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**STATE OF MINNESOTA
IN COURT OF APPEALS
A18-1487**

Zahn Law Firm, P.A.,
Respondent,

vs.

Ronald Baker,
Appellant.

**Filed July 15, 2019
Affirmed
Johnson, Judge**

Hennepin County District Court
File No. 27-CV-15-15345

Matthew R. Zahn, Zahn Law Firm, P.A., Minneapolis, Minnesota (for respondent)

John William Verant, Fridley, Minnesota (for appellant)

Considered and decided by Johnson, Presiding Judge; Reilly, Judge; and John P.
Smith, Judge.*

UNPUBLISHED OPINION

JOHNSON, Judge

The parties to this breach-of-contract case entered into a settlement agreement on the day on which trial was scheduled to begin. The attorneys stated the terms of the

*Retired judge of the Minnesota Court of Appeals, serving by appointment pursuant to Minn. Const. art. VI, § 10.

settlement agreement on the record in open court. The attorneys agreed to formalize the settlement in writing within seven days. But they were unable to agree on a written settlement agreement. The plaintiff moved to enforce the settlement agreement. The district court granted the motion. We affirm.

FACTS

In November 2012, Ronald Stuart Baker retained the Zahn Law Firm, P.A. (hereinafter ZLF), to represent him in a lawsuit against his former employer. Baker and ZLF entered into a written agreement that provided for a combination of an hourly fee and a contingent fee. Baker's lawsuit against his former employer was resolved in his favor in arbitration. Thereafter a dispute arose between Baker and ZLF about the amount of fees that Baker owed to ZLF.

In August 2015, ZLF commenced this action against Baker, alleging claims of breach of contract and account stated. In July 2016, ZLF moved for summary judgment. In August 2016, Baker filed a bankruptcy petition under Chapter 13 of the United States Bankruptcy Code and removed the dispute to the United States Bankruptcy Court for the District of Minnesota. But at a hearing in May 2017, the bankruptcy court remanded the dispute back to the district court. Near the conclusion of the hearing, the bankruptcy court stated on the record, "The state court can make a determination on fact and legal issues and any enforcement of those decisions would come back to this Court."

In August 2017, ZLF renewed its motion for summary judgment. In November 2017, the district court rejected most of Baker's counter-arguments and determined that ZLF had established liability on its breach-of-contract claim, but the district court denied

the motion with respect to that claim due to genuine issues of material fact on one narrow issue: whether the contingent fee applies to certain commission payments that Baker received from his former employer while he was represented by ZLF.

The district court scheduled a jury trial for April 9, 2018. On that date, the parties and their attorneys appeared before the district court. ZLF, represented by its principal, informed the district court that the parties had reached a settlement agreement. The district court and the parties engaged in the following colloquy concerning the terms of the settlement agreement:

ZAHN: The parties have agreed to settle all claims between them for the amount of \$55,000, which would be Mr. Baker's obligation to Zahn Law Firm. The parties agree to dismiss with prejudice this case as well as an adversary proceeding that is presently before the U.S. District Court, the Bankruptcy Court for the U.S. District of Minnesota. There would be a global release of all claims that the parties have against each other or could have against each other. The parties will cooperate to effectuate the settlement terms such as by signing the supplemental documents to the extent that is necessary.

Now, because the defendant currently is in bankruptcy, a Chapter 13 bankruptcy, we need to resolve how the—whether judgment is entered or whether the amount is simply submitted to the bankruptcy court through the proof of claim process. That is something Counsel will try to resolve in the most efficient manner.

DISTRICT COURT: Okay.

ZAHN: But that is essentially the terms of the settlement.

DISTRICT COURT: All right. Counsel.

BAKER’S ATTORNEY: That’s correct. It’s all claims in litigation between the parties. There is this action, and there is the adversary proceeding in the United States Bankruptcy Court for the District of Minnesota.

. . . .

DISTRICT COURT: [Y]ou are going to be agreeing on this, aren’t you?

BAKER’S ATTORNEY: Oh, yes.

DISTRICT COURT: [I]f I am going to call this trial off, we are going to agree . . . consistent with what we put on the record today.

BAKER’S ATTORNEY: Absolutely.

The district court asked Baker to personally state that he agrees to be bound by the terms stated on the record, and he did so. The parties agreed to submit “paperwork” to the district court to formalize the settlement and to dismiss the action by April 16, 2018. But on that date, Baker’s attorney informed the district court by e-mail that the parties were unable to agree on a written settlement agreement, and she asked the district court to again schedule a jury trial.

In May 2018, ZLF filed a motion to enforce settlement agreement. The district court conducted a motion hearing and, in August 2018, filed an order granting the motion. The district court reasoned that the manner in which the parties would submit the agreed-upon amount of the settlement to the bankruptcy court is not an essential term of the agreement. The district court ordered entry of judgment in favor of ZLF in the amount of \$55,000. The district court’s order also provides, “Plaintiff shall collect the judgment from Defendant through submission of Defendant’s obligation to the United States Bankruptcy Court for

the District of Minnesota in Defendant's Chapter 13 bankruptcy proceedings." Baker appeals.

DECISION

Baker argues that, for three reasons, the district court erred by granting ZLF's motion to enforce settlement agreement.

The supreme court has summarized the substantive and procedural law governing a motion to enforce a settlement agreement as follows:

Settlement of claims is encouraged as a matter of public policy. *E.g., Minneapolis Star & Tribune Co. v. Schumacher*, 392 N.W.2d 197, 205 (Minn. 1986). An agreement entered into as compromise and settlement of a dispute is contractual in nature. *Mr. Steak, Inc. v. Sandquist Steaks, Inc.*, 309 Minn. 408, 410, 245 N.W.2d 837, 838 (1976); *Jallen v. Agre*, 264 Minn. 369, 373, 119 N.W.2d 739, 743 (1963). As such, a settlement agreement "can be enforced by an ordinary action for breach of contract." *Mr. Steak*, 309 Minn. at 410, 245 N.W.2d at 838. Generally speaking, settlement agreements can also be enforced by motion in the original lawsuit. *Ryan v. Ryan*, 292 Minn. 52, 52-53, 193 N.W.2d 295, 296-97 (1971); see *Eliseuson v. Frayseth*, 290 Minn. 282, 288, 187 N.W.2d 685, 688 (1971) (concluding that the trial court has discretion to vacate a settlement through independent action or motion).

Voicestream Minneapolis, Inc. v. RPC Props., Inc., 743 N.W.2d 267, 271-72 (Minn. 2008).

"The party seeking to avoid a settlement has the burden of showing sufficient grounds for its vacation." *Johnson v. St. Paul Ins. Co.*, 305 N.W.2d 571, 573 (Minn. 1981). This court applies an abuse-of-discretion standard of review to a district court's grant of a motion to enforce settlement agreement. *Id.* at 573-74; *Snesrud v. Elbers*, 374 N.W.2d 830, 832 (Minn. App. 1985), review denied (Minn. Dec. 19, 1985).

A.

Baker first argues that the district court erred on the ground that the parties did not enter into an enforceable agreement because they did not agree on all essential terms. He contends that the agreement is incomplete because the parties did not agree on the manner in which they would submit the agreed-upon amount of the settlement to the bankruptcy court. In response, ZLF contends that the manner of submitting the settlement amount to the bankruptcy court is not an essential term of the settlement agreement.

“A settlement agreement is a contract.” *Dykes v. Sukup Mfg. Co.*, 781 N.W.2d 578, 581-82 (Minn. 2010). As in all contracts, “there must be a definite offer and acceptance with a meeting of the minds on the essential terms of the agreement.” *TNT Props., Ltd. v. Tri-Star Developers LLC*, 677 N.W.2d 94, 100-01 (Minn. App. 2004). “A binding contract can exist despite the parties’ failure to agree on a term if the term is not essential or can be supplied.” *Id.* at 101 (citing Restatement (Second) of Contracts § 201, cmt. d (1981)). Furthermore, “an agreement should be upheld where, despite some incompleteness and imperfection of expression, the court can reasonably find the parties’ intent by applying the words as the parties must have understood them.” *Id.* (quotation omitted).

The district court resolved this issue by reasoning that the manner in which the settlement is submitted to the bankruptcy court is not an essential term. The district court stated in its order that “the parties treated said submission to the bankruptcy court as an ancillary term.” This reasoning is supported by the transcript of the hearing at which the parties orally stated the terms of the settlement agreement. Zahn stated the amount of money that Baker would pay to ZLF, the parties’ agreement that all pending claims would

be dismissed, the parties' agreement to execute mutual "global release[s]," and their agreement to "cooperate to effectuate the settlement terms such as by signing supplemental documents to the extent that is necessary." Zahn then mentioned an additional issue that the parties "need to resolve," specifically, "whether judgment is entered or whether the amount is simply submitted to the bankruptcy court through the proof of claim process." By expressly stating that one particular issue is unresolved, the parties essentially agreed that it is not an essential term of their agreement. The district court surely would not have canceled the jury trial if there was one essential term on which the parties had not yet agreed and if the settlement agreement would not be final until that term had been resolved.

Thus, the district court did not err by reasoning that the manner in which the parties would submit the settlement amount to the bankruptcy court is not an essential term of the settlement agreement.

B.

Baker also argues that the district court erred by not conducting an evidentiary hearing on ZLF's motion.

The supreme court has identified the circumstances in which a district court must conduct an evidentiary hearing on a motion to enforce settlement agreement:

As a general rule, the enforcement of a settlement agreement requires a hearing if the issues are sharply conflicting and there are questions of fact for the fact finder to decide. 15A C.J.S. *Compromise and Settlement* §§ 70, 74 (2002). "Trial courts have[] 'the inherent power to summarily enforce a settlement agreement as a matter of law when the terms of the agreement are clear and unambiguous.'" *Lewis v. Benjamin Moore & Co.*, 574 N.W.2d 887, 888 (S.D. 1998 (emphasis omitted) (quoting *Gatz v. Sw. Bank of Omaha*, 836

F.2d 1089, 1095 (8th Cir. 1988)). If material facts are disputed, an evidentiary hearing is required. *Id.*

Voicestream, 743 N.W.2d at 272.

In this case, Baker filed a memorandum of law in opposition to ZLF's motion. In its conclusion, Baker requested a jury trial on the merits of ZLF's claims "or, in the alternative, an evidentiary hearing" on ZLF's motion to enforce. The memorandum identified three potential witnesses: Baker, his attorney, and an expert in bankruptcy law. Baker's attorney also filed an affidavit to which she attached multiple exhibits, including documents filed in the bankruptcy action and written correspondence between herself and Zahn. At the hearing on ZLF's motion to enforce, the district court indicated that it would refer solely to the transcript of the hearing at which the parties orally agreed to settle the case and that an evidentiary hearing would be unnecessary.

On appeal, Baker contends that an evidentiary hearing "would have informed the district court about the importance of the treatment of the claim in Bankruptcy Court" and "the essentiality" of that issue. Contrary to Baker's contention, it was unnecessary for the district court to consider any evidentiary materials other than the transcript of the hearing at which the settlement agreement was placed on the record. It is irrelevant whether one way or the other way is the best way to submit the settlement amount to the bankruptcy court. The pertinent question is whether the parties to this case actually considered that issue to be an essential term of their settlement agreement. The agreement was expressed orally in open court and is reflected in the transcript of the hearing. The essential terms of the settlement agreement may be discerned by referring solely to the transcript. A district

court may forgo an evidentiary hearing and “summarily enforce a settlement agreement as a matter of law when the terms of the agreement are clear and unambiguous.” *Id.* (quotation omitted).

Thus, the district court did not err by not conducting an evidentiary hearing on ZLF’s motion.

C.

Baker last argues that the district court erred by entering a judgment in violation of the automatic stay imposed by federal bankruptcy law and in violation of the terms of his bankruptcy plan.

As a matter of federal law, the filing of a bankruptcy petition automatically stays all non-bankruptcy judicial proceedings against the debtor who is the subject of the bankruptcy action, subject to certain exceptions that are not relevant to this appeal. 11 U.S.C. § 362(a)(1) (2012). As a consequence, a state district court lacks jurisdiction over a dispute once the automatic stay has taken effect. *Bernick v. Caboose Enters., Inc.*, 395 N.W.2d 412, 414 (Minn. App. 1986). But a bankruptcy court may remand a cause of action back to the state district court “on any equitable ground.” 28 U.S.C. § 1452(b) (2012); *see also* 28 U.S.C. § 1334 (2012).

In this case, the district court action was automatically stayed when Baker filed for Chapter 13 bankruptcy protection. The bankruptcy court held a hearing on May 3, 2017 and remanded the case back to the district court for a resolution of ZLF’s claims against Baker. The bankruptcy court expressly stated that the state district court, on remand, “can make a determination on fact and legal issues and any enforcement of those decisions

would come back to this Court.” The district court resolved ZLF’s claims against Baker by enforcing the parties’ settlement agreement. The district court’s order expressly referred to the pending bankruptcy proceeding by stating, “Plaintiff shall collect the judgment from Defendant through submission of Defendant’s obligation to the United States Bankruptcy Court for the District of Minnesota in Defendant’s Chapter 13 bankruptcy proceedings.” The district court’s actions are not in any way inconsistent with the bankruptcy court’s remand order.

Baker nonetheless contends that the district court violated the automatic stay by ordering the entry of judgment rather than simply granting ZLF’s motion and not ordering the entry of judgment. Baker has not cited any authority clearly stating that a state court violates an automatic stay by entering a judgment after a bankruptcy court has expressly authorized the state court to resolve a claim against a debtor. Our independent research indicates that the entry of a judgment in such circumstances does not violate an automatic stay. See *Rexnord Holdings, Inc. v. Bidermann*, 21 F.3d 522, 527-28 (2d Cir. 1994); *Marquis Yachts v. Allied Marine Grp., Inc.*, 2010 WL 1380137, at *3 n.1 (D. Minn. 2010) (citing *In re Soares*, 107 F.3d 969, 973-74 (1st Cir. 1997)).

Baker contends further that the district court’s entry of judgment violates the bankruptcy court’s plan in his case by subjecting him to interest. The district court entered judgment in the amount of \$55,000 because that is the amount on which the parties agreed. The district court’s judgment does not add interest to the amount on which the parties agreed. There is nothing in the record to indicate that ZLF has attempted to collect interest on the judgment debt.

Thus, in light of the express permission previously granted by the bankruptcy court, the district court did not violate federal bankruptcy law by granting ZLF's motion to enforce settlement agreement and by entering a judgment in favor of ZLF.

In sum, the district court did not err by granting ZLF's motion to enforce settlement agreement and by entering judgment in favor of ZLF in the amount of \$55,000.

Affirmed.