02/06/96 HARRY KOCH AND HELEN KOCH v. TRIMONT AREA

1996 | Cited 0 times | Court of Appeals of Minnesota | February 6, 1996

Randall, Judge.

Appellants brought action to quiet title to certain property located in Martin County. Appellants challenge the trial court's determination that respondent was a bona fide purchaser and is the fee owner of the property in question and that appellants have no estate or interest therein. We affirm.

FACTS

John and Harry Koch were brothers. In 1935, John and Harry, by way of warranty deed, became owners of the following real estate:

Government Lot 4 and the Southwest Quarter of the Southeast Quarter of Section 13, Township 103 North, Range 33 West of the Fifth Principal Meridian, excepting therefrom: A tract of land in the Southwest Quarter of the Southeast Quarter of Section 13, Township 103 North, Range 33 West, and described as follows: Commencing at the Southwest corner of the Southeast Quarter of Section 13, Township 103 North, Range 33 West in Martin County, Minnesota; thence North 90 degrees 0' 0" east (assumed bearing) along the south line of the Southeast Quarter of Section 13 a distance of 258 feet to the point of beginning; thence continuing North 90 degrees 0' 0" east along the sought line of the Southeast Quarter a distance of 660 feet; thence North 0' 0" east a distance of 380 feet to the point of beginning. Subject to an easement for public right -of-way along the south line of the Southeast Quarter of Section 13. (Tract A).

A strip of land from the Southeast Quarter of the Southeast Quarter of Section 13, in Township 103 North, of Range 33 West of the Fifth Principal Meridian, bounded and described as follows, to-wit: Commencing at a point 26.12 rods from the southeast corner of said Section 13; thence west 53.88 rods to the 1/8th line; thence north to the center line of said Quarter; thence east on said line 53.88 rods; thence south parallel to the section line, to the point of beginning. (Tract B).

These tracts shall be referred to as the East parcel.

In 1945, John and Harry purchased the following real estate:

The South half of the Southeast Quarter and Lots 5 and 6 of Section 13, Township 103 North, Range 33 West of the Fifth Principal Meridian, Martin County, Minnesota. (Tract C).

This tract shall be referred to as the West parcel. The East and West parcels are adjacent to one another. John and Harry owned these two parcels as tenants-in-common.

The record shows that prior to the purchases in 1935 and 1945, the Koch brothers considered the boundary line between the two parcels to be the east ditch of the north/south driveway that runs from the county road on the south end to the building site on the West parcel in the north.

On December 30, 1980, the heirs of John Koch entered into a real estate exchange agreement (REEA) with Harry Koch, whereby John's heirs conveyed to Harry their interest in the West parcel and Harry conveyed his interest in the East parcel to John's heirs. No mention of the driveway is made in the REBA.

In 1990, the heirs of John Koch decided to sell the East parcel. A survey was prepared. The survey revealed that, although the driveway originates in the West parcel, it soon crosses over into the East parcel, and the majority of the driveway is located in the East parcel. The parcel, except for the driveway tract, was sold at an auction sale. Prior to the auction, Harry Koch agreed to purchase the driveway tract at the same price per acre received for the rest of the parcel. However, he did not follow through and purchase the parcel.

The attorney for the heirs of John Koch then informed respondent, Trimont Conservation Club, Inc., that Harry Koch was not going to purchase the driveway tract and that it was for sale. Respondent purchased the driveway tract by way of quit claim deed on July 5, 1990, for the sum of $1,690. Respondent made the purchase to facilitate entry onto a 5.18 acre parcel of land it had bought on the shore of nearby Big Twin Lake. Respondent recorded the deed.

Appellants Harry and Helen Koch commenced this action on January 18, 1993, alleging the driveway tract is a part of the West parcel and that respondent has no estate, interest, or lien in the tract. Respondent counterclaimed, asking the trial court to grant a prescriptive easement in the portion of the driveway located on the West parcel. The case was tried to the court without a jury.

The trial court determined respondent to be a bona fide purchaser of the driveway tract and the fee owner of the tract. The trial court also concluded that appellants have no estate or interest in the tract. This appeal followed.

DECISION

Appellants seek to reform the deeds executed pursuant to the 1980 REEA. They argue the evidence establishes a mistake in the deeds, and the trial court should have ordered reformation to reflect correctly the understanding of the Koch brothers that the driveway belonged in the West parcel and not in the East parcel. Appellants contend the parties to the REEA intended for the properties to be divided according to this understanding of the Koch brothers. The trial court refused, holding that

respondents are bona fide purchasers of the driveway tract.

A trial court's findings of fact will not be disturbed unless clearly erroneous. Minn. R. Civ. P. 52.01. For the trial court's findings to be clearly erroneous, they must be "manifestly contrary to the weight of the evidence or not reasonably supported by the evidence as a whole." Northern States Power Co. v. Lyon Food Prods., Inc., 304 Minn. 196, 201, 229 N.W.2d 521, 524 (1975). A reviewing court need not defer to the trial court's application of the law where the material facts are not in dispute. Hubred v. Control Data Corp., 442 N.W.2d 308, 310 (Minn. 1989). The granting of equitable relief is within the sound discretion of the trial court, and only a clear abuse of that discretion will result in reversal. Nadeau v. County of Ramsey, 277 N.W.2d 520, 524 (Minn. 1979).

An action to reform a written instrument is an equitable action. McCann v. Chicago Great W. Ry., 191 F. Supp. 730, 731 (D. Minn. 1961); see Fritz v. Fritz, 94 Minn. 264, 102 N.W. 705 (1905) (principles of equity govern reformation of written instruments). Reformation will not be granted to the prejudice of bona fide purchasers or other innocent third parties. Proulx v. Hirsch Bros., Inc., 279 Minn. 157, 164, 155 N.W.2d 907, 912 (1968); Fritz, 94 Minn. at 266, 102 N.W. at 706. A purchaser who has neither actual, implied, nor constructive notice of the outstanding rights of another is a bona fide purchaser entitled to the protection of the recording act. Claflin v. Commercial State Bank of Two Harbors, 487 N.W.2d 242, 248 (Minn. App. 1992) (citing Miller v. Hennen, 438 N.W.2d 366, 370 (Minn. 1989)), review denied (Minn. Aug. 4, 1992).

By concluding respondent is a bona fide purchaser, the trial court impliedly held that respondent did not have notice of appellants' claim to the driveway tract. Whether one takes with notice of the outstanding claims of another or is a bona fide purchaser is a question of fact. Henschke v. Christian, 228 Minn. 142, 146, 36 N.W.2d 547, 550 (1949). "Implied notice has been found where one 'has actual knowledge of facts which would put one on further inquiry.'" Miller, 438 N.W.2d at 370.

Arguably, respondent had knowledge of facts that should have put it on notice of appellants' outstanding claims. Respondent was aware that the southern portion of the driveway immediately off the county road was owned by appellants and that it belonged to the West parcel. Respondent was also aware that the only means of access to the northern portion of the driveway was entry through the West parcel. In addition, respondent knew the driveway tract in question had been excluded from the sale of the East parcel and that appellants had the first chance to purchase it. Given these facts, it appears respondent knew or should have been aware that problems may have existed with the title. Had respondent inquired further, it would have discovered the survey created a dispute as to where the exact boundary between the East and West tracts was located. In addition, respondent would have learned that Harry Koch believed that he had already purchased the driveway and that it was considered part of the West tract. This inquiry would have put respondent on notice that appellants might lay claim to the driveway. We conclude respondent had implied or actual notice of appellants' claims and is not a bona fide purchaser of the driveway tract.

That respondent took the driveway tract with notice, however, is not determinative of its rights. It simply means that what rights it has are not by virtue of the recording act. See Enkema v. McIntyre, 136 Minn. 293, 297, 161 N.W. 587, 589 (1917). In Enkema, defendant served notice to plaintiff to cancel a contract for the conveyance of land because plaintiff had failed to make payment. Id. at 294-95, 161 N.W. at 587-88. Assuming the contract to be properly canceled, defendant then conveyed the land to another purchase. Id. at 295-96, 161 N.W. at 588. Plaintiff filed suit for specific performance, and the subsequent purchaser was charged with notice of the original contract because it had been recorded. The Minnesota Supreme Court held:

That he [the subsequent purchaser] had notice of plaintiff's rights bars him of nothing if plaintiff had given it out that he abandoned those rights. This may not be a case of technical estoppel. It is rather a question of superior equities.

If [defendant's] purchase was an honest transaction and was induced or made possible by the conduct of plaintiff, his equities are superior.

Id. at 297, 161 N.W. at 589.

Similarly, as a purchaser with notice, what rights respondent has here are not by virtue of the recording act, but rather by its equities.

The record is undisputed that respondent acted with honesty of purpose and without fraud. Its purchase was merely an attempt to secure access to land it had recently purchased on the nearby shore of Big Twin Lake. Although unclear from the record, it appears respondent knew that appellants might have a claim to the disputed tract. However, at some point after the initial sale of the East tract, the attorney for the heirs of John Koch informed respondent that appellants were not going to purchase the driveway tract and it was for sale. Only after being informed that appellants did not wish to purchase the driveway tract did respondent buy the tract. Appellants had the first chance to purchase the property. They refused. Arguably, they abandoned their claim to the land. Two and a half years after respondent purchased the land, appellants finally began this lawsuit. We note respondent's purchase of the driveway tract was induced in large part by appellants' conduct. The equities lie in respondent's favor, and this court will not now reverse the trial court and aid appellants in divesting respondent of title. See Id. at 298, 161 N.W. at 589 (if the equities lie in defendant's favor, the court should not aid plaintiff in divesting defendant of his title or rights). Although the trial court wrongly concluded respondent to be a bona fide purchaser, the result reached remains the same. The trial court did not err in concluding respondent to be the fee owner of the driveway tract. See Minn. R. Civ. P. 61 (harmless error to be ignored).

The doctrine of boundary by practical location is instructive but not determinative. In Minnesota, the practical location of a boundary line can be established in three ways:

(1) Acquiescence: The location relied upon must have been acquiesced in for a sufficient length of time to bar a right of entry under the statute of limitations.

(2) Agreement: The line must have been expressly agreed upon by the interested parties and afterwards acquiesced in.

(3) Estoppel: The party whose rights are to be barred must have silently looked on with knowledge of the true line while the other party encroached thereon or subjected himself to expense which he would not have incurred had the line been in dispute.

Theros v. Phillips, 256 N.W.2d 852, 858 (Minn. 1977). Because the effect of the doctrine of boundary by practical location is to divest one party of property that is concededly his by deed, "the evidence establishing the practical location must be clear, positive, and unequivocal." Id.

Appellants' argument based on estoppel fails because no one here knew the true boundary line between the two parcels until the 1990 survey. See LeeJoice v. Harris, 404 N.W.2d 4, 7 (Minn. App. 1987) (knowledge of true boundary line necessary element of proof). Appellants' argument based on agreement also fails because no evidence was presented that there was an express agreement the driveway would serve as the boundary between the two tracts.

Appellants' argument based on the acquiescence theory of practical location does not persuade us. The statutory period for acquiescence is the same 15 year period required for adverse possession. Minn. Stat. § 541.02 (1994); LeeJoice, 404 N.W.2d at 7. Here, the 15 year period could not start to run before December 30, 1980, when the REEA was entered into between the one brother and the heirs of the other. Until that time the properties were owned jointly by the brothers as tenants-in-common. See Wojahn, 297 N.W.2d at 305 (statutory period could not begin to run until common ownership of parcels had been dissolved). See Chapman Place Ass'n, Inc. v. Prokasky, 507 N.W.2d 858, 863 (Minn. App. 1993), review denied (Minn. Jan. 24, 1994) ("when property is held in tenancy in common, there is unity of possession whereby each owner has an undisputed interest and cannot claim any specific portion of the property until partition.") Appellants commenced this action in January 1993. By definition, appellants are short the requisite 15 years.

In examining the record, it appears an unfortunate mistake may have resulted. Had the parties taken the time to have a survey prepared prior to the REEA this mistake could have been avoided. Although appellants' cause is not unjust, the equities, when balanced, lie in favor of respondent. Respondent acted fairly and in reliance on appellants' conduct when appellants' made no movement to purchase the disputed tract for a modest amount slightly less than $1700. No evidence indicates respondent acted in a fraudulent, dishonest, or otherwise inequitable manner.

The trial court's findings are not clearly erroneous. The court did not err in refusing to reform deeds executed pursuant to the 1980 REEA.

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Affirmed.

R. A. Randall

January 30, 1996