shipowner’s liability.

In reaching its decision, the United States Court of Appeals for the 5th Circuit afforded considerable weight to *Kreta Shipping v. Preussag International Steel Corp.*, which stated that the “the [Limitation of Liability] Act is not one of immunity from liability but of limitation of it.” *Kreta Shipping v. Preussag International Steel Corp.*, 192 F.3d 41, 48 (2d Cir. 1999). Furthermore, the *Kreta* court suggested that injunctions be lifted irrespective of a claimant’s chosen forum. It is a settled rule of law, even suggested by the United States Supreme Court, that the Limitation of Liability Act was not designed to grant owners a free-standing right to exonerate themselves from liability in federal court where limitation is not an issue. *Lewis v. Lewis & Clark Marine, Inc.*, 531 U.S. 438, 452 (2001).

Since the Limitation of Liability Act’s provision of injunctive relief is an equitable remedy and is designed to protect a shipowner, it has been presumed by prior courts that Congress did not intend it to disrupt established principles of law, such as a claimant’s “legally protected right of choosing his forum.” *Curtis Bay Towing Co. v. Tug Kevin Moran*, 159 F.2d 273, 276 (2d Cir. 1947). To allow the limitation court to restrain the actions in the claimant’s chosen forum, “would preserve the right of the shipowner to limit his liability, but would destroy the traditional right of a claimant to seek redress in his chosen forum.” Conversely, if a claimant has provided a stipulation adequate to protect the shipowner’s right to limited liability, the limitation court can and should dissolve the injunction. Under this scheme, the rights of both parties are protected; the shipowner maintains its right to seek a judgment limiting its liability and the claimant is entitled to bring an action to recover damages for his injuries in his chosen forum.

In the instant case, Sanchez provided such a stipulation, and should therefore be entitled to the dissolution of the injunction which prevented him from bringing his Jones Act claim in the Galveston District Court. Accordingly, the United States Court of Appeals for the 5th Circuit reversed the order of the United States District Court for the Northern District of Mississippi denying the plaintiff Sanchez's motion to dissolve the injunction entitling Sanchez to bring his suit in the Galveston District Court subject to the stipulated liability limitations prescribed by the Mississippi District Court.

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JURISDICTIONAL QUESTION REGARDING A SUNKEN SHIP AND THE APPLICABILITY OF THE LACHES DOCTRINE IN A BREACH OF CONTRACT CLAIM

A contract for the removal and disposition of a sunken ship is considered maritime in nature and thus within the admiralty jurisdiction. Additionally, the Puerto Rico Ports Authority's eleven year delay in bringing this action was barred by the doctrine of laches.

The Puerto Rico Ports Authority v. Umpierre-Solares
United States Court of Appeals, First Circuit.
456 F.3d 220
(Decided July 27, 2006)

In 1989, the vessel, "La Isla Nena" sunk in the navigable waters of San Juan Harbor. As a result, the Puerto Rico Ports Authority (PRPA) was instructed to remove it because the sunken vessel was an obstruction to navigation. PRPA then contracted with the Defendants for the removal and disposition of the vessel. The Defendants removed the vessel to a shipyard but as a result of a storm, the vessel was only partially sunk. Thus, the contract had not been fully performed by the Defendants. The PRPA issued payment to the Defendants in 1992, and eleven years later, it filed a complaint in 2003 seeking specific performance under the contract.

The Defendants filed a motion for summary judgment claiming that the action was barred pursuant to the laches doctrine and that the contract was subject to a two-year statute of limitations. The PRPA argued that the laches doctrine did not apply and that the Contract was for professional services and thus subject to a fifteen-year statute of limitations. The district court granted the Defendants' motion for summary judgment under the laches doctrine. On appeal, the PRPA, in addition to its claim that the contract was subject to a fifteen-year statute of limitations, argued that the district court lacked admiralty jurisdiction under the "dead ship doctrine".

Despite the PRPA's argument that under the dead ship doctrine, a ship loses its status as a vessel subject to admiralty jurisdiction, the Court of Appeals held that the district court did not lack admiralty jurisdiction. The Court based its conclusion on Section 1331 of Title 28 U.S.C.