

SUPREME COURT OF NORTH DAKOTA

Twete v. Mullin

2020 ND 264 (2020) · No. 20200106 · Decided December 17, 2020

SUMMARY

The North Dakota Supreme Court reversed a district court judgment awarding attorney’s fees to Richard Twete in litigation involving a breach of trust and constructive trust. The court held that neither contractual nor statutory authority supported the award, and that the common-fund exception to the American Rule did not apply because Twete was the trust’s sole beneficiary.

CASE DETAILS

COURT	Supreme Court of North Dakota
WRITING FOR THE COURT	Jerod E. Tufte; Jon J. Jensen, C.J.; Gerald W. VandeWalle; Daniel J. Crothers; Lisa Fair McEvers
JURISDICTION	North Dakota
DECIDED	December 17, 2020
DOCKET	20200106
DISPOSITION	reversed
PROCEDURAL POSTURE	Mullin appealed from a district court judgment awarding Twete attorney's fees after remand from an earlier appeal.
STANDARD OF REVIEW	A district court's attorney's-fees decision is reviewed for abuse of discretion. Questions of law concerning misapplication or misinterpretation of the law are reviewed de novo.
PRECEDENTIAL VALUE	Published North Dakota Supreme Court opinion; precedential
PARTIES	Clinton R. Mullin v. Richard S. Twete

TOPICS

- trustee duties
- breach of trust
- remedies
- statutory interpretation
- appellate procedure

PRACTICE AREAS

- trusts
- remedies
- appellate procedure

QUESTIONS PRESENTED

1. Whether the North Dakota Uniform Trust Code provides statutory authority for an award of attorney's fees in a breach-of-trust action.
2. Whether the omission of Uniform Trust Code section 1004 from North Dakota's adoption of the Code displaced the common-law authority to award attorney's fees in breach-of-trust cases.
3. Whether the common-fund exception to the American Rule authorizes attorney's fees when the action is brought by and benefits only the trust's sole beneficiary.
4. Whether the district court abused its discretion by awarding Twete attorney's fees.

HOLDINGS

1. North Dakota's statutory remedies for breach of trust do not include an award of attorney's fees, and the constructive trust imposed as a remedy supplies no contractual authority for such an award.
2. North Dakota's adoption of the Uniform Trust Code without section 1004 did not foreclose all common-law attorney's-fees awards in breach-of-trust cases; instead, the common law of trusts and principles of equity continue to supplement the statutory trust chapters except where modified by statute.
3. The common-fund exception to the American Rule does not authorize an attorney's-fees award in a breach-of-trust action brought by and benefiting only the trust's sole beneficiary.
4. The district court abused its discretion by misinterpreting the law and awarding Twete attorney's fees without applicable statutory, contractual, or common-fund authority.

KEY QUOTATIONS

“The American Rule, long recognized by this Court, states that absent statutory or contractual authority, parties to a lawsuit bear their own attorney’s fees.” (¶ 4)

“The common law common fund doctrine does not provide the district court authority to award attorney’s fees to a class of one person.” (¶ 8)

FACTUAL BACKGROUND

A jury found that Mullin and Twete had a confidential relationship, that Mullin breached a trust, and that the breach caused damages. The district court imposed a constructive trust as equitable relief and awarded Twete attorney's fees. Twete was the sole beneficiary of the trust, and his action benefited the trust but did not benefit any other beneficiary or member of a class.

PROCEDURAL HISTORY

In the first appeal, the Supreme Court affirmed the jury's findings of a confidential relationship and breach of trust but reversed an attorney's-fees award and remanded for further consideration and explanation of the legal basis for the award. On remand, the district court again awarded Twete attorney's fees. Mullin appealed, and the Supreme Court reversed.

DISPOSITION

reversed

CASES CITED

- Twete v. Mullin, 2019 ND 184, 931 N.W.2d 198
- State v. Kostelecky, 2018 ND 12, ¶ 6, 906 N.W.2d 77
- Hall v. Cole, 412 U.S. 1, 5 (1973)
- In re Estate of Hass, 2002 ND 82, ¶ 22, 643 N.W.2d 713
- In re Estate of Rohrich, 496 N.W.2d 566 (N.D. 1993)
- Matter of Sturdevant, 340 N.W.2d 888 (N.D. 1983)
- Allard v. Johnson, 2006 ND 243, ¶ 3, 724 N.W.2d 331
- Mills v. Electric Auto-Lite Co., 396 U.S. 375, 392 (1970)

OPINION

PER CURIAM.

FILED IN THE OFFICE OF THE CLERK OF SUPREME COURT DECEMBER 17, 2020
STATE OF NORTH DAKOTA IN THE SUPREME COURT STATE OF NORTH DAKOTA 2020
ND 264 Richard S. Twete, Plaintiff and Appellee v. Clinton R. Mullin, Defendant and Appellant
and Valrena M. Nelson, Farm Credit Services of North Dakota FLCA, Hurley Oil Properties, Inc.,
Bill Seerup, and all persons unknown claiming any estate or interest in, or lien or encumbrance
upon the property described in the Complaint whether as heir, devisee, legatee, creditor, or
personal representative of a deceased person, or under any other title of interest, Defendants No.
20200106 Appeal from the District Court of Divide County, Northwest Judicial District, the
Honorable Paul W. Jacobson, Judge.

REVERSED. Opinion of the Court by Tufte, Justice. Samuel G. Larson (argued) and Steven J. Leibel (appeared), Bismarck, N.D., for plaintiff and appellee. James A. Teigland, Fargo, N.D., for defendant and appellant. Twete v. Mullin No. 20200106 Tufte, Justice. [¶1] Clinton Mullin appeals from a district court judgment awarding attorney’s fees to Richard Twete.

On appeal, Mullin argues that the district court abused its discretion through misapplication and misinterpretation of the law. We reverse. I [¶2] This is the second appeal involving this matter. See Twete v. Mullin, 2019 ND 184, 931 N.W.2d 198 (Twete I).

In the first appeal, this Court affirmed the jury’s finding that there was a confidential relationship between Twete and Mullin and that Mullin committed a breach of trust, but we reversed an attorney’s fees award to Twete against Mullin and remanded “for further consideration and explanation of the legal basis authorizing the award of attorney fees in this case.” Id. at ¶ 48.

On remand, the parties briefed and argued whether the district court should award Twete his attorney's fees. In March of 2020, the district court again granted Twete's attorney's fees request. Mullin appeals from that order. II [¶3] This Court "will not set aside a district court's decision regarding attorney fees absent an abuse of discretion. A district court abuses its discretion when it acts in an arbitrary, unreasonable, or unconscionable manner, or when it misinterprets or misapplies the law." Twete I, 2019 ND 184, ¶ 45 (citation omitted).

In determining whether the district court abused its discretion through misapplication or misinterpretation of the law, we review questions of law de novo. *State v. Kostelecky*, 2018 ND 12, ¶ 6, 906 N.W.2d 77 (citation omitted). [¶4] The American Rule, long recognized by this Court, states that absent statutory or contractual authority, parties to a lawsuit bear their own attorney's fees.

Twete I, 2019 ND 184, ¶ 45 (citations omitted). The jury found 1 in its special verdict that Mullin had a confidential relationship with Twete, that Mullin committed a breach of trust, and that his breach of trust caused damages. *Id.* at ¶ 5.

The court's order granting equitable relief concluded that Mullin was unjustly enriched by the breach of confidential relationship and imposed a constructive trust as a remedy. The constructive trust, being imposed by the court, provides no contractual authority for attorney's fees. Section 59-18-01(2), N.D.C.C. (U.T.C. § 1001), provides the remedies for a breach of trust, and does not include an award of attorney's fees.

Thus, the attorney's fees award is also not supported by statutory authority. [¶5] Mullin argues North Dakota's adoption of the Uniform Trust Code (U.T.C.) foreclosed any award of attorney's fees in cases of breach of trust. Mullin bases this argument on the fact that North Dakota did not adopt U.T.C. Section 1004, which expressly grants the court discretion to award attorney's fees.

See N.D.C.C. § 59-18-04; U.T.C § 1004. Mullin argues that declining to adopt section 1004 reflects an intent by the legislature that parties to trust litigation should be responsible for their own attorney's fees. Other statutory language indicates that the omission of section 1004 did not necessarily foreclose an award of attorney's fees in cases of breach of trust: "The common law of trusts and principles of equity supplement chapters 59-09, 59-10, 59-11, 59-12, 59-13, 59-14, 59-15, 59-16, 59-17, 59-18, and 59-19, except to the extent modified by [those chapters] or another statute of this state." N.D.C.C. § 59- 09-06 (U.T.C. § 106) (emphasis added).

Here, had section 1004 been adopted, it would have modified the common law of trusts to more liberally allow for the award of attorney's fees. See Uniform Trust Code § 1004, Comment ("Generally, litigation expenses were at common law chargeable against another party only in the case of egregious conduct such as bad faith or fraud."). Instead, the legislature did not adopt that section and therefore left the common law of trusts undisturbed as to attorney's fees awards. [¶6]

There are common law exceptions to the American Rule, including when a litigant has acted “in bad faith, vexatiously, wantonly, or for oppressive reasons” and when a “plaintiff’s successful litigation confers ‘a substantial benefit on the members of an ascertainable class....’” *Hall v. Cole*, 412 U.S. 1, 5 (1973).

The district court concluded that “[t]he common law affords the 2 district court with discretion to award attorney’s fees to make a successful beneficiary ‘whole’ in appropriate cases, especially those, like the present case, involving trustee misconduct or self-dealing, in which case a court may assess fees against the trustee personally.” The court, however, misconstrued the cited case law.

All the cases cited by the district court involved either statutory authority for the attorney’s fees award or were based on a benefit to a class rather than one single beneficiary. See *In re Estate of Hass*, 2002 ND 82, § 22, 643 N.W.2d 713 (awarding attorney’s fees under N.D.C.C. § 30.1-18-20); *In re Estate of Rohrich*, 496 N.W.2d 566 (N.D. 1993) (awarding attorney’s fees where the class of beneficiaries benefited from the action); *Matter of Sturdevant*, 340 N.W.2d 888 (N.D.

1983) (denying attorney’s fees where action was brought for sole benefit of plaintiff). It appears only one case has allowed a party to recover attorney’s fees when the plaintiff was the sole beneficiary, but the issue of attorney’s fees was not appealed and thus not considered by this Court. *Allard v. Johnson*, 2006 ND 243, ¶ 3, 724 N.W.2d 331. [¶7] Twete argues that the court’s order granting an award of attorney’s fees was correct because the action benefited the entire trust, and Ric, as the sole beneficiary, represents the entire common fund.

The common fund exception to the American Rule stems from the case *Mills v. Electric Auto-Lite Co.* in which the United States Supreme Court concluded that “[a] primary judge- created exception has been to award expenses where a plaintiff has successfully maintained a suit, usually on behalf of a class, that benefits a group of others in the same manner as himself.” *Mills v. Electric Auto-Lite Co.*, 396 U.S. 375, 392 (1970) (citation omitted).

The Supreme Court explained that the policy behind this exception is that it is unjust to allow the other beneficiaries to benefit from the plaintiff’s efforts without their having equally contributed to the expenses. *Id.* [¶8] While Twete’s action brought a benefit to the entire trust, he is the only member of the class and the sole beneficiary of the trust.

As the sole beneficiary of the trust, there was no one else who benefitted from Twete’s legal action without having equally contributed to the expenses. The policy behind the common fund exception does not apply in this case, and “[w]hen the reason of a rule ceases so should the rule itself.” N.D.C.C. § 31-11-05(1).

The common 3 law common fund doctrine does not provide the district court authority to award attorney’s fees to a class of one person. III [¶9] We conclude the district court misinterpreted the

law and abused its discretion in awarding attorney's fees.

We reverse the district court judgment. [¶10] Jon J. Jensen, C.J. Gerald W. VandeWalle Daniel J. Crothers Lisa Fair McEvers Jerod E. Tufte 4