



Weston Hurd Client Advisory - July 2012

Ohio Supreme Court Clarifies Appellate Court Standard of Review for a Declaratory Judgment Matter

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In a 7-0 decision, the Ohio Supreme Court, in *Arnott v. Arnott*, Slip Opinion No. 2012-Ohio-3208, held that an appellate court should apply an abuse of discretion standard when reviewing a trial court's holding to the question of standing, e.g., the appropriateness of the case for declaratory judgment and should apply a de novo standard when reviewing a trial court's determination of legal issues in the case. In a de novo standard of review, an appellate court considers the issue, as if for the first time, without deference to the lower court's decision.

In *Arnott*, a trust beneficiary named Kenneth filed a complaint for declaratory judgment action on behalf of himself and certain other beneficiaries seeking judicial interpretation of a provision in a trust that established the calculation of the price of trust property offered for sale to certain trust beneficiaries.

Kenneth argued that, under this provision, the price was the fair market value as determined by an appraiser. However, another beneficiary named James, and certain other beneficiaries, contended that the trust set the price as the appraiser's value less the estate-tax deduction allowed for farmland in either the federal or state tax code.

The trial court held that the matter was appropriate for declaratory judgment, found the subject trust language to be unambiguous and declared that the price was simply the fair market value. James appealed and argued that there was no justiciable controversy and that the trial court improperly interpreted the trust language.

The court of appeals employed an abuse of discretion standard to determine that the matter was proper for declaratory judgment. Then, the court of appeals reviewed the trust language de novo and reversed the trial court, finding that the language was ambiguous.

Kenneth then moved the court of appeals to certify a conflict with *Maxwell v. Fry*, 12th Dist. No. CA2007-11-284, 2009-Ohio-1650. That case, relying on *Mid-American Fire & Cas. v. Heasley*, 113 Ohio St.3d 133, 2007-Ohio-1248, 863 N.E.2d 142, held that all aspects of declaratory judgment actions are to be reviewed under the abuse of discretion standard.

Kenneth argued that the court of appeals should have applied an abuse of discretion, and not a de novo, standard of review to the trial court's interpretation of the trust language.

In clarifying its previous holding in *Heasley*, the Ohio Supreme Court noted that its statement in *Heasley* that "declaratory judgment actions are to be reviewed under an abuse-of-discretion standard" was perhaps overbroad, but has also been taken out of context by several Ohio courts.

The Ohio Supreme Court noted that, as evidenced by the procedural posture and syllabus language of *Heasley*, its holding in that case applied only to dismissals of declaratory judgment

actions as not justiciable and does not suggest that legal issues in a declaratory judgment action should be reviewed by an abuse of discretion standard.

Therefore, the Ohio Supreme Court's decision in *Arnott* unequivocally establishes that an appellate court must employ a de novo standard when reviewing a trial court's determination of legal issues in a declaratory judgment matter.

Ohio Supreme Court Decision

Arnott v. Arnott



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