

SUPREME COURT OF SOUTH DAKOTA

Leonard Novak v. Edward S. Novak

2007 SD 108 (S.D. 2007) · No. No. 24348 · Decided October 24, 2007

SUMMARY

The Supreme Court of South Dakota affirmed summary judgment awarding title to 640 acres of real property to Edward Novak under conditions contained in his father's will. The court held that prior probate findings barred relitigation of certain conditions and that any dispute over payments to the decedent was not material to Edward's title. The court also upheld attorney fees awarded under South Dakota's discovery-sanctions provisions for failure to admit matters later proven.

CASE DETAILS

COURT	Supreme Court of South Dakota
WRITING FOR THE COURT	Meierhenry, Justice; Gilbertson, Chief Justice; Sabers, Justice; Konenkamp, Justice; Zinter, Justice
JURISDICTION	South Dakota
DECIDED	October 24, 2007
DOCKET	No. 24348
DISPOSITION	affirmed
PROCEDURAL POSTURE	Leonard Novak, as personal representative of Lillian Novak's estate, brought an action for declaratory judgment to determine title to 640 acres of real property. The parties filed cross-motions for summary judgment, and Edward Novak moved for attorney fees and costs based on Leonard's discovery denials. The circuit court granted summary judgment and attorney fees to Edward; Leonard appealed.
STANDARD OF REVIEW	Summary judgment is reviewed de novo to determine whether the moving party demonstrated the absence of any genuine issue of material fact and entitlement to judgment as a matter of law, viewing facts and favorable inferences in favor of the nonmoving party. Attorney-fee awards under SDCL 15-6-37 are reviewed for abuse of discretion.
PRECEDENTIAL VALUE	published precedential opinion
PARTIES	Leonard Novak, Personal Representative of the Estate of Lillian Novak v. Edward S. Novak

TOPICS

probate title disputes summary judgment attorney fees appellate procedure

PRACTICE AREAS

probate real estate civil procedure appellate procedure

QUESTIONS PRESENTED

1. Whether the circuit court properly granted Edward summary judgment on Leonard's claim that Edward failed to satisfy the conditions of Ernest's will and should be divested of title to the 640 acres.
2. Whether the circuit court abused its discretion by awarding Edward attorney fees and expenses under SDCL 15-6-37(c) for Leonard's failure to admit matters later proved by Edward.

HOLDINGS

1. No. The prior probate determination that Lillian validly waived her residence option was conclusive, and the language of Ernest's will made Edward's prior one-time payments to Leonard and his family sufficient to establish his right to retain title. Any dispute over annual payments to Lillian was not material to title because Edward had already made the required one-time payments.
2. Yes. The circuit court did not abuse its discretion by awarding Edward attorney fees and expenses after Leonard denied fifty-seven requests for admission and Edward proved all fifty-seven matters. Discovery sanctions under SDCL 15-6-37(c) may be awarded in a summary-judgment proceeding; a trial is not required.

KEY QUOTATIONS

"The plain language of the alternative devise gave Lillian a life estate if Edward failed to make the payments required by the initial conditions." (741 N.W.2d at 226)

"Edward's right to the property did not hinge on making all of the payments to Lillian." (741 N.W.2d at 227)

"A plain reading of SDCL 15-6-37 indicates that no trial is required." (741 N.W.2d at 228)

FACTUAL BACKGROUND

Ernest Novak's will devised 640 acres to his son Edward subject to three conditions: one-time payments totaling \$16,000 to Leonard and his family, allowing Ernest's widow Lillian to live in the family residence during her lifetime, and annual \$2,000 payments to Lillian. During Ernest's probate, the court found that Edward had made the required one-time payments and that Lillian had waived her residence option. After Lillian died, Leonard alleged that Edward had failed to make all annual payments and therefore had lost title or owed a second set of one-time payments. The undisputed evidence established that Edward had made the one-time payments within the required period.

PROCEDURAL HISTORY

The property had been devised to Edward under Ernest Novak's will subject to specified conditions. During probate of Ernest's estate, the circuit court determined that Edward had satisfied the one-time payments to Leonard and his family and that Lillian had waived her right to occupy the family residence. In the later declaratory-judgment proceeding, the circuit court concluded that any remaining dispute over payments to Lillian was immaterial to title, granted Edward summary judgment, and awarded attorney fees under SDCL 15-6-37(c). The Supreme Court of South Dakota affirmed.

DISPOSITION

affirmed

CASES CITED

- Kling v. Stern, 2007 SD 51, ¶ 5, 733 N.W.2d 615, 617
- Hendrix v. Schulte, 2007 SD 73, ¶ 6, 736 N.W.2d 845, 847
- Burley v. Kytect Innovative Sports Equipment, Inc., 2007 SD 82, ¶ 34, 737 N.W.2d 397, 408
- Paradigm Hotel Mortg. Fund v. Sioux Falls Hotel Co., Inc., 511 N.W.2d 567, 569 (S.D. 1994)
- Schulte v. Progressive Northern Ins. Co., 2005 SD 75, ¶ 5, 699 N.W.2d 437, 438
- Johns v. Black Hills Power, Inc., 2006 SD 85, ¶ 4, 722 N.W.2d 554, 556
- Pearson v. O'Neal-Letcher, 2007 SD 92, ¶ 10, 738 N.W.2d 914
- Bollinger v. Eldredge, 524 N.W.2d 118, 122 (S.D. 1994)
- Estate of Klauzer, 2000 SD 7, ¶ 9, 604 N.W.2d 474, 477
- In re Estate of Nelson, 250 N.W.2d 286, 288 (S.D. 1977)
- Stull v. Sparrow, 92 Cal. App. 4th 860, 864-866, 112 Cal. Rptr. 2d 239
- Aberle v. Ringhausen, 494 N.W.2d 179, 182 (S.D. 1992)

OPINION

Novak v. Novak 2007 SD 108

MEIERHENRY, J.

741 N.W.2d 222 (2007) 2007 SD 108 Leonard NOVAK, Personal Representative of the Estate of Lillian Novak, Plaintiff and Appellant, v. Edward S. NOVAK, Defendant and Appellee. No. 24348. Supreme Court of South Dakota. Considered on Briefs August 27, 2007. Decided October 24, 2007.

*223 George J. Nelson of Abourezk Law Firm, P.C., Rapid City, South Dakota, Attorneys for plaintiff and appellant.

Kenneth R. Dewell of Johnson Eiesland Law Offices, P.C., Rapid City, South Dakota, Attorneys for defendant and appellee. MEIERHENRY, Justice. [¶ 1.] As personal representative of the estate of his mother, Lillian Novak (Lillian), Leonard Novak (Leonard) sought a declaratory judgment to determine title to *224 640 acres of real property. The property was transferred to his brother, Edward Novak (Edward), in 1989 pursuant to their father's, Ernest Novak's (Ernest), will. The

transfer was conditioned on Edward satisfying three conditions subsequent. Leonard claimed the conditions were not met and sought to have Edward divested of title. He claimed that if Edward were divested of title, the land would pass by intestacy to Lillian's estate and through Lillian's will to Leonard and Edward, equally. [¶ 2.] Leonard and Edward filed cross motions for summary judgment, and Edward moved for attorney fees and costs arising from Leonard's denials and withdrawn admissions during pre-trial discovery. The circuit court granted summary judgment and attorney fees in favor of Edward. Leonard appeals, alleging that genuine issues of material fact remained as to whether Edward fulfilled the conditions of Ernest's will. We affirm.

FACTS

[¶ 3.] On November 22, 1987, Ernest J. Novak died testate. Ernest's will, executed on July 15, 1983, devised all personal and real property to his wife Lillian and his sons, Leonard and Edward. Ernest specifically devised 640 acres of real property to his son Edward subject to three conditions subsequent. The three conditions were: (1) that Edward pay \$2,000.00 to Leonard and each member of Leonard's family; (2) that Lillian retain the option of living in the family residence on the property during her lifetime; and (3) that Edward make annual payments to Lillian of \$2,000.00 during her lifetime. Ernest's will also contained an alternative provision if Edward failed to make the payments. Under the alternative provision, Lillian was to receive a life estate in the 640 acres. After her death, the property would pass to Edward "on the same condition" imposed by the will, which required Edward to pay Leonard and each of his family members \$2,000. [¶ 4.] Ernest's will was probated. In the final accounting, the court determined Edward had fulfilled the first two conditions. The court specifically found: (1) that Edward made a \$2,000 payment to Leonard and each member of his family for a total of \$16,000.00; and (2) that Lillian had validly waived her option to live in the family residence by executing a quitclaim deed in which she transferred all her interests in the residence to Edward. [¶ 5.] As to the third condition, the court found that Edward was still obligated to make annual payments of \$2,000.00 to Lillian during her lifetime. About one year after Ernest's death, Lillian executed a will that gave all of her property to Leonard if Ernest's will was successfully probated. Her will provided an alternative provision if Edward had not met the conditions of Ernest's will. Under the alternative provision, all of the property, including the 640 acres, would pass to Edward and Leonard equally. [¶ 6.] As part of the probate of Lillian's will, Leonard claimed that Edward had not satisfied the conditions of Ernest's will. Leonard alleged that Edward (1) failed to make all of the annual payments to Lillian between 1989 and her death in 2002, and that Lillian had not validly released her option to live in the family residence. Leonard asserted that, because the two conditions were not met, Edward could only have retained title by making a second payment of \$16,000.00 (\$2,000 to Leonard and each family member) within eighteen months of Lillian's death. Leonard further claimed that Edward's failure to make a second payment divested Edward of title. Leonard claimed that title should have passed by intestacy to Lillian's estate. [¶ 7.] The circuit court granted summary judgment to Edward and granted attorney fees. The court determined that: (1) all payments to Leonard and his

family were paid in full; (2) all payments to Lillian were either paid in full or waived by her before her death; and (3) title to the 640 acres of real property was discharged of any interest by Lillian, her estate, or Leonard. Leonard appeals the summary judgment and the order for assessment of attorney fees and raises the following issues:

ISSUES

- (1) Whether the circuit court erred in granting summary judgment to Edward.
- (2) Whether the circuit court erred in granting Edward's motion for attorney's fees.

STANDARD OF REVIEW

[¶ 8.] "When reviewing a grant of summary judgment, `we must determine whether the moving party demonstrated the absence of any genuine issue of material fact and showed entitlement to judgment on the merits as a matter of law.'" *Kling v. Stern*, 2007 SD 51, ¶ 5, 733 N.W.2d 615, 617. "All facts and favorable inferences from those facts must be viewed in a light most favorable to the nonmoving party." *Hendrix v. Schulte*, 2007 SD 73, ¶ 6, 736 N.W.2d 845, 847. However, the nonmoving party must "present more than [u]nsupported conclusions and speculative statements, [which] do not raise a genuine issue of fact." *Burley v. Kytect Innovative Sports Equipment, Inc.*, 2007 SD 82, ¶ 34, 737 N.W.2d 397, 408 (quoting *Paradigm Hotel Mortg. Fund v. Sioux Falls Hotel Co., Inc.*, 511 N.W.2d 567, 569 (S.D.1994)). Once we determine that the "material facts [are] undisputed, our review is limited to determining" whether the law was correctly applied. *Schulte v. Progressive Northern Ins., Co.*, 2005 SD 75, ¶ 5, 699 N.W.2d 437, 438. "If any legal basis exists to support the circuit court's ruling, we affirm." *Johns v. Black Hills Power, Inc.*, 2006 SD 85, ¶ 4, 722 N.W.2d 554, 556. [¶ 9.] When reviewing a circuit court's allowance or denial of attorney fees under SDCL 15-6-37, we use an abuse of discretion standard. *Pearson v. O'Neal-Letcher*, 2007 SD 92, ¶ 10, 738 N.W.2d 914. The determination of entitlement to expenses is within the sound discretion of the trial court. *Id.*

ANALYSIS

1. Whether the circuit court erred in granting summary judgment to Edward.

[¶ 10.] Leonard argues that the circuit court erred when it granted Edward's motion for summary judgment. Specifically, Leonard asserts that the evidence, viewed in the light most favorable to the non-moving party, was insufficient to establish that Edward satisfied the conditions of Ernest's will. Leonard does not dispute that Edward satisfied the first condition by paying \$2,000 to Leonard and his family members (a total of \$16,000). Leonard disputes, however, that Edward met the second condition because he did not allow Lillian to make her home in the family residence during her lifetime, and disputes that Edward met the third condition because he did not make all of the annual payments to Lillian. [¶ 11.] By raising issues over whether Edward satisfied the conditions of Ernest's will, Leonard is attempting to relitigate matters previously adjudicated when Ernest's will was probated. In that *226 final probate order, the circuit court found that Edward had paid Leonard and his family the one-time payments as required by the first condition and that Lillian validly released her option to use the family residence both orally and in writing. Thus,

Leonard's argument that Lillian's waiver was invalid is without merit since the circuit court's determination in the probate of Ernest's estate is conclusive. *Bollinger v. Eldredge*, 524 N.W.2d 118, 122 (S.D.1994) (discussing the conclusiveness of probate proceedings when the findings are not attacked on direct appeal). Consequently, the prior determination that Lillian validly released her option to use the family residence precludes relitigation. The circuit court in this case appropriately rejected Leonard's attempt to collaterally attack the issue in the summary judgment proceeding. We turn then to the third condition and the alternative devise provision of Ernest's will. [¶ 12.] Our goal "in interpreting a will is to discern the testator's intent. If the intent is clear from the language used, that intent controls." *Estate of Klauzer*, 2000 SD 7, ¶ 9, 604 N.W.2d 474, 477 (citing *In re Estate of Nelson*, 250 N.W.2d 286, 288 (S.D.1977)). The language of Ernest's will clearly expressed his intent that Edward receive the property and provided an alternative in the event that Edward initially failed to meet the conditions subsequent. The will's alternative devise provided: The circumstances being as they are, it is my positive intention and purpose that my son, Edward, receive my real estate and make the payments that I have herein provided for; and I hereby direct as to timeliness of payment and other matters this Will be liberally construed to accomplish my herein stated purpose. In the event my son, Edward S. Novak, should fail to make the payments herein provided for, it is my wish and I hereby direct that the provision under which he is to receive the real estate is to fail and become inoperative, and upon such happening my wife, Lillian, is to become vested with a life estate in and to such real estate . . . Upon her death and the termination of the herein created life estate, I give, devise, and bequeath the remainder interest in and to such real estate to my son, Edward S. Novak, on the same condition hereinbefore imposed, namely: That he is to pay to my son, Leonard Novak, Leonard's wife, Martha Novak, and each of Leonard and Martha's six children . . . the sum of \$2,000 each (emphasis added). [¶ 13.] The plain language of the alternative devise gave Lillian a life estate if Edward failed to make the payments required by the initial conditions. Ultimately upon Lillian's death, the property would transfer to Edward under the same condition of paying Leonard and his family members \$2,000.00 each. Thus, had Edward not made payments to Leonard and his family members nor to Lillian, Lillian would have had a life estate until her death. At that point, Edward would have received the 640 acres subject to making the one-time payments to Leonard and his family members. Since Edward had previously made those payments, title passed to Edward as part of the probate of Ernest's will. There, the court clearly rejected the notion that the property reverted to Lillian as a life estate. The only outstanding commitments for Edward were the annual payments to Lillian. [¶ 14.] Edward's right to the property did not hinge on making all of the payments to Lillian. Under the provisions of Ernest's will, even if Edward made no *227 payments prior to Lillian's death, Edward still was to receive the property if he made the "one-time" payments to Leonard and his family members. Edward could make the payments either within eighteen months of Ernest's death or within eighteen months of Lillian's death. It is undisputed that Edward had previously made the "one-time" payments within eighteen months of Ernest's death. [¶ 15.] Even though there appears to be

a dispute about whether Edward made all of the payments to Lillian, that fact was not a material fact. In reviewing a summary judgment we must determine whether the moving party demonstrated the absence of a "genuine issue of material fact and showed entitlement to judgment on the merits as a matter of law." *Kling v. Stern*, 2007 SD 51, ¶ 5, 733 N.W.2d 615, 617. Leonard's argument presupposes that failure to pay Lillian was material to whether Edward owed Leonard and his family another \$16,000 in payments or was divested of the property entirely. Leonard's supposition is misplaced in light of the language of Ernest's will. Ernest's will clearly provided that Edward was to receive the property by making the one-time payments to Leonard and his family. Edward made the payments after Ernest's death and received the property. Thus, whether Edward made all of the payments to Lillian was not a genuine issue of material fact as to whether Edward should retain title to the property. The circuit court did not err in granting summary judgment to Edward.

2. Whether the circuit court abused its discretion when it awarded Edward's motion for attorney's fees.

[¶ 16.] Leonard contests the award of attorney fees to Edward. The circuit court determined that Leonard's failure to admit to the requested matters during pre-trial discovery was indefensible under SDCL 15-6-37(c) and caused Edward to incur additional, unnecessary expenses in providing proof. The award of attorney fees is authorized by SDCL 15-6-37(a)(4), (c)(2). The statute provides that a court shall order payment of reasonable attorney fees and other expenses incurred if a party fails to admit the "truth of any matter as requested under SDCL 15-6-36," and if the requesting party "proves the genuineness of the document or the truth of the matter." SDCL 15-6-37(c)(2). The statute provides as follows: If a party fails to admit the genuineness of any document or the truth of any matter as requested under § 15-6-36, and if the party requesting the admissions thereafter proves the genuineness of the document or the truth of the matter, the requesting party may apply to the court for an order requiring the other party to pay the reasonable expenses incurred in making that proof, including reasonable attorneys' fees. The court shall make the order unless it finds that: (A) The request was objectionable pursuant to § 15-6-36(a); or (B) The admission sought was of no substantial importance; or (C) The party failing to admit had reasonable ground to believe that the party might prevail on the matter; or (D) There was other good reason for the failure to admit. *Id.* Attorney fees are mandatory for failure to admit facts later proven by the moving party unless a statutory exception is met. See *Stull v. Sparrow*, 92 Cal.App.4th 860, 864-66, 112 Cal.Rptr.2d 239 (Explaining that expenses and fees are mandatory under rule 37(c) because the purpose is to expedite trial by encouraging *228 admissions where warranted and to reimburse the costs of proof, not to penalize). Whether an award is warranted is left to the sound discretion of the circuit court, which has "broad discretion with regard to sanctions imposed[.]" *Id.* [¶ 17.] The record demonstrates that Leonard denied fifty-seven of Edward's requests for admissions of fact. Edward proved all fifty-seven facts. Leonard denied that Edward made a number of payments to Lillian. As part of his request for admissions, Edward

attached true and correct copies of his checks to Lillian. Leonard denied that the copies of the checks attached to the requests were true and correct copies. He also claimed that the endorsements on the checks did not appear to be Lillian's even though the bank records showed that the checks had been deposited into Lillian's account. [¶ 18.] Leonard argues that his denials met the exceptions to SDCL 15-6-37(c) generally because: (1) some admissions requested were objectionable; (2) many admissions requested were of "no substantial importance;" (3) he would ultimately prevail on the issues; and (4) other good reasons existed, such as inability to determine the truth of the matter asserted. He makes those same general arguments in his brief on appeal. A review of the record reveals scant support for his failure to admit. [¶ 19.] Leonard further asserts that sanctions under SDCL 15-6-37(c) do not apply to summary judgment proceedings since there was no trial in which the requesting party had to prove the truth of the matter requested. A plain reading of SDCL 15-6-37 indicates that no trial is required. Further, we have stated that discovery sanctions pursuant to SDCL 15-6-37 "are reviewable on appeal from a final judgment." *Aberle v. Ringhausen*, 494 N.W.2d 179, 182 (S.D.1992). A grant of summary judgment on all issues is a final determination of the rights of the parties involved and is a final judgment pursuant to SDCL 15-6-54(a). [¶ 20.] Leonard has failed to show that the court abused its discretion in awarding attorney fees pursuant to SDCL 15-6-37(c) after granting summary judgment on all issues. [¶ 21.] Affirmed. [¶ 22.] GILBERTSON, Chief Justice, and SABERS, KONENKAMP, and ZINTER, Justices, concur.