DISTRICT OF COLUMBIA COURT OF APPEALS

Morris Arthur v. District of Columbia, et al.

857 A.2d 473 (D.C. 2004) · No. Nos. 00-CV-1389, 00-CV-1413 · Decided September 9, 2004

SUMMARY

The District of Columbia Court of Appeals reviewed litigation concerning marital property, default proceedings against Christine Arthur, and funds deposited in the Superior Court registry and later transferred to the District Treasurer. The court vacated and remanded because the trial court had not explained its decision to vacate the default, resolved ownership and partition issues concerning the deposited principal, or determined the interest earned or that should have been earned on the funds. The court further held that interest earned or that should have been earned belonged to the Arthurs and that the District's retention of such interest constituted a taking for public use under the Fifth Amendment, potentially requiring just compensation depending on the owners' net loss.

CASE DETAILS

COURT	District of Columbia Court of Appeals
WRITING FOR THE COURT	Reid, Associate Judge; Schwelb, Associate Judge; Ruiz, Associate Judge
JURISDICTION	District of Columbia
DECIDED	September 9, 2004
DOCKET	Nos. 00-CV-1389, 00-CV-1413
DISPOSITION	vacated
PROCEDURAL POSTURE	Morris Arthur appealed from Superior Court orders vacating an entry of default against Christine Arthur, determining ownership of $14,500 deposited in the court registry, and denying prejudgment interest on funds deposited in the registry and later transferred to the District of Columbia Treasurer.
STANDARD OF REVIEW	Legal issues are reviewed de novo; factual findings on remand are to be reviewed under the clearly erroneous standard. The decision whether to set aside an entry of default is committed to the trial court's sound discretion, but the court must state the reasons supporting its decision.
PRECEDENTIAL VALUE	Published appellate opinion; precedential

PARTIES Morris Arthur v. District of Columbia, Other appellees

TOPICS

default | civil procedure | appellate procedure | real estate | takings clause

PRACTICE AREAS

civil procedure | appellate procedure | real property | constitutional law | remedies

QUESTIONS PRESENTED

1. Whether the Superior Court adequately explained its decision to vacate the entry of default against Christine Arthur.
2. Whether the court could distribute the $14,500 principal without determining whether the Arthurs consented to partition of property held as tenants by the entireties and, if so, their relative equities.
3. Whether interest earned or that should have been earned on funds deposited in the court registry and transferred to the District's general fund belonged to the owners of the principal and whether the District's retention of that interest constituted a taking under the Fifth Amendment.
4. Whether factual findings were required concerning the amount of interest earned, administrative costs, bank fees, and any fiduciary duty to place or maintain the funds in interest-bearing accounts.

HOLDINGS

1. A trial court deciding whether to vacate an entry of default under Super. Ct. Civ. R. 55(c) must determine whether good cause exists and must state the reasons supporting its decision. The Superior Court's conclusory statement that vacating the default was contrary to established law was insufficient.
2. Before distributing the $14,500 principal, the trial court must determine whether Morris and Christine Arthur consented to partition of property acquired as tenants by the entireties. If they consented, the court must determine their relative equities in the property.
3. Interest earned, or that should have been earned, on private funds deposited in the court registry follows the principal and belongs to the owner or owners of the principal. The District's retention of such interest for public use constitutes a taking under the Fifth Amendment, although the amount of just compensation depends on the owners' net loss after accounting for administrative costs and bank charges.

KEY QUOTATIONS

> *"Furthermore, we hold that any interest earned or which should have been earned on the sums deposited in the court registry and later transferred to the District's general fund belonged to Mr. or Ms. Arthur, or both, and that the District's retention of such interest constituted a taking for public use under the Fifth Amendment to the Constitution of the United States; such taking may or may not require just compensation, depending on the net loss suffered by the owner(s) of the deposited funds."* (475-476)

> *"In exercising its discretion, the trial court must choose what is right and equitable under the circumstances and the law and state the reasons which support its conclusion."* (485)

> *"A State, by ipse dixit, may not transform private property into public property without compensation, even for the limited duration of the deposit in court."* (491)

FACTUAL BACKGROUND

The Arthurs owned their marital home as tenants by the entireties. After a $14,500 loan and deed of trust were challenged as forged, the property was sold pursuant to a stipulation and $14,500 of the proceeds, together with $350 in court-ordered security, was deposited in the court registry. The funds were later transferred to the District's general fund as unclaimed property. Christine Arthur did not initially respond to the litigation, but later appeared, testified, sought counsel, and asserted that she had contributed substantially to acquiring and maintaining the property and that fear of Morris Arthur had affected her ability to participate.

PROCEDURAL HISTORY

Arthur filed suit in 1980 to enjoin foreclosure and invalidate a $14,500 loan note and deed of trust as forged. After the marital property was sold, $14,500 from the proceeds and $350 in security were deposited in the court registry, later transferred to the District Treasurer as unclaimed property. The Superior Court entered a default against Christine Arthur, later vacated it, ruled that the Arthurs were entitled to the principal as tenants by the entireties, and denied interest. The Court of Appeals vacated the judgment and remanded for findings and reasons on the default, ownership and partition, and interest issues.

DISPOSITION

vacated

REMAND INSTRUCTIONS

The Superior Court must: (1) determine and explain the appropriate standard and reasons for vacating the entry of default against Christine Arthur, including good cause, the 'otherwise defend' provision, and the verified-answer requirement; (2) determine ownership of the $14,500 principal, whether the Arthurs consented to partition of their entireties property, and, if so, their relative equities; and (3) determine the interest earned on the $14,500 and $350 deposits, administrative costs and bank fees, whether the District had a fiduciary duty concerning interest, and whether either Arthur sustained a net loss requiring compensation.

CASES CITED

- Blyther v. Chesapeake & Potomac Tel. Co., 661 A.2d 658, 662 (D.C. 1995)
- Johnson v. Burken, 930 F.2d 1202, 1207 (7th Cir. 1991)
- Lockhart v. Cade, 728 A.2d 65, 68 (D.C. 1999)
- Clark v. Moler, 418 A.2d 1039, 1041-42 (D.C. 1980)
- Miranda v. Contreras, 754 A.2d 277, 280 n. 4 (D.C. 2000)
- Restaurant Equip. & Supply Depot, Inc. v. Gutierrez, 852 A.2d 951, 955-56 (D.C. 2004)

- Digital Broad. Corp. v. Rosenman & Colin, L.L.P., 847 A.2d 384, 387 n. 5 (D.C. 2004)
- Rubin v. Lee, 577 A.2d 1158, 1160 (D.C. 1990)
- Firemen's Ins. Co. of Washington, D.C. v. Belts, 455 A.2d 908, 909 (D.C. 1983)
- Travis v. Benson, 360 A.2d 506, 509 (D.C. 1976)
- Finley v. Thomas, 691 A.2d 1163, 1165 & n. 1 (D.C. 1997)
- Ridgely v. Ridgely, 188 A.2d 296, 297 (D.C. 1963)
- Carter v. Carter, 516 A.2d 917, 919, 921 (D.C. 1986)
- Roberts & Lloyd, Inc. v. Zyblut, 691 A.2d 635, 638 (D.C. 1997)
- Verges v. Verges, 193 A.2d 208, 209 (D.C. 1963)
- Hogan v. Hogan, 102 U.S.App. D.C. 87, 250 F.2d 412 (1957)
- Phillips v. Washington Legal Found., 524 U.S. 156, 172, 118 S. Ct. 1925, 141 L. Ed. 2d 174 (1998)
- Webb's Fabulous Pharms., Inc. v. Beckwith, 449 U.S. 155, 162-65, 101 S. Ct. 446, 66 L. Ed. 2d 358 (1980)
- Brown v. Legal Found. of Washington, 538 U.S. 216, 233-37, 123 S. Ct. 1406, 155 L. Ed. 2d 376 (2003)
- Tahoe-Sierra Preservation Council, Inc. v. Tahoe Reg'l Planning Agency, 535 U.S. 302, 321-24, 122 S. Ct. 1465, 152 L. Ed. 2d 517 (2002)
- United States v. Pewee Coal Co., 341 U.S. 114, 115, 71 S. Ct. 670, 95 L. Ed. 809 (1951)
- Schneider v. California Department of Corrections, 345 F.3d 716, 720-21 (9th Cir. 2003)
- M. Pierre Equip. Co., Inc. v. Griffith Consumers Co., 831 A.2d 1036, 1038 (D.C. 2003)
- Friends of Tilden Park, Inc. v. District of Columbia, 806 A.2d 1201, 1206-07 (D.C. 2002)
- Hazel v. Barry, 580 A.2d 110, 111 (D.C. 1990)
- Hooker v. Edes Home, 579 A.2d 608, 612 n. 9 (D.C. 1990)