

**UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT**

FILED
Aug 20, 2018
DEBORAH S. HUNT, Clerk

CENTRAL TRANSPORT, LLC,)
)
Plaintiff-Appellee,)
)
v.)
)
BALRAM TRUCKING, LTD,)
)
Defendant-Appellant.)
)
_____)

ON APPEAL FROM THE UNITED
STATES DISTRICT COURT FOR
THE SOUTHERN DISTRICT OF
OHIO

Before: KEITH, ROGERS, and BUSH, Circuit Judges.

DAMON J. KEITH, Circuit Judge. This case involves the question of whether a lessee of property, as opposed to the property’s owner, may sue to recover the value of the property when it is destroyed as a result of third party negligence. Here, Central Transport, LLC (“Central”), the lessee of a tractor and trailer owned by lessor, GLS LeasCo, Inc. (“GLS”), sought to sue Balram Trucking, LTD (“Balram”) for leased property destroyed during a vehicular collision indisputably caused by Balram. The district court, applying Indiana law to hold that Central has standing as a real party in interest to sue Balram, awarded damages to Central on two alternative grounds. Upon consideration of the district court’s findings, we likewise conclude on appeal that Central, as the party contractually liable to cover all loss and damage to the leased property under provisions of

the Central/GLS lease agreement, was entitled to equitable subrogation under Indiana law.¹ We affirm.

I.

This appeal arises from a dispute over rights conferred by the Central/GLS lease agreement and the validity of an assignment subsequently executed between Central and GLS, the owner of property destroyed during a fatal vehicular collision on August 28, 2013, in Tipp City, Ohio.² Following the filing of Central's complaint, which sought damages in excess of \$110,069.00 for tort and contractual claims, Balram filed its motion for partial summary judgment on September 29, 2016, alleging that Central lacked standing to pursue claims arising from damage to a tractor and trailer it did not own, and that Central lacked a valid assignment of any right to pursue claims on behalf of GLS. The district court denied Balram's motion. Following a bench trial on the remaining issue of standing, the district court entered judgment for Central in the amount of \$87,288.26 in property and other damages, finding that: (1) under Indiana law, an equitable right of subrogation conferred standing on Central to pursue property damage claims to cover its contractual obligation to pay for loss and damage to the leased property; and (2) GLS, in any event, subsequently executed a valid assignment, enabling Central to pursue property damage claims on its behalf.

¹ In addition to its standing challenge, Balram attempts to challenge the district court's denial of summary judgment entered prior to the bench trial conducted on April 13, 2016. Because "[the] district court's summary-judgment denial is 'interlocutory' in nature," this court lacks appellate jurisdiction to consider the merits of Balram's challenge to a pre-trial denial of summary judgment. *Hill v. Homeward Residential, Inc.*, 799 F.3d 544, 550 (6th Cir. 2015). Accordingly, Balram's standing argument remains the only challenge properly before this panel for consideration on appeal.

² There is no dispute regarding Balram's ultimate liability.

II.

We review the district court's conclusions of law de novo and its factual findings, following a bench trial, for clear error. *See Kalamazoo River Study Grp. v. Menasha Corp.*, 228 F.3d 648, 652 (6th Cir. 2000) (citation omitted).

A.

Balram contends that the district court erred in finding that Central, the lessee of the property owned by GLS, had standing to pursue property damage claims on behalf of GLS pursuant to either the lease agreement or the assignment, the latter of which Balram contends was invalidly executed after the expiration of the two-year statute of limitations. Central, endorsing the district court's analysis, asserts that it had standing to pursue the pertinent claims pursuant to both the valid assignment of rights and the lease agreement.

We turn first to Central's assertion of standing under the lease agreement pursuant to the equitable doctrine of subrogation. "Equitable subrogation is a legal fiction through which a person who pays a debt for which another is primarily responsible is substituted or subrogated to [] the rights and remedies of the other." *Fed. Ins. Co. v. Hartford Steam Boiler Inspection & Ins. Co.*, 415 F.3d 487, 494 (6th Cir. 2005) (quoting *In re Lewis*, 398 F.3d 735, 747 (6th Cir. 2005)) (internal quotation marks omitted). Application of this equitable doctrine is considered on a case-by-case basis and is proper only where "the [prospective] subrogee [] [has] some obligation to pay the debt of another and [is] not [] a 'mere volunteer.'" *In re Lewis*, 398 F.3d at 748; *see also Prairie State Nat. Bank v. United States*, 164 U.S. 227, 231 (1896).

In its August 21, 2017 order, the district court, appropriately applying Indiana law in its analysis of the Central/GLS lease agreement, determined that Central had standing to pursue

property damage claims pursuant to Indiana’s equitable doctrine of subrogation.³ Relying primarily on *Steury v. N. Ind. Pub. Serv. Co.*, 510 N.E.2d 213, 215 (Ind. Ct. App. 1987), the court found that pursuant to the “Risk of Loss, Irreparable Damage” provision of the Central/GLS lease agreement, Central was contractually obligated to “bear the entire risk of loss and damage to the Equipment, whether or not insured against” and “pay [GLS] for the irreparably damaged Unit[s] or to replace the irreparably damaged Unit[s].” As a result of this contractual obligation, the court determined that Central was properly subrogated as a real party in interest capable of pursuing claims associated with damage to the leased property owned by GLS. These facts closely resemble the circumstances under which the court invoked subrogation rights in favor of the claimant in *Steury*. Citing the express contractual language defining the contractor’s liability for casualty losses, the Indiana Court of Appeals in *Steury* determined that the contractor could be equitably substituted as a real party in interest for the building owners he contracted with as the “person[. . .] legally obligated to pay for a loss caused by another’s tort.” *Id.* at 214. In the instant case, the district court applied the same rationale from *Steury* to conclude that the contractual obligation expressly set forth in the “Risk of Loss, Irreparable Damage” provision of the Central/GLS lease agreement conferred upon Central the right to pursue claims for damages pursuant to the equitable doctrine of subrogation.

Balram’s primary contention in opposition is that the express contractual terms referring to the assignment of other rights in the lease agreement preclude the application of a subrogation right not expressly provided for in the contract. However, Balram’s characterization of this principle of contract interpretation as a rule of complete exclusivity is inconsistent with the liberal invocation of equitable subrogation under Indiana law. *See Coppolillo v. Cort*, 947 N.E.2d 994,

³ It is undisputed that the Central/GLS lease agreement contains a choice-of-law provision indicating that any dispute over the terms of the agreement would be governed by the law of the state of Central’s incorporation, Indiana.

998 (Ind. Ct. App. 2011) (“[T]he existence of a contract, in and of itself, does not preclude equitable relief which is not inconsistent with the contract.”). Moreover, Balram fails to direct this court to any Indiana legal authority where the presence of a pre-existing contract alone precluded the court’s ability to invoke the equitable doctrine of subrogation. To the contrary, the relevant case law instructs that, as a decision determined by equitable considerations, our analysis of Central’s subrogation claim is independent of any consideration of the terms of an existing contract between the parties. *See Aetna Cas. & Sur. Co. v. Katz*, 177 Ind. App. 44, 46 (Ind. Ct. App. 1978) (“The right of subrogation is not founded upon contract, expressed or implied. . . .”). Under Indiana law, subrogation is a doctrine based “upon principles of equity and is applicable in *every* instance in which one party, not a mere volunteer, pays the debt of another which, in good conscience, should have been paid by the one primarily liable.” *Loving v. Ponderosa Sys., Inc.*, 479 N.E.2d 531, 536 (Ind. 1985) (emphasis added). It is “a highly favored doctrine, which is to be given a liberal interpretation,” “long recognized” by the courts of Indiana. *Erie Ins. Co. v. George*, 681 N.E.2d 183, 186 (Ind. 1997); *Liberty Mortg. Corp. v. Nat’l City Bank*, 755 N.E.2d 639, 641 (Ind. Ct. App. 2001).

We recognize that the invocation of equitable subrogation is not an automatic presumption, but rather a judicial act that requires a case-specific analysis to be undertaken by the court, dependent primarily on the obligation owed by the prospective subrogee. Under the particular circumstances of this case, it is undisputed that Central, as the party obligated to bear the risk of loss pursuant to the “Risk of Loss, Irreparable Damage” provision of the lease agreement, is not a volunteer. Further, because Central is the obligor under the lease agreement, equitable considerations weigh in Central’s favor to ensure that it fully recovers its losses from Balram, the liable party. A survey of Indiana case law illustrates the courts’ proclivity towards liberal

application of the doctrine of subrogation to claimants contractually obligated to shoulder the risk of loss, like Central. *See Loving*, 479 N.E.2d at 537 (“[I]t is a highly favored doctrine. . . which the courts are inclined to extend rather than to restrict.”). Balram has failed to adequately distinguish the contractual status of Central and the subrogee in *Steury* to convince us that the district court’s invocation of subrogation rights was improper.

B.

Because the district court’s standing determination with respect to the claim of equitable subrogation was correct, we need not reach the issue of the validity of the assignment of rights or, whether, if valid, the assignment properly conferred standing to Central.

III.

The right of equitable subrogation was permissibly invoked by the district court in Central’s favor because of Central’s position as the party contractually liable to GLS for all loss and damage to the leased property. Thus, the district court’s judgment is affirmed.