Civil Procedure

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CIVIL PROCEDURE

ARCURI v. GREAT AM. INS. CO., 342 S.E.2d 177 (W. Va. 1986).

Civil Procedure—Insurance

The appellants, business-property owners, purchased fire and other hazard insurance from the appellees, three insurers and an insurance agency. The appellants entered into a land sales contract with the appellee, Bertha Ann Mundy, who agreed to tender a $25,000 down payment and monthly installments thereafter, with title passing upon payment in full. The land sales contract also required the appellee-purchaser to acquire and maintain fire insurance on the property. Mundy informed the insurance agency about the land sales contract. Her name was added to the insurance policy along with the appellants, with the phrase “under contract of sale as their interest may appear.” The appellants, who had paid all of the premiums, allegedly neither knew of the change nor consented to it. Upon learning of this change, the appellants complained to the insurance agency about the alleged endorsements, but were ignored. In addition, Mundy did not purchase fire insurance on the property, as required by the sales contract, when she took possession. The tavern was destroyed by fire two months later. The appellants terminated the land sales contract, and kept the down payment and first monthly installment. Mundy brought an action in circuit court, seeking the return of her down payment. Pending the outcome of that litigation, Mundy refused to endorse checks tendered by the insurance company in both her and the appellant’s names for fire damage to the tavern and structural damage to another building on the property. These checks were deposited with the trial court clerk. After four years of litigation and appeal, it was affirmed that Mundy was to receive her down payment and the appellants were to receive the insurance proceeds. The appellants then brought this action for the delay in payment of the insurance proceeds held by the court clerk, alleging appellee-agency bad faith and appellee-insurers willful breach of contract to pay appellants without delay, seeking compensatory and punitive damages. The trial court granted the appellee-insurers and agency’s motions for a directed verdict, holding that the delay was due to pending litigation (appellee-purchaser’s action) and not because of any conduct or omissions by the appellees.

The following issues were addressed by the court: (1) Whether the trial court committed reversible error when it directed a verdict against the appellants after opening statements, but before the presentation of any evidence; (2) whether, when there is a controversy between claimants, an insurer can satisfy its obligation by paying the proceeds into court; (3) whether an insured suffers damages from a four-year delay in the receiving of proceeds caused by an insurer’s wrongful designation of a payee.

The West Virginia Supreme Court of Appeals stated that when directing a verdict the factual allegations of the party against whom the motion for directed
verdict is made should be assumed as true, and after opening statements, a directed verdict should only be granted when the party making the statement, if given the opportunity to amend or explain, cannot recover or defend under any circumstances. The trial court wrongfully ordered a directed verdict when a party properly designated as an insured in a policy alleged a delay in payment of proceeds, attributable to the insurer’s wrongful designation of another as jointly insured. If such allegation were true, it would be in violation of section 37-17-12 of the West Virginia Code which provides for payment only to the person designated as the insured. When the insurer paid proceeds into the court by merely lodging checks payable to the contestants in a court file, without a court order placing the insurer’s checks in the clerk’s custody, there was no payment into the court as required by Rule 67 of the West Virginia Rules of Civil Procedure. Such proceeds were consequently unavailable for investment by the clerk of the court. Therefore, the insurer is liable for interest on the proceeds from the date due under the policy until the date the proceeds were actually received regardless of whether the insured’s action was for breach of contract or for the tort of bad faith delay in payment.


**Civil Procedure**

Home Insurance and Bayly were jointly represented by Steven Janik in negotiations concerning damages in a wrongful attachment suit. Janik had little direct communication with Bayly after being retained as counsel and had never been privy to conferences between Bayly and its counsel. When Home Insurance and Bayly disagreed as to how they would share in the payment of a settlement, Janik asked to withdraw as counsel for Bayly and to remain as counsel for Home Insurance. Bayly objected and asked that Janik withdraw entirely because of a conflict of interest.

In an original proceeding in prohibition, the West Virginia Supreme Court of Appeals addressed whether an attorney who represented two clients pursuing mutually beneficial interests in the same matter may withdraw his services from one client and remain as counsel for the other when a dispute between the two parties arises.

The court held that an attorney will not be disqualified from representing one client whose interest in the matter is adverse to another client unless the complaining party can demonstrate that some confidential or secret information was revealed during the course of the joint representation.


**Civil Procedure**

Certain school service workers and a local chapter of the West Virginia Education Association-Educational Support Personnel (WVEA) had filed sep-
arate grievances with the Board of Education of Monongalia County seeking back pay from special levy monies in accordance with the levy terms. In special negotiations, the Board offered a flat rate total settlement which a majority of affected service personnel agreed to accept. The Board then filed a declaratory judgment in circuit court for an order declaring that there was a disputed claim, that the Board had the power to settle, and that the settlement terms were fair and reasonable. A third group of school service workers who did not accept the negotiation settlement filed a class action. During the declaratory judgment proceeding, the circuit court found those parties in the third group would not be bound by an adjudication involving the persons accepting the negotiated settlement. The court held the negotiated settlement to be "fair and equitable" and ordered settlement payments. The court also entered a judgment giving the third group's claimants more money than those original complainants who first had entered into negotiations. The Board moved to set aside the judgment order for the third group of workers. The circuit court then set aside the judgment orders for both those workers who had settled and the third group who did not accept the negotiated settlement. The workers who had settled sought a writ of prohibition to prevent the trial judge from setting aside his original order which held the settlement to be fair and equitable.

The West Virginia Supreme Court of Appeals addressed the following issues: (1) Whether litigants who have opted out of a negotiated settlement may contest the settlement, and (2) whether a circuit court may set aside its judgment on a settlement because it has an adverse effect on non-party litigants.

The court held that a group that deliberately opts out of a class loses its standing to challenge the class' settlement and cannot claim they have been prejudiced since the court ordered that they would be unaffected by adjudication of the original claimant's litigation. Even under a liberal reading of Rule 23(c) of the West Virginia Rules of Civil Procedure, it is not valid for a circuit court judge to set aside a settlement because it has an adverse affect upon litigants who opted out of the original class. Only the Board or a member of the original class has standing to protest such a settlement. Furthermore, the law upholds voluntary settlements if they are fairly made and not in contravention of law or public policy. A writ of prohibition will be granted only to correct legal errors such that it is likely that a trial will be completely reversed if the error is not corrected in advance.

**CAPITOL FUELS, INC. v. CLARK EQUIP. CO., 342 S.E.2d 245 (W. Va. 1986).**

*Civil Procedure, Joinder of Parties—Insurance*

The plaintiff had purchased equipment manufactured by one of the defendants and by the third-party plaintiffs, and distributed by the other third-party plaintiff. The equipment was destroyed by a fire caused when a hose ruptured
in the equipment manufactured by the third-party defendant. The equipment was insured, but the plaintiff claimed its value exceeded the amount of insurance coverage. A certified question arose following the third-party plaintiff’s (distributor’s) motion to dismiss because of the plaintiff’s failure to name its insurance company as a real party in interest under Rule 17(a) of the West Virginia Rules of Civil Procedure.

The West Virginia Supreme Court of Appeals addressed whether a partially subrogated insurer as a “real party in interest” under Rule 17(a) of the West Virginia Rules of Civil Procedure must be joined under Rule 19(a) of the West Virginia Rules of Civil Procedure in a suit brought by the insured for the total loss.

The court held that the joinder of a partially subrogated insurer as a “real party in interest” under Rule 17(a) in a suit brought by an insured for the total loss may not be compelled under Rule 19(a).


Civil Procedure—Commercial Law

The appellant, R.E.X., Inc., was formed by Rex Donahue for the purpose of constructing a shopping center. Donahue later incorporated Sherwood Estates, Inc., to construct a small housing development. For one year, supplies were purchased from appellee, Danco Inc., a building materials retailer, by the appellant for use in the housing development and billed to the R.E.X., Inc., account yet paid to Danco by checks drawn on the appellant’s Sherwood Estates, Inc., accounts. The appellant’s repeated requests for a separate billing account for Sherwood Estates was allegedly ignored by Danco. Subsequently, Sherwood Estates, Inc., defaulted on a promissory note it gave Danco. Danco brought suit to recover against R.E.X., Inc. The trial court instructed the jury on Danco’s theory of the case involving the principles of contract modification. However, the court rejected R.E.X., Inc.’s, instruction that embodied principles of agency. The appellant contended that the failure to instruct the jury on its theory of the case was reversible error.

On appeal, the West Virginia Supreme Court of Appeals determined whether it is the duty of the trial court to give a party’s instruction representing that party’s theory of the case.

The court held that a party who presents competent evidence, however slight or even insufficient to support a verdict based entirely upon that evidence, is entitled to have the trial court give an instruction which correctly propounds the law presenting that party’s theory.

Civil Procedure—Default Judgment

The trial court denied appellant’s motion to set aside a default judgment. The appellee had purchased a kerosene heater from the appellant corporation (Sears), and alleged that it exploded and caused personal injury and property damage. The distributor of the heaters had agreed to defend and save Sears harmless in actions such as that brought by the appellee. The manufacturer had also agreed to defend and save the distributor harmless in such actions. Service of process on Sears was made through the Secretary of State of West Virginia as established in West Virginia Code section 31-1-15. Sears did not answer within the required time but forwarded copies of the pleadings to the distributor and the manufacturer. The manufacturer sent these pleadings to its insurance company. The day before the trial court entered a default judgment against Sears, the insurance company’s adjuster unsuccessfully attempted to obtain from the appellee’s attorney an extension of time in which to file an answer. The trial court subsequently declined to set aside the default judgment. On appeal, the West Virginia Supreme Court of Appeals determined whether Sears’ motion to set aside a default judgment should have been granted, where they failed to file a timely answer.

The court held that a default judgment obtained in accordance with Rule 55(b) of the West Virginia Rules of Civil Procedure against a party who fails to answer and does not make a showing of excusable neglect, mistake, inadvertence, or surprise or unavoidable cause (Rule 60(b)) is valid and enforceable, and will be upheld on appeal unless the trial court is shown to have abused its discretion. The burden of proving excusable neglect falls on the defendant, and unsubstantiated claims of clerical irregularities do not meet that burden.


Civil Procedure

In a dispute as to the ownership of a roadway that ran between the plaintiffs’ and the defendants’ properties, the plaintiffs’ counsel, believing that a settlement had been achieved, drafted a proposed settlement order. The defense counsel suggested modifications to the settlement which were unacceptable to the plaintiff, and the proposal was withdrawn. The parties then met before the court, and the withdrawn offer was accepted by the defendants. The trial court entered the settlement order over the objections of the plaintiffs’ counsel. The plaintiffs’ motion for a new trial was overruled and the case was dismissed. On appeal, the West Virginia Supreme Court of Appeals addressed whether the trial court properly dismissed the case on any grounds, including the defendants’ acceptance of the withdrawn settlement offer.

The court stated that when an inadequate appellate record exists, the case will be remanded to the trial court for further development. In addition, it held
that an offer in compromise can be withdrawn at any time prior to its acceptance. The lower court’s entry of the compromise order was error since the offer was withdrawn before the defendants had accepted. Furthermore, a proposition of compromise in a claim for damages which is not accepted by the defendant will not bar the plaintiff from his right of action against the defendant.


**Civil Procedure—Torts**

The plaintiff, while painting a bridge for an independent contractor, suffered injuries rendering him permanently and totally disabled when a loop in his paint hose came into contact with the defendant power company’s transmission lines which crossed under the railway bridge. The plaintiff’s expert testified that the defendant power company could have made its lines safe so as to prevent similar accidents. The plaintiffs had instituted suit against the power company and the railway company. The railway company was dismissed from the suit after settling the claim, and the amount of this settlement was an offset in the final verdict against the power company. The power company appealed, claiming certain errors.

The West Virginia Supreme Court of Appeals addressed the following issues: (1) Whether the trial court erred in not disclosing the pretrial settlement to the jury, (2) whether the trial court erred in giving the plaintiff’s instruction on a basic liability theory, and (3) whether the trial court’s rejection of testimony about the de-energization of the power line after the accident was error.

The court held that in the absence of a particular showing that a party to the suit will suffer prejudice if the trial court fails to advise the jury of the dismissal of other parties to the suit, or that a party has taken an unfair advantage of the dismissal in its presentation and argument of the case, the trial court has no duty to instruct the jury as to such a dismissal. The court held it is not error for an instruction to state that a company who maintains a high voltage electric line in a place where it can anticipate others being so as to expose themselves to contact with it, must make the wire safe by insulation or other means. Furthermore, the court did not find that the de-energization issue was the only liability theory pursued against the defendant, and the action of a trial court in admitting or excluding evidence in the exercise of its discretion will not be disturbed by the appellate court unless it appears that such action amounts to an abuse of discretion. *State v. Huffman*, 141 W. Va. 55, 87 S.E.2d 541 (1955) (Syl. pt. 10).


**Civil Procedure—Corporations**

The plaintiff and his mother brought this action for personal injuries sustained when the plaintiff came into contact with the defendant manufacturer’s trans-
former which had been installed by the defendant utility company. The plaintiffs filed suit in a county other than where the injury had occurred. The circuit court concluded that because the defendant manufacturer’s business activities in the county where the suit was brought were not related to the transformer which caused the injuries, venue was not proper and the manufacturer was dismissed from the suit.

On appeal, West Virginia Supreme Court of Appeals discussed the standard used to determine whether venue is proper over a defendant corporation.

The court held that whether a corporation is subject to venue in a given county in this state under the phrase in West Virginia Code section 56-1-1(b), “wherein it does business” depends upon the sufficiency of the corporation’s minimum contacts in such county that demonstrate it is doing business, as that concept is used in West Virginia Code section 31-1-15 (Long-arm Statute). To the extent that Brent v. Board of Trustees, 163 W. Va. 390, 256 S.E.2d 432 (1979), implied a more restrictive venue standard, it is overruled.

*MOORE v. HALL*, 341 S.E.2d 703 (W. Va. 1986).

**Civil Procedure—Contempt—Domestic Relations**

The petitioner, who was unrepresented by counsel, was adjudged in contempt of court for failing to make child support payments as previously ordered by the circuit court and was sentenced to six months in jail, or until he purged himself of such contempt. The petitioner was unemployed and could not afford counsel at the hearing in which he was adjudged in contempt.

In a habeas corpus proceeding, the West Virginia Supreme Court of Appeals determined whether a defendant who is indigent is entitled to court appointed counsel in a contempt proceeding in which he is charged with failing to pay court-ordered alimony or support payments.

The court held that an indigent defendant is entitled to a court appointed attorney when he is charged with contempt for failing to pay court ordered alimony or support payments. Whether the contempt is civil or criminal is not material.


**Civil Procedure—Collateral Estoppel—Res Judicata—Victim Protection Act**

A criminal prosecution against James Reed for stealing a boat resulted in a guilty verdict, with the boat’s owner, Fred Moran, being awarded compensatory and punitive damages under West Virginia Code section 61-11A-4 (Victim Protection Act). Moran brought a civil suit seeking additional compensatory and punitive damages, but the suit was dismissed on the grounds that the restitution granted by that court in the criminal case foreclosed the victim from recovering additional restitution in a civil action.
On appeal, the West Virginia Supreme Court of Appeals addressed the following issues: (1) Whether a victim who is awarded damages in a criminal case is collaterally estopped or stopped under the theory of res judicata, from relitigating the issues in a civil case for additional damages; (2) whether the Victim Protection Act is designed to supplant civil causes of action.

The court held that since a criminal case prosecuted over issues of the perpetrator's guilt or innocence, and culpability, is different from a civil suit's litigation over issues involving the establishment of theories that would prove that a perpetrator has damaged a victim, barring a victim's civil suit on the basis of collateral estoppel is inappropriate, where the victim has never had the chance to fully litigate the issue of damages. It is also inappropriate to bar the victim's suit on the basis of res judicata, since the criminal and civil actions contained different parties. Furthermore, West Virginia's Victim Protection Act, West Virginia Code sections 61-11A-1 to 61-11A-7, was not intended to supplant civil causes of action, but rather to supplement them.


Civil Procedure—Indispensable Party—Public Officials

This appeal involved two certified questions. Previously, the plaintiffs, parents of children in public schools, had filed a class action challenging the constitutionality of the public school system. This original action was dismissed for failure to state a claim upon which relief could be granted. On appeal, this decision was reversed and the case remanded with guidelines. On remand, several aspects of the public school financing system were found unconstitutional and the defendants were ordered to develop a master plan. In a subsequent action, the plaintiffs filed a motion for an order of implementation in which they claimed the governor's line-item veto of an appropriation intended to finance salary equity adjustments for school teachers and school personnel was improper. However, the Governor, who was not a party to the original class action, was not served with the motion. At the hearing on this motion, the circuit court found that the Governor was not an indispensable party and that his line-item veto was contrary to law.

On appeal, the West Virginia Supreme Court of Appeals heard and ruled on the following questions: (1) Whether the Governor was an indispensable party to a proceeding which sought to challenge his line-item veto of millions of dollars in a fiscal year budget bill; (2) whether it is proper for the Governor to line-item veto millions of dollars in a fiscal year budget bill.

The court held the Governor is an indispensable party under Rule 19(a) of the West Virginia Rules of Civil Procedure in an action brought in circuit court challenging a governor's exercise of his constitutional authority to veto or reduce items in a budget bill as such authority belongs only to the Governor. He had a substantial and direct involvement in the issue litigated. Since the court con-
cluded that the Governor was an indispensable party, it declined to address the substantive issue of whether the line-item veto was proper.


**Attorney Fees—Civil Procedure—Property**

Sally-Mike Properties' ownership claim to a burial ground was challenged by the defendants but upheld by the trial court. However, this decision was reversed on appeal. On remand, the trial court dismissed the action of Sally-Mike Properties, and then denied the defendant's motion for an award of reasonable attorney fees as part of the costs of the action, pursuant to West Virginia Code section 37-13-6.

On appeal, the West Virginia Supreme Court of Appeals determined that the trial court erred in denying the defendant's motion for recovery of reasonable attorney fees.

The court held that attorney fees are not costs when they exceed statutory amounts as provided in West Virginia Code section 59-2-14, and, unless there is an express statutory provision or the losing party has acted in bad faith, wantonly, or for oppressive reasons, a party must bear his or her own attorney fees when defending against one who is attempting to protect property interests.


**Civil Procedure—Long-arm Statute**

Petitioner, an ophthalmologist residing and practicing in Virginia, sought through a writ of prohibition to prevent the respondent Judge from proceeding further against him in a medical malpractice action brought in West Virginia by a West Virginia resident. The plaintiff had been treated for an eye condition for six years by the ophthalmologist in Virginia. The plaintiff was then hospitalized in West Virginia. An action was brought alleging permanent injury to the plaintiff's eye caused by the negligent treatment of the petitioner or by the subsequent treatment of the West Virginia doctor or both. The plaintiff sought personal jurisdiction of the petitioner through West Virginia's long-arm statute, West Virginia Code section 56-3-33.

The West Virginia Supreme Court of Appeals addressed whether substituted service of process upon the Secretary of State of West Virginia pursuant to West Virginia Code section 56-3-33 is sufficient for acquiring personal jurisdiction over a non-resident in lieu of personal service.

The court held that the provisions of the long-arm statute, West Virginia Code section 56-3-33, which allows for substituted service of process upon a non-resident was not available to the plaintiff in the malpractice action, since non-
resident petitioner's treatment ceased two years before the effective date of the statute. The statute provided that it shall not be applied retroactively.

STATE ex rel. UMWA INTERN. UNION v. MAYNARD, 342 S.E.2d 96 (W. Va. 1985).

Civil Procedure—Civil Contempt—Criminal Contempt—Prohibition

The circuit court issued a preliminary injunction to limit union activities during a labor dispute. After the preliminary injunction order was issued, the respondent employers filed a motion to have the union found in contempt. The court held the union in contempt and provided for prospective fines if further violations occurred. The employer filed a second motion to have the union found in contempt. The court ordered the fines imposed on the union as set forth in the court's original contempt order. The union filed a writ of prohibition questioning the lower court's jurisdiction to impose prospective fines.

The West Virginia Supreme Court of Appeals discussed the following issues: (1) Whether a party may challenge the jurisdictional basis of a lower court's order with a writ of prohibition rather than by appeal; (2) whether prospective fines for future violations of a circuit court order are beyond the jurisdiction of the circuit court; (3) what criteria determines whether contempt is civil or criminal in nature.

The court held that trial courts can be reversed on appeal or prohibited when they exceed their jurisdiction. A writ of prohibition is proper to test whether a circuit court lacked jurisdictional authority to impose a fine. Contempt is classified as civil or criminal according to the purpose to be served by the sanction. A circuit court order in an indirect criminal contempt proceeding providing for the imposition of prospective fines payable to the state for future acts of contempt, the amount of which is fixed before any evidence regarding the acts of contempt may be heard, ignores the character of the subsequent circumstances and the contemner's ability to pay, and is of no authority.


Civil Procedure—Civil Contempt—Criminal Contempt—Discovery

Doctor Vincent, the appellant and alleged contemner had been a party to an underlying suit controverting the fee arrangements with his attorney. In this action Vincent had sought to limit discovery by the lawyer, Mr. Preiser (the appellee), to only those matters relevant to the actual fee arrangements, refusing to produce tax return and bank account information. The trial court twice ordered Dr. Vincent to answer interrogatories and produce documents. After a hearing on these discovery matters, the trial court found that Dr. Vincent had willfully and continually disobeyed discovery orders, and imposed monetary sanctions of $100 per day for each of the seventy-four days of his contempt. In this appeal Dr. Vincent
argued the trial court's sanctions were an abuse of discretion because the court had not yet expressly denied his motions for a protective order limiting the scope of discovery.

The West Virginia Supreme Court of Appeals addressed the following issues: (1) Whether one can disobey a trial court’s discovery orders when motions for a protective order limiting the scope of discovery were not expressly denied, and (2) whether a trial court has the discretion to impose *per diem* fines on a party charged with contempt for disobeying a court's order to provide discovery.

The court held that the appellant’s filing of motions for protective orders pursuant to West Virginia Code section 26(c)(4) did not preclude the trial court’s imposition of monetary sanctions for contempt of subsequent orders compelling discovery. The appellant had already furnished some of the discovery covered by his motions for protective orders, which were by their own terms limited to specific discovery requests and not to all future discovery requests. Also, his motions had been implicitly denied by the trial court's orders compelling the appellant to furnish the remainder of the discovery covered by the motions for protective order. Secondly, the trial court did not have the authority to impose *per diem* fines, and abused its discretion as a matter of law. Transcripts from the hearing indicated that the main purpose for the sanctions was to punish, while a collateral purpose was to reimburse the appellee for expenses in seeking the sanctions. This is an impermissible confusion of purpose by the trial court. A court cannot punish (criminal contempt) the doctor with a sanction whose purpose also desires to compel compliance (civil contempt) with a court order. Furthermore, a *per diem* fine was inappropriate for either type of contempt.

*Kurt L. Krieger*

See also,

**Administrative Law:**

**Commercial Law:**

**Criminal Law:**

**Domestic Relations:**

INSURANCE:

LABOR AND EMPLOYMENT:

PROPERTY:

TORTS: