

Gonzalez v. Nguyen

Citation: Gonzalez v. Nguyen, 414 P.3d 1163 (Ariz. 2018).

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Opinion's Author: Justice Bolick

Joined By: Chief Justice Bales, Vice Chief Justice Pelander, and Justices Brutinel, Timmer, Gould, and Lopez

Practitioners: For quick reference, please see the “Issue” and “Holding” sections.

Facts: On April 9, 2012, Quoc Nguyen was driving a van and rear-ended Pablo Gonzalez in his truck. The van was owned by Nguyen’s employer, Dysart Hotel. Although the police report stated that the accident occurred at ten miles per hour and there were no injuries, Gonzalez argued that the accident caused “extensive injuries requiring surgery and physical rehabilitation” resulting in his forced retirement from the Maricopa County Sheriff’s Office.¹

After being contacted by Dysart Hotel’s claims adjuster, Bill Sim, Gonzalez sued Nguyen and Dysart Hotel for compensatory damages. Gonzalez then sent a demand letter to Sim requesting \$716,242.50, \$600,000 of which was for “pain and suffering.” Although Gonzalez’s lawyers made multiple inquiries, Nguyen and Dysart Hotel failed to file a responsive pleading to Gonzalez’s complaint. Gonzalez applied for entry of default on February 20, 2015, served Nguyen and Dysart Hotel again, and—after a hearing on June 23, 2015, at which the defendants failed to appear—Gonzalez was granted a default judgment in the amount of \$667,279.56.

Procedural History: This case is currently before the Arizona Supreme Court. Gonzalez presented evidence at the hearing on June 23, 2015 before the court entered default judgment in his favor. On August 11, 2015, Nguyen and Dysart Hotel filed a Rule 60(c) motion to vacate the judgment’s damage award.² The defendants were willing to admit liability and contest solely the damages award if the motion were granted. The trial court granted the motion to vacate. The court then stated that although it may seem unfair for the insurance company to have handled the matter so casually before claiming injustice, the court had doubts regarding the fairness of the damages amount and it would be proper to allow the case to be decided on the merits.³

The court of appeals reversed and reinstated the default damages judgment.⁴ Although the court of appeals agreed with the trial court regarding the defendants’ lack of excusable

¹ Gonzalez v. Nguyen, 414 P.3d 1163, 1164 (Ariz. 2018).

² Although the current Arizona Rules of Civil Procedure recognize this rule as Rule 60(b), this is due to a reorganization performed in 2016 without substantive change to this rule. *Compare* ARIZ. R. CIV. P. 60(c) (1987), *with* ARIZ. R. CIV. P. 60(b) (2016).

³ *Nguyen*, 414 P.3d at 1165.

⁴ Gonzalez v. Nguyen, 1 CA-CV 16-0141, 2017 WL 1057307 (Ariz. Ct. App. Mar. 21, 2017).

neglect, it overturned the trial court's decision to vacate because the defendants failed to present a "meritorious defense" in support of their motion.⁵

The Arizona Supreme Court granted review to determine the standards for relief from a default judgment under Rule 60(c)(6).

Issue: In Arizona, Rule 60(b)—formerly Rule 60(c)—allows a court to grant relief from default judgment for "any other reason justifying relief."⁶ To be entitled to relief under this rule, must a defendant submit additional evidence outside the existing record in order to establish a "meritorious defense?"

Holding: No, in a motion to vacate a default judgment, a defendant may rely on the existing record and a trial court has broad discretion to determine whether a matter should be decided on the merits.

Disposition: The court of appeals decision is vacated, the trial court's order is affirmed, and Gonzalez's motion for attorney fees is denied.

Rule: First, any language in prior decisions suggesting that evidence outside the record is necessary is disavowed. Second, although the trial courts' discretion under Rule 60(c)(6) has always been bound by requiring a defendant to assert a "meritorious defense," such burden is "minimal"⁷ and requires only "some legal justification for the exercise of the power, some substantial evidence to support it."⁸ Finally, where the record suggests the judgment amount is excessive, a trial court may appropriately provide relief under Rule 60(c)(6).⁹

Reasoning:

- **Evidence Extraneous to the Record.** After noting that some previous Arizona decisions have indicated that a "meritorious defense" supporting a motion to vacate must be established using evidence outside of the existing record, the court determined that "[s]uch a requirement elevates form over the relevant substance" and there is no "such requirement in the language or purpose of the rule."¹⁰
- **Lack of Excusable Neglect.** Although the court of appeals also considered Nguyen and Dysart Hotel's lack of excusable neglect as further justification for their reversal, the court disagreed. Recognizing that some cases have suggested that a failure to meet Rule 60(c)(1)'s excusable neglect standard could prevent relief under Rule

⁵ *Id.* at *4.

⁶ ARIZ. R. CIV. P. 60(b).

⁷ *United States v. Aguilar*, 782 F.3d 1101, 1108 (9th Cir. 2015).

⁸ *Richas v. Superior Court*, 652 P.2d 1035, 1037 (1982) (quoting *Lynch v. Ariz. Enter. Mining Co.*, 179 P. 956, 957 (Ariz. 1919)).

⁹ *Daou v. Harris*, 678 P.2d 934, 942 (Ariz. 1984).

¹⁰ *Gonzalez v. Nguyen*, 414 P.3d 1163, 1166 (Ariz. 2018).

60(c)(6), the court reiterated that the grounds for relief under Rules 60(c)(6) are distinct and mutual exclusive from those under Rules 60(c)(1)–(5).¹¹

- **Excessive Damages.** The court determined that the existing record provided a sufficient basis for Nguyen and Dysart Hotel’s contention that the damages were excessive. Noting that the police reports indicated no injuries in the low-speed collision, the court then compared the \$68,683.58 in medical bills and the \$42,558.92 in lost wages attested to by Gonzalez’s counsel’s affidavit to the default judgment award of \$667,279.56.¹² Comparing these amounts, the court concluded that “[a]lthough a possibly excessive judgment does not automatically entitle a defendant to vacate a default judgment, the trial court here acted within its discretion.”¹³

¹¹ *Id.* at 1167 (citing *Webb v. Erickson*, 655 P.2d 6, 10 (Ariz. 1982)).

¹² *Id.*

¹³ *Id.*