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Summary of SFPP, L.P. v. Dist. Ct., 123 Nev. Adv. Op. No. 56

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SFPP, L.P. v. Dist. Ct., 123 Nev. Adv. Op. No. 56, (Dec. 27, 2007)¹

CIVIL PROCEDURE - JURISDICTION

Summary

Appeal for writ of prohibition to determine if a district court can retain jurisdiction over disputes from a settlement agreement between parties, after the district court previously dismissed the case with prejudice.

Disposition/Outcome

Writ of prohibition granted. A district court may not retain jurisdiction over the settlement agreement after dismissing the case with prejudice, even if the settlement agreement grants such power to the district court.

Factual and Procedural History

Kinder Morgan operated a petroleum pipeline running through downtown Reno, Nevada. In 2002, a joint effort to relocate the pipeline resulted in litigation between Kinder Morgan and the City of Reno. The City of Reno filed a complaint seeking a judicial order requiring Kinder Morgan to relocate the pipeline at its own expense.

The parties entered into a settlement agreement, on May 13, 2003. Kinder Morgan agreed to relocate the pipeline, by September 2003. The agreement stated that time was of the essence and required Kinder Morgan to exert its best effort to complete the project. The City of Reno agreed to be financially responsible for all costs of the project above and beyond \$2.4 million. The parties agreed the Second Judicial District of the State of Nevada, Department 6, was to retain exclusive jurisdiction and venue to enforce the provisions of the agreement. Kinder Morgan completed the project as agreed and the parties' claims against each other were dismissed with prejudice by the Second Judicial District of the State of Nevada.

Following the dismissal, the City of Reno insisted on an audit of the financial records of Kinder Morgan as allowed in the settlement agreement. The parties agreed the audit would be performed by Richard Barnes, C.P.A., from the firm of Ueltzen & Co. After completion of the audit, Barnes concluded Kinder Morgan had under-billed the City of Reno by \$1961. The City of Reno sought a second opinion and hired Paul Macy, a pipeline construction expert, to review Kinder Morgan's project costs. Kinder Morgan did not consent to Macy's review of the project costs. Macy concluded Kinder Morgan had allowed the construction costs of the project to run too high and the City of Reno was entitled to \$4.5 million in construction costs.

The City of Reno brought a claim to the district court against Kinder Morgan for mismanagement of the construction project based on Macy's determination, even though a judicial order had previously been entered dismissing the case with prejudice. The City of Reno

¹ By Jared Christensen

argued that under the settlement agreement any financial adjustment discovered during an audit would initiate the dispute resolution clause in the agreement invoking the district court's jurisdiction. Kinder Morgan contended the dispute resolution clause was not triggered because of the following reasons. First, the case had already been dismissed with prejudice. Second, the agreed upon auditor discovered an undercharge and showed no mismanagement. Third, Macy was not mutually agreed upon by the parties as an auditor as required by the agreement. The District Court ruled that notwithstanding the prior dismissal with prejudice, the court retained jurisdiction with regards to the settlement agreement, including the parties' dispute over costs. Kinder Morgan filed a request for a writ of certiorari, mandamus, and prohibition to prevent the district court from proceeding with the city's claim.

Discussion

Finality of Judgment

A district court may not retain jurisdiction over litigation previously dismissed with prejudice. The Nevada Supreme Court has determined once a final judgment has been entered by a district court, the judgment may not be reopened under any circumstance unless a timely motion has been filed to set aside the judgment under NRCP 60(b).² The Court reasoned that "undermining the finality of judgments would have serious repercussions for appellate jurisdictions."³ If courts could overturn their previous judgments then appellate judgments would lose all credibility and meaning.

Contractual Agreements

A contractual agreement may not stipulate an overturn of the finality of a decision made by a district court by allowing a court to retain jurisdiction. The finality of a judgment outweighs any contractual agreement between the parties. If the City of Reno wants to pursue the claims disputing costs of the project then they must file a new civil complaint.

Concurrence

Maupin, C.J., concurring:

Chief Justice Maupin concurred with the result reached by the majority.

Conclusion

Nevada district courts retain jurisdiction until the court enters a final judgment. A district court may not have jurisdiction over a dispute previously dismissed with prejudice unless the previous judgment is properly vacated or set aside under the Nevada Rules of Civil Procedure.

² Greene v. District Court, 115 Nev. 391, 394-95 (1999).

³ *Id.* at 395.