UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

Evans v. Pearson Enterprises, Inc.

434 F.3d 839 (6th Cir. 2006) · No. 04-2229 · Decided January 19, 2006

SUMMARY

The Sixth Circuit affirmed dismissal of Jane Evans's claims arising from alleged fiduciary breaches, shareholder oppression, fraud, misrepresentation, and related conduct involving family trusts and corporate transactions. The court held that the probate exception did not bar federal jurisdiction over the breach-of-revocable-trust claim, but collateral estoppel and pleading deficiencies independently supported dismissal, and the district court did not abuse its discretion in denying leave to amend.

CASE DETAILS

COURT	United States Court of Appeals for the Sixth Circuit
WRITING FOR THE COURT	Rogers, Circuit Judge; Siler, Circuit Judge; Clay, Circuit Judge
JURISDICTION	Federal
DECIDED	January 19, 2006
DOCKET	04-2229
DISPOSITION	affirmed
PROCEDURAL POSTURE	Plaintiff appealed from the Eastern District of Michigan's dismissal under Federal Rule of Civil Procedure 12(b)(6) of claims for breach of trust, shareholder oppression, fraud and related claims, and from the denial of leave to amend.
STANDARD OF REVIEW	Dismissal under Rule 12(b)(6) was reviewed de novo, accepting well-pleaded factual allegations as true and construing reasonable inferences in the plaintiff's favor. Denial of leave to amend was reviewed for abuse of discretion because the district court did not actually decide futility on the merits.
PRECEDENTIAL VALUE	published and precedential
PARTIES	Jane P. Evans v. Pearson Enterprises, Incorporated, Bank One Trust Company, N.A., Bank One National Association, Ervin Industries, Incorporated, John Pearson, James Meretta

TOPICS

trusts | subject matter jurisdiction | probate procedure | breach of fiduciary duty | appellate procedure

PRACTICE AREAS

trusts | probate | civil procedure | appellate procedure | corporate law | fraud

QUESTIONS PRESENTED

1. Whether the federal probate exception deprived the district court of jurisdiction over Evans's claim for breach of her revocable inter vivos trust.
2. Whether collateral estoppel barred Evans's breach-of-trust claim by preventing relitigation of fraudulent concealment and related limitations issues.
3. Whether Evans's shareholder-oppression claims concerning the 1993 and 1996 transactions were barred by Michigan's statute of limitations and could be saved by fraudulent concealment.
4. Whether collateral estoppel barred the shareholder-oppression claim concerning the 1998 transaction.
5. Whether Evans's fraud claims were barred by the statute of limitations or failed for insufficient pleading of reliance.
6. Whether the district court properly denied Evans's requests for leave to amend.

HOLDINGS

1. The probate exception did not deprive the federal district court of jurisdiction over Evans's in personam claim concerning her revocable inter vivos trust because the claim did not interfere with probate proceedings, require general jurisdiction over probate, or require federal control over property in state custody.
2. Although the district court had jurisdiction over the revocable-trust claim, dismissal was proper because collateral estoppel barred Evans from relitigating fraudulent concealment and the applicable statute-of-limitations issues.
3. The shareholder-oppression claims concerning the 1993 and 1996 transactions were barred by Michigan's six-year statute of limitations because Evans did not plead fraudulent concealment with the particularity required by Rule 9(b), and collateral estoppel independently barred reliance on fraudulent concealment.
4. The shareholder-oppression claim concerning the 1998 transaction failed because collateral estoppel barred Evans from asserting the factual allegations on which the claim depended.
5. The fraud claims concerning the 1993 and 1996 transactions were barred by the statute of limitations because Evans failed to plead fraudulent concealment with particularity. The fraud claim concerning the 1998 transaction failed because Evans did not plead detrimental reliance with particularity.
6. The district court did not abuse its discretion in denying Evans's requests for leave to amend because the first request failed to state grounds with particularity and the later requests were not clearly presented as distinct motions.

KEY QUOTATIONS

> *"Because Evans' claim does not require the federal court to interfere with probate proceedings, assume general jurisdiction over probate, or assume control over property in the custody of a state court, the district court has jurisdiction to consider her claim."* (434 F.3d at 847)

> *"For these reasons, the district court had jurisdiction to hear Evans' claim for breach of the revocable trust."* (434 F.3d at 849)

> *"For the foregoing reasons, we AFFIRM the orders of the district court dismissing all of Evans' claims and denying her leave to amend her complaint."* (434 F.3d at 854)

FACTUAL BACKGROUND

Evans held interests in three trusts whose principal assets included voting and nonvoting stock in Ervin Industries. She alleged that Bank One, acting as trustee and lender to Ervin-related entities, had conflicts of interest and breached fiduciary duties in connection with acquisitions in 1993, 1996, and 1998. She also alleged shareholder oppression, fraud, misrepresentation, and conspiracy arising from those transactions. Evans had previously litigated substantially overlapping fiduciary-duty and concealment issues in Michigan probate proceedings.

PROCEDURAL HISTORY

Evans first pursued related fiduciary-duty claims in Michigan probate court, which entered judgment for Bank One Trust; the Michigan Court of Appeals affirmed, and the Michigan Supreme Court denied leave to appeal. Evans then brought this diversity action in federal district court. The district court dismissed her claims on probate-exception, statute-of-limitations, collateral-estoppel, and pleading grounds and denied her requests to amend. The Sixth Circuit affirmed.

DISPOSITION

affirmed

CASES CITED

- Benzon v. Morgan Stanley Distributors, Inc., 420 F.3d 598, 605 (6th Cir. 2005)
- Columbia National Resources, Inc. v. Tatum, 58 F.3d 1101, 1109 (6th Cir. 1995)
- Markham, Alien Property Custodian, v. Allen et al., Markham v. Allen, 326 U.S. 490, 494 (1946)
- Marshall v. Marshall, 392 F.3d 1118, 1135 (9th Cir. 2004)
- Storm v. Storm, 328 F.3d 941, 945 (7th Cir. 2003)
- Rogers v. Girard Trust Co., 159 F.2d 239, 242 (6th Cir. 1947)
- Lepard v. NBD Bank, 384 F.3d 232, 237 (6th Cir. 2004)
- Waterman v. Canal-Louisiana Bank & Trust Co., 215 U.S. 33, 45-46 (1909)
- Golden v. Golden, 382 F.3d 348, 360 (3d Cir. 2004)
- Sianis v. Jensen, 294 F.3d 994, 999 (8th Cir. 2002)

- Georges v. Glick, 856 F.2d 971 (7th Cir. 1988)
- Migra v. Warren City School District Board of Education, 465 U.S. 75, 81 (1984)
- People v. Gates, 434 Mich. 146, 452 N.W.2d 627, 630 (1990)
- Monat v. State Farm Insurance Co., 469 Mich. 679, 677 N.W.2d 843, 852 (2004)
- Dayco Corp. v. Goodyear Tire & Rubber Co., 523 F.2d 389, 394 (6th Cir. 1975)
- Smith v. Mitlof, 198 F. Supp. 2d 492, 504-05 (S.D.N.Y. 2002)
- Yuhasz v. Brush Wellman, Inc., 341 F.3d 559, 569 (6th Cir. 2003)
- Fisher v. Roberts, 125 F.3d 974, 977 (6th Cir. 1997)
- Moore v. Indiana, 999 F.2d 1125, 1131 (7th Cir. 1993)
- Confederate Memorial Association, Inc. v. Hines, 995 F.2d 295, 299 (D.C. Cir. 1993)
- PR Diamonds, Inc. v. Chandler, 364 F.3d 671, 699 (6th Cir. 2004)
- Begala v. PNC Bank, 214 F.3d 776, 783-84 (6th Cir. 2000)
- United States ex rel. Willard v. Humana Health Plan of Texas, 336 F.3d 375, 387 (5th Cir. 2003)
- Credit Chequers Information Services, Inc. v. CBA, Inc., 2000 WL 232046, at *1 (2d Cir. Jan. 26, 2000)
- Evans v. Bank One Trust Co. N.A., Nos. 249974, 253745, 253824, 2005 WL 433573 (Mich. Ct. App. Feb. 24, 2005)