

UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF
PENNSYLVANIA

Derek Smith Law Group, PLLC v. Seth Carson, doing business as
"Carson Legal Group"

Derek Smith Law Group v. Carson · No. No. 25-1238 · Decided November 26, 2025

SUMMARY

The United States District Court for the Eastern District of Pennsylvania denies Seth Carson’s motion to vacate a default judgment and motion to dismiss for lack of subject matter jurisdiction. The Court concludes that vacatur is unwarranted because Carson failed to present a complete meritorious defense, waived any right to arbitration by not timely asserting it, and engaged in culpable conduct. The Court also finds that complete diversity exists between the parties and that the plaintiff’s fraud claim does not satisfy Federal Rule of Civil Procedure 9(b).

CASE DETAILS

COURT	United States District Court for the Eastern District of Pennsylvania
WRITING FOR THE COURT	Kelley B. Hodge
JURISDICTION	United States District Court for the Eastern District of Pennsylvania
DECIDED	November 26, 2025
DOCKET	No. 25-1238
DISPOSITION	denied
PROCEDURAL POSTURE	After the Clerk entered default and the Court granted default judgment while reserving damages for a later hearing, Defendant moved under Federal Rule of Civil Procedure 60(b) to vacate the default judgment and separately moved to dismiss for lack of subject matter jurisdiction. The Court denied both motions.
STANDARD OF REVIEW	A district court's decision whether to set aside a default judgment under Federal Rule of Civil Procedure 60(b) is reviewed under an abuse-of-discretion standard. The Third Circuit's analysis considers prejudice to the plaintiff, whether the defendant has a meritorious defense, and whether the default resulted from culpable conduct.
PRECEDENTIAL VALUE	unpublished district court memorandum; nonprecedential

PARTIES

Seth Carson, doing business as "Carson Legal Group" v. Derek Smith Law Group, PLLC

TOPICS

default judgment

subject matter jurisdiction

motions to dismiss

arbitration

civil procedure

PRACTICE AREAS

civil procedure

commercial litigation

contracts

employment law

remedies

QUESTIONS PRESENTED

1. Whether the default judgment should be vacated under Federal Rule of Civil Procedure 60(b) based on prejudice, the existence of a meritorious defense, and culpable conduct.
2. Whether the Court lacked subject matter jurisdiction because complete diversity did not exist between the parties.
3. Whether Carson's asserted defenses—including limitations, pleading specificity, arbitration, and alleged debt miscalculation—constituted a complete meritorious defense sufficient to support vacatur.
4. Whether Carson waived any right to arbitrate by failing to timely assert it and by defaulting.

HOLDINGS

1. The Court denied the motion to vacate because Carson failed to establish a complete meritorious defense and his failure to respond constituted culpable conduct; the balance of the Rule 60(b) factors favored upholding the default judgment.
2. Carson did not establish a complete meritorious defense because his asserted defenses were either insufficiently supported, partial, waived, or did not address his alleged liability under the 2024 Contract.
3. The Court had subject matter jurisdiction under 28 U.S.C. § 1332(a) because complete diversity existed when the complaint was filed.
4. Carson waived any right to arbitration by failing to timely assert that right and by failing to respond to the action.
5. The complaint did not satisfy Rule 9(b)'s heightened pleading requirement for the fraud claim because it failed to plead the circumstances of the alleged fraud with sufficient particularity.

KEY QUOTATIONS

"A meritorious defense is one that "if established on trial, would constitute a complete defense to the action.""

"There would be no point in setting aside the default judgment . . . if [the defendant] could not demonstrate the possibility of . . . winning.""

FACTUAL BACKGROUND

Seth Carson was an associate attorney at Derek Smith Law Group, PLLC from June 2018 through March 2024 and was compensated through commissions. The firm alleged that Carson misused company funds, overstated commissions, failed to pay referral fees, failed to reimburse sanctions, and failed to repay loans, and that he later breached a 2024 contract concerning cases he took from the firm. After being served with the complaint, Carson did not file an answer or responsive motion, although communications showed that he knew the action had been filed.

PROCEDURAL HISTORY

Plaintiff filed claims for breach of fiduciary duty, unjust enrichment, conversion, accounting, fraud, and breach of contract. Defendant was served but did not timely answer or otherwise respond; the Clerk entered default, and the Court granted default judgment on May 20, 2025, leaving damages to be determined after a hearing. Defendant then filed motions to vacate the default judgment and dismiss for lack of subject matter jurisdiction, which the Court denied.

DISPOSITION

denied

CASES CITED

- Tozer v. Charles A. Krause Milling Co., 189 F.2d 242, 244 (3d Cir. 1951)
- U.S. v. \$55,518.05 in U.S. Currency, 728 F.2d 192, 195 (3d Cir. 1984)
- Hydroworx Int'l, Inc. v. Echelon Fitness Multimedia, LLC, No. CIV.A. 25-689, 2025 U.S. Dist. LEXIS 217687, at *4 (E.D. Pa. Nov. 5, 2025)
- Emerson Radio Corp. v. Emerson Quiet Kool Co., No. CIV.A. 22-1809, 2023 U.S. App. LEXIS 17434, at *7 n.8 (3d Cir. July 11, 2023)
- Doe v. Hesketh, 828 F.3d 159, 175 (3d Cir. 2016)
- Accu-Weather, Inc. v. Reuters, Ltd., 779 F. Supp. 801, 802-03 (M.D. Pa. 1991)
- Broad. Music, Inc. v. St. George & Mary, Inc., No. CIV.A. 16-2235, 2017
- Sourcecorp Inc. v. Croney, 412 F. App'x 455, 460 (3d Cir. 2011)
- In re O'Brien Env't Energy, Inc., 188 F.3d 116, 127 (3d Cir. 1999)
- Lum v. Bank of America, 361 F.3d 217, 223-24 (3d Cir. 2004)
- Seville Indus. Mach. Corp. v. Southmost Mach. Corp., 742 F.2d 786, 791 (3d Cir. 1984)
- Zambelli Fireworks Mfg. Co. v. Wood, 592 F.3d 412, 418 (3d Cir. 2010)
- Grupo Dataflux v. Atlas Global Group, L.P., 541 U.S. 567, 570-71 (2004)
- Nino v. Jewelry Exch., Inc., 609 F.3d 191, 214 (3d Cir. 2010)
- Atlas Communs. v. Waddill, No. CIV.A. 97-1373, 1997 U.S. Dist. LEXIS 17049, at *8 (E.D. Pa. Oct. 31, 1997)
- Emcasco Ins. Co. v. Sambrick, 834 F.2d 71, 73 (3d Cir. 1987)
- Hritz v. Woma Corp., 732 F.2d 1178, 1182-83 (3d Cir. 1984)

- In re Carson, No. MISC.A. 24-5, 2025 U.S. Dist. LEXIS 197824, at *22-23 (E.D. Pa. July 8, 2025), report and recommendation adopted, In re Carson, 2025 U.S. Dist. LEXIS 198245 (E.D. Pa. July 29, 2025)
- Sadis & Goldberg, LLP v. Banerjee, No. CIV.A. 19-1682, 2020 U.S. Dist. LEXIS 133865, at *12 (W.D. Pa. July 28, 2020)

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