

THE STATE OF SOUTH CAROLINA
In The Court of Appeals

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APPEAL FROM BEAUFORT COUNTY
Court of Common Pleas

SC Court of Appeals

The Honorable Marvin H. Dukes, III, Circuit Court Judge

Case No. 2015-CP-07-00218

Sharon Denise Anderson, Plaintiff Respondent,

v.

Linda Jenkins Holmes, Defendant Appellant.

INITIAL REPLY BRIEF OF APPELLANT

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Respondent has not presented any valid reason why this Court should not overturn the Circuit Court's denial of Appellant's motion for relief from the default judgment entered below. Instead, because Appellant meets the four prongs of the test under both Rule 55(c), SCRCP, and the more stringent Rule 60(b), SCRCP, this Court should find that the Circuit Court's denial of Appellant's motion for relief was an abuse of discretion.

As a preliminary matter, Respondent erroneously alleges that a number of issues are not preserved for appeal because they were not raised to the Circuit Court, including: 1) the amount of damages, (Resp. Br. p. 12); 2) that Appellant's motion to set aside the default judgment was timely filed, (Resp. Br. p. 13); and 3) the reason Appellant did not respond promptly to the Complaint, (Resp. Br. p. 13). At the same time, however, she acknowledges in her Statement of the Case that Appellant's Memorandum in Support of Setting Aside the Default Judgment raised all of these issues: "1) good cause existed to set aside the entry of default and/or default judgment; 2) any default was due to mistake and/or excusable neglect; 3) the motion to set aside default was made in a reasonable time after the discovery of the default; 4) Appellant was improperly and/or insufficiently served; 5) Appellant was improperly placed into default without proper notice or service; and 6) valid defenses exist to Respondent's claims." (Resp. Br. pp. 2-3). Respondent also alleges that the issue of whether she would be prejudiced by setting aside the default judgment was not addressed to the trial court, (Resp. Br. p. 15); however, this issue clearly was addressed in Appellant's Supplemental Memorandum. (Supplemental Memorandum, pp. 7-11). The Court's blanket denial of Appellant's Motion addressed each of these arguments. As a result, all of the issues raised by Appellant are properly before this Court and should be considered.

I. Appellant established good cause, mistake, inadvertence, surprise, excusable neglect as well as presented a strong case for misrepresentation and misconduct on the part of Respondent's counsel.

Based on the facts and arguments set forth in Appellant's Brief and herein, this Court should hold that Appellant is entitled to relief from the Order for Damages, as well as from the Order of Default. Respondent's attempts to distinguish McClurg v. Deaton, 380 S.C. 563, 671 S.E.2d 87 (Ct. App. 2008) are unavailing.¹ Respondent in essence suggests that this case differs from McClurg in that, here, her counsel did not agree to delay filing suit and he did not continue negotiations once the lawsuit was filed. However, the fact that Mr. Bush refused to return phone calls does not in any way justify his not serving Omni with a copy of the Complaint, particularly when he had knowledge that Omni was continuing to try to settle the case. As noted in their Brief, Omni was continuing to try to reach Mr. Bush in order to facilitate further settlement negotiations, even sending him a letter on April 2, 2015. (McDonald Affid., Exh. F to Supplemental Memorandum) (Omni file notes, Exh. G to Supplemental Memorandum).

Even taking Mr. Bush at his word that, in September 2014 he told Cheryl Brooks that he was *going to file* a lawsuit, (Bush Affid.), that is not the same as advising Omni that a complaint *had been filed* or, more importantly, *serving* them with a copy of the Complaint that was filed against Ms. Holmes on January 30, 2015. Despite Respondent's suggestion otherwise, it is clear that both parties did *not* understand that settlement negotiations had terminated prior to the filing of her lawsuit. Indeed, Omni continued to attempt to contact Mr. Bush on a regular basis but he refused to return Omni's calls or letters. (McDonald Affid., Exh. F to Supplemental Memorandum) (Omni file notes, Exh. G to Supplemental Memorandum). Without being served

¹ Although Respondent cites to the Supreme Court's decision in McClurg v. Deaton, 395 S.C. 85, 716 S.E.2d 887 (2011), that decision simply affirmed this Court's ruling that the parties below failed to demonstrate a meritorious defense, and did not discuss the Court of Appeals' finding that the evidence supported granting relief on the basis of mistake, inadvertence, surprise or excusable neglect, and quite possibly misrepresentation and misconduct as well.

with the Complaint, Omni had no way of knowing Respondent had filed a lawsuit and, even if they knew one had been filed, which they did not, without a copy of the Complaint, could hardly prepare an adequate or timely answer. At best, Respondent's counsel advised over the telephone that he was *planning* to file a complaint. This falls woefully short of the kind of notice a party requires in order to respond properly to a filed complaint.

Respondent alleges that Omni refused to accept service on behalf of Ms. Holmes, based on Mr. Bush's recollection in July 2015 of a phone conversation he had with Ms. Brooks in September 2014. (Bush Affid.). Even assuming his recollection is accurate, which Appellant does not necessarily concede, that does not excuse Respondent's failure to notify Omni once the Complaint had been filed or to provide them with a copy.

Respondent's assertion that settlement negotiations ended in September 2014, "once Respondent's counsel refused to counteroffer and informed Omni that the case as being transferred to the litigation department," is without support. (Resp. Br. pp. 8, 9, 10).² First, as noted above, Omni continued to attempt to engage Respondent's counsel in productive settlement negotiations throughout the end of 2014 and the first half of 2015. (McDonald Affid., Exh. F to Supplemental Memorandum) (Omni file notes, Exh. G to Supplemental Memorandum). Even Mr. Bush's affidavit reveals he called Omni in October and November of 2014. (Bush Affid.).

Respondent argues that, "[t]he mere fact that Omni alleges that it made several unanswered calls after being informed about the lawsuit does not constitute negotiations." (Resp. Br. p. 10). The only conclusion that can be drawn from the evidence is that Omni was not informed that a lawsuit had been filed until it received Ms. Zeidan's letter, demanding they pay

² Tellingly, on page 10 of her Brief, Respondent asks this Court to "assume that negotiations ceased," in September 2014. (Resp. Br. p. 10). This is precisely because the evidence does not support such a conclusion.

the judgment. (Letter from F. Zeidan to R. Croley, Omni Insurance Company, dated May 27, 2015 w/Order for Damages). Omni continued to attempt to engage Respondent's counsel in settlement negotiations precisely because were not informed that the Complaint had been filed or that a damages hearing had been scheduled. Second, there simply is no evidence in this record to support Respondent's assertion that Mr. Bush advised Omni that "the case was being transferred to the litigation department" of his law firm.

Clearly, Omni still believed this case was in a posture that it could be settled. Undisputed evidence shows that Omni called Respondent's counsel on December 2, 2014, December 16, 2014, January 9, 2015, February 4, 2015, February 26, 2015, April 16, 2015 and May 7, 2015. In addition, Shelby McDonald sent a letter to Respondent's counsel dated April 2, 2015 "reiterating a prior offer and seeking a demand to resolve the case." (McDonald Affid., Exh. F to Supplemental Memorandum) (Omni file notes, Exh. G to Supplemental Memorandum). The fact that Respondent's counsel refused to return phone calls or letters does not constitute evidence that the settlement negotiations had ended sometime in the fall of 2014, or excuse her counsel's failure to notify Omni that the Complaint had been filed, an Order of Default had been entered, and/or the damages hearing had been scheduled. Instead, it is telling that the first written notice from Respondent to Omni of formal legal proceedings was her counsel's demand for payment of the Order on Damages, obtained via a default they practically guaranteed by "hiding the ball" from Omni. (Letter from F. Zeidan to R. Croley, Omni Insurance Company, dated May 27, 2015 w/Order for Damages). The facts of this case are sufficiently similar to those in McClurg that this Court should find that Appellant demonstrated good cause, mistake, inadvertence, surprise, and/ or excusable neglect.

Not only do Respondent's counsel's actions fulfill the good cause, mistake, inadvertence, surprise or excusable neglect standard, they most likely fulfill the misrepresentation and misconduct standard as well. In McClurg, this Court noted that "given this history of contact and negotiations between counsel and Zurich, most notably the representations made by counsel to Zurich, the conduct of the [plaintiff's] counsel in failing to simply notify Zurich of the complaint filed against [the defendant] raises serious concerns for this court and quite possibly satisfies the misrepresentation and misconduct envisioned by Rule 60(b)(3)." Id. at 573, 671 S.E.2d at 92-93; *see also*, Mitchell Supply Co., Inc. v. Gaffney, 297 S.C. 160, 165-166, 375 S.E.2d 321, 324 (Ct. App. 1988) (observing that "our courts have been less reluctant to set aside default judgments where the defaulting party or his counsel was misled by the conduct or acts of the opposing counsel"); Strickland v. Consolidated Energy Prods. Co., 274 S.C. 554, 558, 265 S.E.2d 682, 684 (1980) (failure of plaintiff's counsel to respond to requests for an extension of time to file answer "was sufficient, under the present facts, to mislead appellants' counsel and render his neglect to answer the complaint excusable").

Here, Respondent's counsel engaged directly with Omni for months in attempts to settle Respondent's claim. Despite indicating that he planned to file a complaint at some point, Respondent's counsel cut off contact, withholding the fact that the Complaint had been filed and intentionally not serving or providing Omni with a copy. In spite of repeated calls from Omni, leaving voice messages and inquiring about the status of settlement, Respondent's counsel simply refused to return calls. Again, when the court held the damages hearing, no notice was sent to Omni. Not until Respondent's counsel had the Order on Damages in hand did they resume contact with Omni – and that was in the form of a demand for payment. (Letter from F. Zeidan to R. Croley, Omni Insurance Company, dated May 27, 2015 w/Order for Damages).

Given that courts seek, where possible, to resolve disputes on the merits and avoid “resolving litigation by default,” Caldwell v. Wiquist, 402 S.C. 565, 575, 741 S.E.2d 583, 588 (Ct. App. 2013); *see also* Thompson v. Hammond, 299 S.C. 116, 121, 382 S.E.2d 900, 903 (1989), such game-playing and manipulation of the system should not be tolerated.

It is also telling that Respondent makes no attempt to distinguish this case from Edwards v. Ferguson, 254 S.C. 278, 175 S.E.2d 224 (1970), on which this Court relied heavily in McClurg. In Edwards, the plaintiff’s counsel engaged State Farm in settlement negotiations. Despite the fact that the court found that the plaintiff’s counsel had actually told State Farm that a complaint had been filed and served on its insured, no copy of the complaint was served on or given to State Farm until after the matter was in default. The Supreme Court held that the default judgment in the amount of \$20,000 in actual damages and \$5,000 in punitive damages, should be set aside based on mistake, inadvertence, surprise, or excusable neglect, and because a *prima facie* showing of a meritorious defense had been presented. The Supreme Court reasoned that, although the individual defendant had been served, “State Farm stands in the shoes of the defendant so far as liability is concerned ...” 254 S.C. at 282, 175 S.E.2d at 226. The same is true here. Respondent’s assertions that Ms. Holmes did not answer the Complaint or appear at the damages hearing, (Resp. Br. pp. 10, 13), ring hollow in light of the fact that she expects to recover her damages from Omni, not Ms. Holmes. Respondent served her letter seeking to collect her damages on Omni, not Ms. Holmes. Respondent asserted in that letter that it was Omni’s “responsibility to step into the shoes of [its] insured,” (Letter from F. Zeidan to R. Croley, Omni Insurance Company, dated May 27, 2015 w/Order for Damages), echoing the language in Edwards. After careful evaluation of “all of the facts and circumstances,” the Court concluded the trial court had abused its discretion in Edwards. S.C. at 283, 175 S.E.2d at 226.

The same result should obtain here. Respondent presented no evidence that she served Omni with the Complaint prior to the default judgment or notified Omni of the damages hearing – she has never even attempted to assert that she did.

The case Respondent cites for her test of “excusable neglect,” Tri-County Ice & Fuel Co. v. Palmetto Ice Co., 303 S.C. 237, 399 S.E.2d 779 (1990), does not contain any of the language attributed to it by Respondent. Instead, in Tri-County Ice & Fuel, the Supreme Court held that the defendant’s excuse – that he was ill during the time he would have responded to the complaint – did not hold water, as the summons and complaint were served eight months after his heart surgery, at which time he was back at work, working 10-14 hours per day and “doing extremely well.” 303 S.C. at 242, 399 S.E.2d at 783. The facts in Tri-County Ice & Fuel simply are not analogous to the facts in this case.

For all the reasons set forth herein and in their Brief, this Court should hold that Appellant demonstrated good cause, mistake, inadvertence, surprise or excusable neglect, and possibly misrepresentation and misconduct on the part of Respondent’s counsel as well.

II. Appellant made a prima facie showing of a meritorious defense.

Respondent’s argument that Appellant failed to present a meritorious defense rests primarily on her argument that she prevailed in the damages hearing. (Resp. Br. p. 11-12). This is hardly surprising since, because it had no notice, Omni was not there to present its case or dispute any of the evidence presented by Respondent. However, it says nothing about whether Appellant presented a meritorious defense.

Respondent points to Exhibits A, B and G to her Memorandum in Opposition in support of her argument. (Resp. Br. p. 11). However, Exhibits A and B to that Memorandum contain car repair estimates that were not even adopted by the Circuit Court. The Court awarded

Respondent \$3,515.17 in medical damages, \$31,760.00 in lost wages, and \$5,000.00 for pain and suffering. (Order for Damages). Exhibit G is simply Respondent Anderson's affidavit stating she testified at the damages hearing regarding her losses. However, none of this evidence demonstrates that Appellant lacks a meritorious defense.

The fact that Appellant concedes there were some damages, such as minor repairs to Respondent's vehicle and some medical expenses, does not mean in any way that Appellant has conceded the amount of damages or that Respondent is entitled to lost wages, which comprise almost 79% of the actual award. Furthermore, although Respondent suggests that Appellant's showing of a meritorious defense is based on a denial of causal responsibility for the accident, (Resp. Br. p. 12), it is clear that Appellant's defense goes beyond causation to address the damages award, based in large part on misrepresentations by Respondent that she is entitled to lost wages. (Memorandum in Support, p. 4) (Supplemental Memorandum in Support, p. 10) (App. Br. pp. 12-15).

The award Respondent obtained in this case was not the result of a jury or commission's consideration of the evidence presented by both parties. No credibility determinations were made. As a result, Respondent's reliance on Hanna v. Palmetto Homes, Inc., 300 S.C. 535, 389 S.E.2d 164 (Ct. App. 1990) (jury verdict) and Parsons v. Georgetown Steel, 318 S.C. 63, 456 S.E.2d 366 (1995) (workers' compensation), is misplaced.

Respondent argues that Appellant failed to *establish* a meritorious defense. (Resp. Br. p. 13). However, even she concedes that all that is required is a *prima facie* showing of a meritorious defense. (Resp. Br. p. 11). As conceded, "[a] meritorious defense need not be perfect nor one which can be guaranteed to prevail at trial. It need be only one which is worthy of a hearing or judicial inquiry because it raises a question of law deserving of some

investigation and discussion or a real controversy as to essential facts arising from conflicting or doubtful evidence.” Graham v. Town of Loris, 272 S.C. 442, 453, 248 S.E.2d 594, 599 (1978); *see also McClurg*, 380 S.C. at 575, 671 S.E.2d at 93-94) (in order to show a meritorious defense, the moving party “need not show that he would prevail on the merits, but only that his defense is meritorious”).

Here, Appellant produced affidavits, medical records and Respondent’s termination record. This evidence shows that, although Respondent testified that she lost her job as a result of the accident, (Hr’g Tr. p. 8, line 14 – p. 9, line 2), she was not fired because of the accident, for medical reasons or because of work restrictions. (Anselmo Affid.). Instead, her supervisor, Crystabel Anselmo, confirmed that Respondent was terminated for cause. (Anselmo Affid.) (Termination Record). The evidence shows that Respondent did not present any medical records or doctor’s note containing any work restrictions. (Anselmo Affid.). Although Respondent asserted that she did not work from October 7, 2013, the day of the accident until April 15, 2015, (Hr’g Tr. p. 9, lines 14-17), Ms. Anselmo testified, and Respondent’s termination record supports that she worked on October 11, 2013. (Anselmo Affid.) (Termination Record).

Although Respondent testified that she was taken out of work by her treating physicians, (Hr’g Tr. p. 8, line 17 – p. 9, line 1), none of her medical records indicate that she was given any work restrictions or that she was written out of work. In fact, following the accident, she was released after only two hours of treatment at Beaufort Memorial Hospital. (Supplemental Memorandum, Exhibit B, Beaufort Memorial Records). Subsequently, Respondent was treated at Carey Chiropractic a total of six times and was given a full release without any work restrictions. (Supplemental Memorandum, Exhibit B, Carey Chiropractic Records). All of this evidence supports a meritorious defense. In fact, similar evidence was held by the Supreme

Court as meeting the requirement of presenting a meritorious defense. Thompson, 299 S.C. at 120, 382 S.E.2d at 903.

Finally, Respondent's reliance on Mr. G. v. Mrs. G, 320 S.C. 305, 465 S.E.2d 101 (Ct. App. 1995), is completely misplaced. As Respondent acknowledges, a party is not entitled to a second chance to defend him or herself where a "party has been given notice of the action and has had an opportunity to present his case and to protect himself from any mistake or fraud of his adversary but has unreasonably neglected to do so." 320 S.C. at 308, 465 S.E.2d at 103. Here, in contrast, Omni unquestionably was *not* given notice of the action and had *no* opportunity to present evidence to protect itself against Respondent's fraudulent claims that she suffered lost wages as a result of the accident.

For all the reasons set forth herein and in their Brief, this Court should hold that Appellant made a *prima facie* showing of a meritorious defense.

III. Appellant moved promptly for relief from the default judgment.

Under any standard, it cannot be questioned seriously that Appellant moved promptly for relief from the default judgment once it received notice of same. Appellant filed its motion for relief as soon as it received notice of the default judgment. It is undisputed that Respondent is seeking to recover directly from Omni, not Ms. Holmes. (Letter from F. Zeidan to R. Croley, Omni Insurance Company, dated May 27, 2015 w/Order for Damages).

The cases cited by Respondent do not advance her argument. Rouvet v. Rouvet, 388 S.C. 301, 309, 696 S.E.2d 204, 208 (Ct. App. 2010) (motion for relief under Rule 60(b)(1) was timely where it was filed within one year of the challenged order); *cf.* McDonald v. United States Fid. & Guar. Co., 324 S.C. 639, 478 S.E.2d 868 (Ct. App. 1996) (four years' delay in seeking relief from an order pursuant to Rule 60(b)(4) untimely). In fact, where the moving party seeks relief

as soon as they know that a judgment has been entered against them, courts have found the motion was timely under Rule 60(b). *E.g.*, Williams v. Watkins, 384 S.C. 319, 326, 681 S.E.2d 914, 917 (Ct. App. 2009).

For all the reasons set forth herein and in their Brief, this Court should hold that Appellant promptly moved for relief from the default judgment.

IV. Appellant demonstrated Respondent would suffer no prejudice.

Any delay Respondent may suffer in this case has been of her own making and, therefore, does not demonstrate that she would be prejudiced by allowing Omni the proper opportunity to present its case. First, her counsel chose to not notify Omni of or serve Omni with the Complaint, all the while aware that Omni was continuing to try to reach a settlement. Second, Respondent herself presented fraudulent testimony to the Court in order to inflate her damages by including an amount for lost wages. She is not prejudiced by not being allowed to retain an award she was not entitled to in the first place.

For all the reasons set forth herein and in their Brief, this Court should hold that Respondent would not be prejudiced by setting aside the Default Judgment.

V. Respondent's unsupported factual allegations should be disregarded.

Respondent makes a number of factual assertions which are unsupported by the evidence. For example, Respondent asserts that, at the time Omni tendered a check for property damages in the amount of \$322.10, "Respondent informed Omni that litigation would be forthcoming regarding the property damage." (Resp. Br. pp. 3-4). Even though such threat would not excuse Respondent's failure to serve Omni with the Complaint, there is no evidence in this record to support this allegation that a threat of litigation was made at that time.

In addition, Respondent's assertions on pages 4-5 of her Brief concerning statements made in conversations with Omni adjusters, (other than her allegations regarding the September 18, 2014 conversation between her counsel and Cheryl Brooks, which at least find partial support in her counsel's affidavit, (Bush Affid.)), have no support whatsoever in the record. These include assertions that Mr. Bush "would not negotiate or counter-offer any offer that started less than the medical bills," and that he "informed the adjuster that the case would be transferred to Fatima Alexis Zeidan, Esquire for litigation." Also included is Respondent's assertion that Mr. Bush asked to speak to Ms. Brooks' supervisor "regarding the unprofessional manner in which she handled the case." Mr. Bush's affidavit simply states that he was dissatisfied with the settlement negotiations and that he wanted to speak with Ms. Brooks' supervisor – it is just as likely that he wanted to speak to her supervisor in the hope of engaging in more successful settlement negotiations as to complaint about her "unprofessional manner."

In addition, Respondent asserts that a "copy of the Motion for Entry of Default, Order of Entry of Default and Notice of the Hearing for Damages were served upon the Appellant on April 22, 2015." (Resp. Br. pp. 2, 5). However, there is no evidence in this record of when such service made. More importantly, for purposes of Appellant's Motion, the first notice Omni received of the Complaint, Default Judgment or the Order for Damages was upon receipt from Respondent's counsel of a demand for payment, with a copy of the Order for Damages attached. This was sent well after the damages hearing and the date of the Order for Damages. (Letter from F. Zeidan to R. Croley, Omni Insurance Company, dated May 27, 2015 w/Order for Damages). Furthermore, Ms. McDonald stated that Omni was not informed of the default damages hearing, despite the fact that she made numerous attempts to contact Plaintiff's counsel regarding settlement after the Complaint was filed. (McDonald Affid.).

Finally, Respondent implies that the Circuit Court made a credibility determination, finding Anderson's testimony and evidence "credible." (Resp. Br. pp. 5, 13). However, the transcript reveals no credibility determination. (Hr'g Tr.) (Order for Damages). The Circuit Court made its determination on the only evidence that was before it – evidence that was uncontested precisely because Respondent's counsel failed to provide Omni with copies of the Complaint, the entry of default, or notice of the damages hearing.

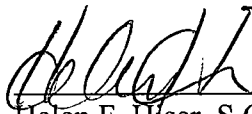
CONCLUSION

For all the reasons stated herein and in Appellant's Brief, this Court should reverse the decision of the trial court and grant Appellant's motion pursuant to Rules 55(c) and 60(b), SCRCP. Sundown Op. Co., Inc. v. Intedge Indus., Inc., 383 S.C. 601, 608, 681 S.E.2d 885, 889 (2009) (where the evidence supports relief under Rule 60(b), SCRCP, it also supports relief under Rule 55(c), SCRCP). Because there is no evidence whatsoever to support the denial of Appellant's Motion, the Circuit Court's September 11, 2015 Order constitutes an abuse of discretion and should be reversed.

Respectfully submitted,

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