SUPREME JUDICIAL COURT OF MAINE

Blue Star Corporation v. CKF Properties, LLC, 2009 ME 101

980 A.2d 1270 (2009) · No. Cum-08-621 · Decided September 24, 2009

SUMMARY

The Maine Supreme Judicial Court reviewed cross-appeals from summary judgment in a dispute arising from the sale of a mill property and the failure to remove holdover tenants as required by the purchase and sale agreement. The court affirmed rulings rejecting waiver and equitable-estoppel defenses, denying lost-profit and certain carrying-cost damages, and excluding evidence concerning interest and insurance payments. It vacated the judgment for CKF's president because genuine factual issues remained regarding his individual liability for the breach.

CASE DETAILS

COURT	Supreme Judicial Court of Maine
WRITING FOR THE COURT	Alexander, J.; Levy, J.; Silver, J.; Mead, J.; Gorman, J.
JURISDICTION	Maine
DECIDED	September 24, 2009
DOCKET	Cum-08-621
DISPOSITION	vacated
PROCEDURAL POSTURE	Blue Star appealed, and CKF cross-appealed, from a Superior Court summary judgment. The trial court ruled for Blue Star on breach of contract, ruled for CKF on lost-profits damages, and ruled for Timothy Flannery individually on all claims.
STANDARD OF REVIEW	The court reviewed summary-judgment rulings de novo, viewing the record most favorably to the party opposing summary judgment. It reviewed the trial court's relevancy determination for clear error and the ultimate decision to admit or exclude evidence for abuse of discretion.
PRECEDENTIAL VALUE	Published precedential opinion
PARTIES	Blue Star Corporation v. CKF Properties, LLC, Timothy Flannery

TOPICS

breach of contract · corporate veil piercing · summary judgment · commercial litigation · civil procedure

PRACTICE AREAS

contract law · corporate law · real estate · civil procedure · commercial litigation · remedies

QUESTIONS PRESENTED

1. Whether CKF generated a factual issue supporting waiver or equitable estoppel as defenses to Blue Star's breach-of-contract claim.
2. Whether Blue Star generated a genuine issue of material fact regarding lost redevelopment-financing profits resulting from CKF's breach.
3. Whether the trial court properly excluded evidence of mortgage-interest and insurance payments as irrelevant to CKF's breach.
4. Whether genuine issues of material fact precluded summary judgment for Flannery on claims seeking to pierce CKF's corporate veil or hold Flannery individually liable for participation in wrongful acts.

HOLDINGS

1. CKF did not establish facts that could support waiver or equitable estoppel because Blue Star's alleged conduct did not constitute an intentional relinquishment of its contractual rights or a misrepresentation inducing detrimental reliance.
2. Summary judgment for CKF on Blue Star's lost-profits claim was proper because, after disregarding the contradictory late-disclosed affidavit, the evidence did not create a genuine issue that CKF's breach caused the loss of redevelopment financing.
3. The trial court acted within its discretion in excluding evidence of mortgage-interest and insurance payments because those claimed costs depended on the same unsupported causal theory as the lost-profits claim.
4. Summary judgment for Flannery was improper because genuine issues of material fact existed regarding whether he abused CKF's separate corporate identity, whether limiting recovery to CKF would produce an unjust or inequitable result, and whether he personally participated in fraud or promotion of the contractual breach.

KEY QUOTATIONS

> *"The doctrines of waiver and equitable estoppel do not provide defenses to the Blue Star breach of contract claim."* (980 A.2d at 1277)

> *"These unresolved factual issues that must be decided at trial preclude deciding by summary judgment that: (1) the CKF corporate veil cannot be pierced; or (2) even if the corporate veil is not to be pierced, Flannery cannot be held individually liable for participation in wrongful acts causing damage to Blue Star."* (980 A.2d at 1281)

FACTUAL BACKGROUND

Blue Star purchased the Sebago Moc Mill from CKF under an agreement requiring CKF to secure removal of all tenants within forty-five days after closing. Although Flannery, CKF's sole owner and president, reaffirmed that obligation, he later entered into a side agreement allowing Postal Express to remain beyond the deadline, and both Postal Express and CPR remained on the property after October 2, 2006. Blue Star alleged that the holdover tenancies disrupted redevelopment financing and caused damages, but the record showed that identified potential financiers rejected the project because of Blue Star president Nicholas Kampf's notoriety or for reasons unrelated to the tenants. CKF was formed solely to own the mill, had no other meaningful asset, and Flannery admitted that he had spent CKF's sale proceeds, leaving the company judgment-proof.

PROCEDURAL HISTORY

Blue Star sued CKF and Flannery for breach of contract, negligence, and fraud arising from holdover tenants at the Sebago Moc Mill. The Superior Court entered summary judgment for Blue Star on breach of contract, for CKF on lost-profits damages, and for Flannery on individual liability, while excluding evidence concerning interest and insurance payments. The Maine Supreme Judicial Court vacated the judgment for Flannery because genuine issues of material fact existed regarding veil piercing and Flannery's participation in wrongful acts, and affirmed the judgment in all other respects.

DISPOSITION

vacated

REMAND INSTRUCTIONS

Vacate the summary judgment in favor of Timothy Flannery on personal liability and remand for further proceedings consistent with the opinion. Affirm the judgment in all other respects. No costs to either party.

CASES CITED

- Dyer v. Department of Transportation, 2008 ME 106, ¶ 14, 951 A.2d 821, 825
- Stanley v. Hancock County Commissioners, 2004 ME 157, ¶ 13, 864 A.2d 169, 174
- Kirkham v. Hansen, 583 A.2d 1026, 1027 (Me. 1990)
- Interstate Industrial Uniform Rental Service, Inc. v. Couri Pontiac, Inc., 355 A.2d 913, 919 (Me. 1976)
- Department of Health & Human Services v. Pelletier, 2009 ME 11, ¶¶ 17-18, 964 A.2d 630, 635-36
- Zip Lube, Inc. v. Coastal Savings Bank, 1998 ME 81, ¶ 10, 709 A.2d 733, 735
- Holden v. Weinschenk, 1998 ME 185, ¶ 12, 715 A.2d 915, 919
- Schindler v. Nilsen, 2001 ME 58, ¶ 9, 770 A.2d 638, 641-42
- Hernandez-Loring v. Universidad Metropolitana, 233 F.3d 49, 55 (1st Cir. 2000)
- Beaulieu v. Aube Corp., 2002 ME 79, ¶ 31, 796 A.2d 683, 692
- Frustaci v. City of South Portland, 2005 ME 101, ¶ 13, 879 A.2d 1001, 1006
- Advanced Construction Corp. v. Pilecki, 2006 ME 84, ¶¶ 10, 13, 901 A.2d 189, 194-95
- State v. Weinschenk, 2005 ME 28, ¶ 19, 868 A.2d 200, 207
- Donsco, Inc. v. Casper Corp., 587 F.2d 602, 606 (3d Cir. 1978)