

Circuit Court for Montgomery County
Case No. 387432V

UNREPORTED*
IN THE APPELLATE COURT
OF MARYLAND**

No. 353

September Term, 2022

YOUHONG ZHANG

v.

PAYPAL, INC.

Nazarian,
Friedman,
Wright, Alexander Jr.
(Senior Judge, Specially Assigned),

JJ.

Opinion by Friedman, J.

Filed: February 22, 2023

*This is an unreported opinion, and it may not be cited in any paper, brief, motion, or other document filed in this Court or any other Maryland Court as either precedent within the rule of stare decisis or as persuasive authority. MD. R. 1-104.

**At the November 8, 2022 general election, the voters of Maryland ratified a constitutional amendment changing the name of the Court of Special Appeals of Maryland to the Appellate Court of Maryland. The name change took effect on December 14, 2022.

The facts of this case were set out in this Court’s previous opinion. *PayPal, Inc. v. Zhang*, No. 239, Sept. Term 2020, Slip Op. at *2-3 (unreported opinion) (filed Sept. 10, 2021). Briefly, Youhong Zhang loaned money to three people. The recipients failed to repay the loans and Zhang obtained judgments against them. Zhang then sought to enforce those judgments by garnishing funds belonging to the judgment debtors that were allegedly in the hands of PayPal, Inc. PayPal answered, asserting it had no accounts belonging to the judgment debtors, but defaulted by failing to file its answer timely. The trial court entered a judgment in the entire amount of the debt against PayPal. PayPal appealed to this Court. Because we were uncertain from the record whether the trial court knew that it had discretion to reopen the default, we remanded for the trial court to exercise that discretion. Slip Op. at *3-4. In a footnote to our opinion, we also reminded the trial court that if it refused to allow PayPal to reopen the default, the amount of the judgment against it could not exceed the amount of the judgment debtors’ money that it was holding.¹ Slip Op. at *2 n.2. The circuit court, following our instructions, exercised its discretion, refused to allow PayPal to reopen the default, and entered a judgment against it, but limited to the amount of the judgment debtors’ funds that it determined that PayPal was holding, \$0.00. Zhang has appealed this ruling hoping to have the total amount of the judgment reinstated.

¹ In support of this proposition, we cited Maryland Rule 2-645(j) and a treatise that we often have found useful in explaining the rules, PAUL V. NIEMEYER & LINDA M. SCHUETT, *MARYLAND RULES COMMENTARY* 907 (5th ed. 2019). Much of Zhang’s brief centers on why, in his view, this citation was insufficient for the principle reported. As we shall explain, the *MARYLAND RULES COMMENTARY* correctly describes this aspect of Maryland law.

Zhang argues that the Maryland Rules, properly interpreted, do not cap the garnishment at the amount of the judgment debtors' funds held by the garnishee. That principle is true, as far as it goes, but it doesn't resolve the question. The Maryland Rules are issued by our Supreme Court pursuant to the authority granted it by Article IV, §18 (a) of the Maryland Constitution.² The Rules govern only practice and procedure, they do not create or modify the substantive law of this State. *Consol. Const. Servs., Inc. v. Simpson*, 372 Md. 434, 449-56 (2002); *State v. Kanaras*, 357 Md. 170, 183 (1999) (“It is doubtful that this Court’s rule-making authority would extend to the creation of a separate cause of action.”).

The substantive law of garnishment is provided by statute, MD. CODE, CTS. & JUD. PROC. (“CJ”) § 3-305, and expounded by the common law of Maryland, that body of law made and modified by judges and subject, of course, to modification by the General Assembly. The common law of Maryland limits a garnishment to the amount of the judgment debtors' funds held by the garnishee:

A garnishment proceeding is, in essence, an action by the judgment debtor for the benefit of the judgment creditor which is brought against a third party, the garnishee, who holds the assets of the judgment debtor. An attaching judgment creditor is subrogated to the rights of the judgment debtor and can recover only by the same right and to the same extent that the judgment

² That section of our constitution provides:

The Supreme Court of Maryland from time to time shall adopt rules and regulations concerning the practice and procedure in and the administration of the appellate courts and in the other courts of this State, which shall have the force of law until rescinded, changed or modified by the Supreme Court of Maryland or otherwise by law.

MD. CONST., art. IV, § 18(a).

debtor might recover. The judgment itself is conclusive proof of the judgment debtor's obligation to the judgment creditor. The sole purpose of the garnishment proceeding therefore is to determine whether the garnishee had any funds, property or credits which belong to the judgment debtor.

Parkville Fed. Sav. Bank v. Maryland Nat'l Bank, 343 Md. 412, 418 (1996) (quoting *Fico, Inc. v. Ghingher*, 287 Md. 150, 159 (1980)); PAUL V. NIEMEYER & LINDA M. SCHUETT, MARYLAND RULES COMMENTARY 907 (5th ed. 2019) (“Whenever a judgment is entered against the garnishee, whether by default or not, the amount of the judgment is limited to the value of the property of the judgment debtor that was in the hands of the garnishee at the time of service of the writ and that came into the garnishee's hands thereafter, or to the amount of the underlying judgment together with enforcement costs, whichever sum is less.”). That is to say, the judgment against the garnishee may not exceed the amount of the judgment debtors' money held by the garnishee.³ For that reason, the judgment of the circuit court was legally correct.⁴ We affirm.

**JUDGMENT OF THE CIRCUIT COURT
FOR MONTGOMERY COUNTY IS
AFFIRMED. COSTS TO BE PAID BY
APPELLANT.**

³ The Maryland Rules reflect but do not create this common law limitation. *See* MD. RULE 2-645(a) (describing garnishment as “property of the judgment debtor . . . in the hands of a third person”); 2-645(j) (describing judgment in garnishment as limited to property in “the hands of the garnishee”).

⁴ It could hardly be otherwise. PayPal does not have any funds that belong to the judgment debtors and Zhang does not assert to the contrary. Consistent with our notions of private property, due process, and, ultimately, fairness, PayPal cannot be forced to pay money it does not have.