

COURT OF APPEALS
STARK COUNTY, OHIO
FIFTH APPELLATE DISTRICT

TCF NATIONAL BANK FBO	:	JUDGES:
AEON FINANCIAL, LLC,	:	
	:	Hon. W. Scott Gwin, P.J.
Plaintiff-Appellant	:	Hon. Sheila G. Farmer, J.
	:	Hon. Patricia A. Delaney, J.
-vs-	:	
	:	Case No. 2009CA00128
DAVID R. MARLATT, ET AL.	:	
	:	
	:	
Defendants-Appellees	:	<u>O P I N I O N</u>

CHARACTER OF PROCEEDING: Appeal from the Stark County Court of
Common Pleas Case No. 2008CV04710

JUDGMENT: REVERSED AND REMANDED

DATE OF JUDGMENT ENTRY: March 15, 2010

APPEARANCES:

For Plaintiff-Appellant:

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For Defendants-Appellees:

No Appearance

Delaney, J.

{¶1} This case comes for review on the trial court's ruling upon the unopposed Motion for Attorney Fees for Appellant TCF National Bank, FBO Aeon Financial, LLC (hereinafter, "Appellant").

{¶2} Appellant purchased a tax lien certificate from the Stark County Treasurer on a property located in Stark County, Ohio. Subsequently, Appellant filed a Complaint for Foreclosure, pursuant to R.C. 5721.30 to 5721.46. Appellant's counsel filed a motion for private attorney fees with a supporting affidavit attached. The motion requested \$2,500.00 in attorney fees, to be taxed as a cost of the private foreclosure action, and requested a hearing.

{¶3} In its Order and Decree for Foreclosure filed on April 23, 2009, the trial court awarded \$1,254.03 in principal on Certificate No. 0221552-07 plus interest at 12.75% per year from 10/27/2007 through 10/27/2008, plus interest at 18% from 10/28/2008, and costs; \$440.33 in additional principal plus interest at 18% per year from 11/03/2008, and costs; fees and costs incurred in this proceeding including the sum of \$395.00 for title costs; and \$172.26 for court costs; and attorney fees of four hundred and fifty dollars (\$450.00).

{¶4} Appellant now appeals from the judgment awarding attorney fees, arguing the following assignment of error:

{¶5} "I. THE TRIAL COURT ERRED AS A MATTER OF LAW IN REDUCING AEON'S STATUTORILY RECOVERABLE ATTORNEY FEES, BELOW THE \$2,500 IT INCURRED AND REQUESTED, BECAUSE THE COURT FAILED TO ACCORD AEON THE BENEFIT OF THE STATUTORY PRESUMPTION OF REASONABLENESS

CREATED BY THE OHIO LEGISLATURE, IN R.C. SECTION 5721.371, IN FAVOR OF A TAX CERTIFICATE HOLDER FOR ATTORNEY FEES INCURRED IN TAX CERTIFICATE FORECLOSURE CASES WHERE SUCH FEES DO NOT EXCEED \$2,500.”

I.

{¶6} Appellant has appealed only the trial court’s determination of the amount of attorney fees. Specifically, Appellant argues that the statutory scheme presented by R.C. 5721.30 to 5721.46 creates a rebuttable presumption of reasonableness for attorney fees sought that do not exceed \$2,500. If a party meets its burden of proof, and no opposing party comes forth with evidence to rebut the presumption, Appellant concludes that a trial court may not limit recoupment of those fees if the amount sought is not in excess of \$2,500. Appellant contends that, in those cases where fees sought are not in excess of the \$2,500, court approval is not required because there is already a legislative presumption of reasonableness. Therefore, court review is limited only to cases where an opposing party is challenging reasonableness.

{¶7} For the reasons that follow, we disagree; however, we reverse and remand the case because it is not possible to determine what factors the trial court considered or the weight, if any, it placed on those factors. When making a fee award pursuant to R.C. 5721.30 to 5721.46, the trial court must state the basis for the fee determination. Absent such a statement, it is not possible for an appellate court to conduct a meaningful review.

{¶8} At the heart of this litigation is the question of whether Ohio law gives a trial court discretion to determine the reasonableness of attorney fees in its judgment of

tax certificate foreclosure cases filed pursuant to R.C. 5721.37 et seq. We believe that it does.

{¶9} In *Alyeska Pipeline Service Co. v. Wilderness Society*(1975), 421 U.S. 240, 95 S.Ct. 1612, the Court reaffirmed the “American Rule” that each party in a lawsuit ordinarily shall bear its own attorney fees unless there is express statutory authorization to the contrary. Of relevance to the case at bar, the Ohio Legislature has provided for the recovery of attorney fees for prosecuting tax certificate foreclosures. R.C. 5721.39 provides, in pertinent part:

{¶10} "(A) In its judgment of foreclosure rendered in actions filed pursuant to section 5721.37 of the Revised Code, the court or board of revision *shall enter a finding* that includes all of the following with respect to the certificate parcel:

{¶11} " * * *

{¶12} "(5) Fees and costs incurred in the foreclosure proceeding instituted against the parcel, including, *without limitation*, the fees and costs of the prosecuting attorney represented by the fee paid under division (B)(3) of section 5721.37 of the Revised Code, plus interest as provided in division (D)(2)(d) of this section, or *the fees and costs of the private attorney representing the certificate holder*, and charges paid or incurred in procuring title searches and abstracting services relative to the subject premises." (Emphasis added.)

{¶13} R.C. 5721.371 provides the trial court’s guidance in determining the fees counsel may recover in a tax certificate foreclosure case. The statute provides,

{¶14} “Private attorney’s fees payable with respect to an action under sections 5721.30 to 5721.46 of the Revised Code are subject to the following conditions:

{¶15} “(A) The fees must be reasonable.

{¶16} “(B) Fees exceeding two thousand five hundred dollars shall be paid only if authorized by a court order.

{¶17} “(C) The terms of a sale negotiated under section 5721.33 of the Revised Code may include the amount to be paid in private attorney's fees, subject to division (B) of this section.”

{¶18} In the case at bar, Appellant argues, in essence, because fee applications in the amount of \$2,500 or less do not require a court order, thus, in both practice and effect, the Ohio Legislature has determined that attorney fees of up to \$2,500 are presumptively reasonable for a tax certificate foreclosure matter; and, absent challenge by an opposing party, are entitled to deference by the court. Curiously, this seems to contradict the requirement in R.C. 5721.39(A), which requires a trial court to make a determination of reasonableness before awarding the fees and costs of the private attorney representing the certificate holder.

{¶19} We find nothing within the statutes that set a presumptive amount for recoverable attorney fees, nor anything that obviates the trial court's discretion in making the award. Surely, without an order from the trial court, attorney fees could not be assessed or recovered. The Supreme Court of Ohio has held:

{¶20} “It is well settled that where a court is empowered to award attorney fees by statute, the amount of such fees is within the sound discretion of the trial court. Unless the amount of fees determined is so high or so low as to shock the conscience, an appellate court will not interfere.” *Bittner v. Tri-County Toyota, Inc.* (1991), 58 Ohio St.3d 143, 146, 569 N.E.2d 464, quoting *Brooks v. Hurst Buick-Pontiac-Olds-GMC, Inc.*

(1985), 23 Ohio App.3d 85, 91, 491 N.E.2d 345. "There are over 100 separate statutes providing for the award of attorney's fees; and although these provisions cover a wide variety of contexts and causes of action, the benchmark for the awards under nearly all of these statutes is that the attorney's fee must be 'reasonable.'" *Pennsylvania v. Delaware Valley Citizens' Council for Clean Air* (1986), 478 U.S. 546, 562, 106 S.Ct. 3088, 3096.

{¶21} "A request for attorney's fees should not result in a second major litigation. Ideally, of course, litigants will settle the amount of a fee. Where settlement is not possible, the fee applicant bears the burden of establishing entitlement to an award and documenting the appropriate hours expended and hourly rates. The applicant should exercise 'billing judgment' with respect to hours worked, see *supra*, at 1939-1940, and should maintain billing time records in a manner that will enable a reviewing court to identify distinct claims". *Hensley v. Eckerhart* (1983) 461 U.S. 424, 437, 103 S.Ct. 1933, 1941. [Footnotes omitted].

{¶22} "The most useful starting point for determining the amount of a reasonable fee is the number of hours reasonably expended on the litigation multiplied by a reasonable hourly rate. This calculation provides an objective basis on which to make an initial estimate of the value of a lawyer's services." *Hensley v. Eckerhart* (1983), 461 U.S. 424, 433, 103 S.Ct. 1933, 1939. See, also *Bittner v. Tri-County Toyota, Inc.*, *supra*, 58 Ohio St.3d at 145; 569 N.E.2d at 466.

{¶23} To establish the number of hours reasonably expended, the party requesting the award of attorney fees "should submit evidence supporting the hours worked" *Hensley*, 461 U.S. at 433, 103 S.Ct. at 1939. The number of hours should

be reduced to exclude "hours that are excessive, redundant, or otherwise unnecessary" in order to reflect the number of hours that would properly be billed to the client. *Id.* at 434, 103 S.Ct. at 1939-40. A reasonable hourly rate is defined as "the 'prevailing market rate in the relevant community.'" *Blum v. Stenson* (1984), 465 U.S. 886, 895, 104 S.Ct. 1541, 1547.

{¶24} The party requesting an award of attorney fees bears the burden "to produce satisfactory evidence--in addition to the attorney's own affidavit--that the requested rate [is] in line with those prevailing in the community for similar services by lawyers of reasonably comparable skill, experience, and reputation." *Blum v. Stenson*, supra 465 U.S. at 895 n. 11, 104 S.Ct. at 1547 n. 11,

{¶25} Once the trial court calculates the "Lodestar figure," it could modify the calculation by applying the factors listed in DR 2-106(B)¹, *Landmark Disposal Ltd. v. Byler Flea Market*, Stark App. No.2005CA00294, 2006-Ohio-3935, paragraph 14, citing *Bittner v. Tri-County Toyota, Inc.* (1991), 58 Ohio St.3d 143, 145, 569 N.E.2d 464. [Hereinafter "*Landmark Disposal I*"].

{¶26} To enable an appellate court to conduct a meaningful review, "the trial court must state the basis for the fee determination." *Bittner*, 58 Ohio St.3d at 146. In *Bittner*, the court held:

{¶27} " * * * the trial court should first calculate the number of hours reasonably expended on the case times an hourly fee, and then may modify that calculation by application of the factors listed in DR 2-106(B). These factors are: the time and labor

¹ Now Prof. Cond. Rule 1.5

involved in maintaining the litigation; the novelty and difficulty of the questions involved; the professional skill required to perform the necessary legal services; the attorney's inability to accept other cases; the fee customarily charged; the amount involved and the results obtained; any necessary time limitations; the nature and length of the attorney/client relationship; the experience, reputation, and ability of the attorney; and whether the fee is fixed or contingent. All factors may not be applicable in all cases and the trial court has the discretion to determine which factors to apply, and in what manner that application will affect the initial calculation." *Bittner*, 58 Ohio St.3d at 145-146.

{¶28} In this case, as in *Bittner*, the trial court did not award Appellant the full amount of attorney fees requested and did not state what factors it took into consideration. Without such a statement from the trial court, it is not possible for an appellate court to conduct a meaningful review. Accordingly, we find that the matter must be remanded to the trial court.

{¶29} The trial court must specify which factors contained in Prof. Cond. Rule 1.5 the trial court considered, if any, when determining the amount of Appellant's award of attorney fees. Because we find that there are insufficient findings made to conduct a meaningful review on appeal, Appellant's assignment of error is sustained.

{¶30} For the foregoing reasons, we reverse the judgment of the Stark County Court of Common Pleas and this case is remanded for proceedings in accordance with our opinion and the law.

By: Delaney, J. and

Gwin, P.J., concur

Farmer, J. dissents

HON. PATRICIA A. DELANEY

HON. W. SCOTT GWIN

HON. SHEILA G. FARMER

Farmer, J., dissenting

{¶31} Although I wholeheartedly agree with the majority's analysis of the meaning of the language contained in R.C. 5721.371, I disagree with the remand for hearing.

{¶32} As I read the language of Appellant's assignment of error and the argument put forth, I would find the thrust of Appellant's argument is that the \$2,500.00 statutory attorney fees are automatic and a hearing on reasonableness is only necessary if the fees exceed said amount:

{¶33} "Pursuant to R.C. Section 5721.371, the trial court's review of attorney fees under the Ohio tax foreclosure statutes is limited to only two situations: 1) where reasonableness is at issue, or 2) where the fees sought exceed \$2,500. Under the statute, a court order is required only when the payment of fees sought exceeds \$2,500. Fee applications in the amount of \$2,500 or less do not require a court order. Thus, in both practice and effect, the Ohio Legislature has determined that attorney fees of up to \$2,500 are presumptively reasonable for a tax certificate foreclosure matter; and, absent challenge by an opposing party, are entitled to deference by the court.

{¶34} "The practical effect of such a presumption under the statute is this: when the fees sought are \$2,500 or less, and no opposing party contests them as unreasonable (or otherwise attempts to rebut the statutory presumption), a trial court has no discretion to limit or reduce the payment of such fees, because the presumption of reasonableness stands unrebutted." Appellant's Brief at 5-6.

{¶35} In fact, Appellant's only request is for the fees awarded by the trial court to be reversed and an award of \$2,500.00 in fees to be entered:

{¶36} "This court must reverse the decision of the trial court on the issue of attorney fees and order that the \$2,500 Aeon incurred be taxed as costs from the proceeds of Sheriff's Sale, plus the costs of this appeal." Appellant's Brief at 27.

{¶37} Based upon the limited scope of the assignment of error, I would affirm the trial court's award of attorney fees and find no need for any further hearing. The assignment neither requests a hearing nor does it argue that a hearing on attorney fees is necessary for a \$2,500.00 attorney fees claim.

HON. SHEILA G. FARMER

IN THE COURT OF APPEALS FOR STARK COUNTY, OHIO
FIFTH APPELLATE DISTRICT

TCF NATIONAL BANK FBO	:	
ACON FINANCIAL, LLC,	:	
Plaintiff-Appellant	:	
	:	
	:	
-vs-	:	JUDGMENT ENTRY
	:	
DAVID R. MALLATT, ET AL	:	
	:	
Defendants-Appellees	:	Case No. 2009CA00128
	:	

For the reasons stated in our accompanying Memorandum-Opinion on file, the judgment of the Stark County Court of Common Pleas is reversed and this case is remanded for proceedings in accordance with our opinion and the law. Costs waived.

HON. PATRICIA A. DELANEY

HON. W. SCOTT GWIN

HON. SHEILA G. FARMER