THE STATE OF SOUTH CAROLINA
In the Court of Appeals

APPEAL FROM CHARLESTON COUNTY
Court of Common Pleas

George M. McFaddin, Jr., Circuit Court Judge

Appellate Case No.: 2025-000634

Tina Ferrier, ... Respondent,

v.

Harborstone, LLC d/b/a
Harborstone Apartments, ... Appellant.

INITIAL BRIEF OF APPELLANT

Amanda M. Gaston, Esq.
CLAWSON AND STAUBES, LLC
S.C. Bar No.: 104135
126 Seven Farms Drive, Suite 200
Charleston, South Carolina 29492-8144
Phone: (843) 577-2026
Email: agaston@cslaw.com

Attorney for Appellant

TABLE OF CONTENTS

TABLE OF AUTHORITIES

STATEMENT OF ISSUES ON APPEAL

I. Did the Circuit Court err in denying Appellant Harborstone, LLC's Motion to Dismiss and/or Compel Arbitration pursuant to the parties' Lease Agreement and the Federal Arbitration Act?

STATEMENT OF THE CASE

Respondent initiated this action on October 22, 2024, asserting claims for negligence, gross negligence, and violations of the South Carolina Residential Landlord and Tenant. *See* Summons and Complaint p. 3-4. On December 19, 2024, Appellant filed an Amended Answer and, contemporaneously, a Motion to Dismiss and/or Compel Arbitration. *See generally* Amended Answer; Appellant's Motion to Dismiss and/or Compel Arbitration.

This appeal arises from the February 26, 2025, order of the Charleston County Court of Common Pleas denying Appellant Harborstone, LLC's Motion to Dismiss and/or Compel Arbitration pursuant to Paragraph 42 of the parties' Lease Agreement and the Federal Arbitration Act ("FAA"). *See* Order Denying Appellant's Motion to Dismiss and/or Compel Arbitration.

At the February 26, 2025, hearing, Harborstone argued that Respondent's negligence and premises liability claims fell within the scope of the mandatory arbitration clause contained in its standard lease agreement. (Tr. p. 4, 5-17; p. 5, 10-14; p. 6, 1-9.) Respondent opposed the motion on the grounds that Harborstone failed to produce a fully executed lease agreement specific to Respondent, including the necessary signatures or initials. (Tr. p. 4, 19-25; p. 5, 1-8, 16-23.) The Circuit Court denied the motion, finding that Harborstone had not presented sufficient evidence to establish that the arbitration clause applied to Respondent. (Tr. p. 6, 10-14.)

On March 3, 2025, Harborstone timely moved for reconsideration pursuant to Rule 59(e) of the South Carolina Rules of Civil Procedure and included the executed Lease Agreement containing the arbitration provision. *See* Appellant's Motion for Reconsideration. The Circuit

Court denied the motion without a hearing. *See* Order Denying Appellant's Motion for Reconsideration. Harborstone now appeals.

STANDARD OF REVIEW

The appellate court reviews the denial of a motion to compel arbitration de novo. *Wellman, Inc. v. Square D Co.*, 366 S.C. 61, 67, 620 S.E.2d 86, 89 (Ct. App. 2005). Absent an agreement by the parties to the contrary, the question of arbitrability of a claim is an issue reserved for judicial determination. *Zabinski v. Bright Acres Assocs.*, 346 S.C. 580, 596, 553 S.E.2d 110, 118 (2001).

SUMMARY OF THE ARGUMENT

The Circuit Court erred in denying Harborstone, LLC's Motion to Dismiss and/or Compel Arbitration under the Federal Arbitration Act (FAA) and the arbitration clause contained in the Lease Agreement. The FAA governs the arbitration clause both by its express terms and because the Lease Agreement involves interstate commerce. The Lease Agreement was executed by Respondent and an authorized agent of R.E. Carroll Management Company, a corporate entity headquartered in North Carolina that engages in the interstate operation and management of multifamily residential communities, including Harborstone. Harborstone, LLC, a limited liability company, owned the subject property and conducted business operations in Charleston County. These facts demonstrate that the Lease Agreement was executed in connection with a commercial enterprise involving parties engaged in interstate commerce, bringing the agreement squarely within the scope of the FAA.

The arbitration clause is valid, enforceable, and expressly provides that it is governed by the FAA. It also clearly encompasses the claims asserted by Respondent. The Circuit Court further erred in denying Harborstone's Rule 59(e) motion, which introduced the fully executed Lease Agreement containing the operative arbitration clause. Both the FAA and South Carolina law

strongly favor arbitration, and the Circuit Court's refusal to compel arbitration disregards binding precedent.

ARGUMENT

I. The FAA Governs the Arbitration Clause in the Lease Agreement

Unless the parties have contracted otherwise, the Federal Arbitration Act ("FAA") applies in applies in both federal and state courts to written arbitration agreements involving interstate commerce. *Munoz v. Green Tree Fin. Corp.*, 343 S.C. 531, 538–39, 542 S.E.2d 360, 363 (2001). The United States Supreme Court has interpreted the FAA's "involving commerce" language broadly, reflecting Congress's intent to exercise the full scope of its Commerce Clause authority. Accordingly, the FAA extends to intrastate contracts whose aggregated economic activity substantially affects interstate commerce. *Allied-Bruce Terminix Cos., Inc. v. Dobson*, 513 U.S. 265, 277–81, 115 S. Ct. 834, 130 L. Ed. 2d 753 (1995). South Carolina courts have adopted this expansive interpretation, applying the FAA to residential lease agreements where the underlying transaction bears a sufficient nexus to interstate commerce. *See Dean v. Heritage Healthcare of Ridgeway, LLC*, 408 S.C. 371, 381, 759 S.E.2d 727, 732 (2014).

The arbitration clause in the Lease Agreement expressly provides that it is governed by the Federal Arbitration Act, confirming the parties' intent to be bound by the FAA. *See* Lease Agreement ¶ 42. Independent of the express language, the Lease Agreement also satisfies the FAA's requirement that the transaction involve interstate commerce. It was executed by the Respondent and an authorized agent of R.E. Carroll Management Company, a corporate entity with its principal place of business in North Carolina. R.E. Carroll manages multifamily residential properties across state lines, including the Harborstone property in Charleston County, South Carolina.

Harborstone engages in interstate commerce through its use of national financial institutions, out-of-state vendors and service providers, and contractors such as those who performed the trash compactor repairs at issue in this case. These interconnections establish the essential nexus to interstate commerce, thereby ensuring that the Lease Agreement falls squarely within the ambit of the Federal Arbitration Act.

II. The Arbitration Clause is Valid, Enforceable, and Encompasses Respondent's Claims

The FAA provides that a written agreement to arbitrate shall be valid, irrevocable, and enforceable, save upon such grounds as exist at law or in equity for the revocation of any contract. 9 U.S.C. § 2. Any doubts concerning the scope of arbitrable issues shall be resolved in favor of arbitration. *Zabinski*, 346 S.C. at 597, 553 S.E.2d at 110.

Paragraph 42 of the Lease Agreement provides that *"any and all claims, disputes or controversies arising out of and relating to this Lease, or arising out of and relating to the relationship of the Landlord and Resident created by this Lease ... will be resolved by binding arbitration conducted pursuant to the Federal Arbitration Act."* This broad, unambiguous language encompasses Respondent's claims, which arise directly from the landlord-tenant relationship governed by the Lease Agreement.

In *Landers v. FDIC*, the South Carolina Supreme Court held that "[a] clause which provides for arbitration of all disputes 'arising out of or relating to' the contract is construed broadly." 402 S.C. 100, 109, 739 S.E.2d 209, 213 (2013). This is precisely the language used in the Lease Agreement at issue. Further, the *Landers* Court reiterated the "heavy presumption of arbitrability," holding that "when the scope of the arbitration clause is open to question, a court must decide the question in favor of arbitration." Id. at 109, 739 S.E.2d at 214. Respondent's claims directly relate to the tenancy, the lease terms, and the parties' respective obligations under the Lease Agreement. Accordingly, they fall within the scope of the arbitration clause.

Respondent has not alleged fraud, duress, unconscionability, or any other recognized defense to the enforceability of the arbitration agreement. South Carolina courts have held that an agreement to arbitrate will be enforced unless a party "could not possibly have agreed" to arbitrate claims arising from wholly unexpected tortious conduct. *Aiken v. World Fin. Corp.*, 373 S.C. 144, 151, 644 S.E.2d 705, 709 (2007). No such circumstances are alleged here. Instead, the court's denial rested on the procedural posture, specifically the absence of a signed lease at the initial hearing. This omission was promptly cured by Harborstone's Rule 59(e) motion, which included the executed Lease Agreement.

III. The Circuit Court Erred in Denying Harborstone's Rule 59(e) Motion

Relief under Rule 59 SCRCP is appropriate where there has been an intervening change in controlling law, newly discovered evidence, or the need to correct a clear error of law or prevent manifest injustice. *Robinson v. Wix Filtration Corp. LLC*, 599 F.3d 403, 411 (4th Cir. 2010). Harborstone's motion met the standard for reconsideration. The Circuit Court's denial of Harborstone's motion to compel arbitration did not rest on any substantive infirmity in the arbitration clause, but rather on the absence of a signed Lease Agreement at the time of the initial hearing. Harborstone promptly cured this evidentiary deficiency by submitting the executed Lease Agreement in support of its Rule 59(e) motion. In declining to reconsider its ruling, the Circuit Court upheld a result inconsistent with federal substantive law.

The Federal Arbitration Act does not grant courts discretion to disregard valid arbitration provisions. Courts are required to compel arbitration when a valid arbitration agreement exists and encompasses the dispute at issue. In *Zabinski v. Bright Acres Associates*, the South Carolina Supreme Court underscored the strong presumption in favor of arbitration, holding that "any doubts concerning the scope of arbitrable issues should be resolved in favor of arbitration." 346

S.C. 580, 597, 553 S.E.2d 110, 118 (2001). Once the executed Lease Agreement was produced, no cognizable basis remained for declining to enforce the arbitration provision contained therein.

CONCLUSION

For the foregoing reasons, Appellant Harborstone, LLC respectfully requests that this Court reverse the Circuit Court's order denying Harborstone's Motion to Dismiss and/or Compel Arbitration and remand the matter with instructions to compel arbitration pursuant to the executed Lease Agreement and consistent with the Federal Arbitration Act.

Respectfully submitted,

Amanda M. Gaston, Esq.
CLAWSON AND STAUBES, LLC
S.C. Bar No.: 104135
126 Seven Farms Drive, Suite 200
Charleston, South Carolina 29492
Phone: (843) 577-2026
Email: agaston@cslaw.com

Attorney for Appellant

May 13, 2025