SUPREME JUDICIAL COURT OF MAINE

WahlcoMetroflex, Inc. v. Baldwin, 2010 ME 26

991 A.2d 44 (Me. 2010) · No. And-08-592 · Decided March 25, 2010

SUMMARY

The Supreme Judicial Court of Maine held that Delaware law requires gross negligence to establish a breach of a corporate officer's fiduciary duty of care, even when the business judgment rule does not apply. It vacated the jury verdict because the trial court improperly instructed the jury that ordinary negligence could establish a breach, and remanded for a new trial on that count. The court also vacated and ordered dismissal of the unjust enrichment claim because it was based on the same conduct as the fiduciary-duty claim.

CASE DETAILS

COURT	Supreme Judicial Court of Maine
WRITING FOR THE COURT	Jabar, J.; Saufley, C.J.; Alexander, J.; Levy, J.; Silver, J.; Mead, J.
JURISDICTION	Maine
DECIDED	March 25, 2010
DOCKET	And-08-592
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Alexander G. Baldwin appealed from a Superior Court judgment entered for WahlcoMetroflex after a jury trial and a separate bench determination on unjust enrichment.
STANDARD OF REVIEW	Jury instructions are reviewed in their entirety to determine whether they fairly and correctly apprised the jury of the governing law. A preserved instructional error is reversible if it resulted in prejudice. Whether a litigant has an adequate remedy at law is a question of law.
PRECEDENTIAL VALUE	Published precedential opinion of the Supreme Judicial Court of Maine.
PARTIES	Alexander G. Baldwin v. WahlcoMetroflex, Inc.

TOPICS

duty of care corporate · business judgment rule · breach of fiduciary duty · remedies · appellate procedure

PRACTICE AREAS

corporate law · commercial litigation · remedies · appellate procedure

QUESTIONS PRESENTED

1. Whether the Superior Court improperly instructed the jury that Baldwin could breach his Delaware-law fiduciary duty of care through ordinary negligence or failure to act with care, competence, and diligence.
2. Whether WahlcoMetroflex could maintain an independent unjust-enrichment claim based on the same facts underlying its breach-of-fiduciary-duty claim.

HOLDINGS

1. Under Delaware law, gross negligence, rather than ordinary negligence, is required to establish a breach of the fiduciary duty of care even when the business judgment rule does not apply. The Superior Court therefore erred by instructing the jury that Baldwin could be liable for failing to act with care, competence, and diligence.
2. An unjust-enrichment claim cannot survive as an independent cause of action when it is based on the same facts as a breach-of-fiduciary-duty claim and merely characterizes the alleged enrichment as unjust because it resulted from that alleged breach. The unjust-enrichment claim therefore had to be dismissed.

KEY QUOTATIONS

> *"Thus, Delaware law requires gross negligence to establish a breach of the duty of care even when the protections of the business judgment rule do not apply."* (49)

> *"There is no detectable difference between the company's tort claim for breach of fiduciary duty and its unjust enrichment claim in which the enrichment is claimed to be unjust because it was accomplished through a breach of fiduciary duty."* (50)

FACTUAL BACKGROUND

WahlcoMetroflex, a Delaware corporation, obtained financing secured by personal guaranties from its seven shareholders, including Baldwin. The guaranties required each shareholder to provide Wells Fargo annual personal financial statements, but Baldwin failed to submit statements for 2003 and 2004, resulting in fines to the company. Baldwin later reduced his salary, began consulting for British Petroleum while retaining his position as president and CEO, and eventually resigned after the company elected a new president. The company sought damages for breach of fiduciary duty and unjust enrichment based on these events.

PROCEDURAL HISTORY

WahlcoMetroflex sued Baldwin on seven counts arising from his failure to provide personal financial statements required under the company's financing arrangements and his work for British Petroleum while still an officer of the company. The Superior Court granted Baldwin judgment as a matter of law on three counts, submitted the remaining claims except unjust enrichment to the jury, and entered judgment for the company on the fiduciary-duty claim and the unjust-enrichment claim. The Supreme Judicial Court vacated the fiduciary-duty verdict because of an erroneous duty-of-care instruction, vacated the unjust-enrichment judgment, and affirmed the judgment in all other respects.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

Remand for a new trial limited to Baldwin's breach of fiduciary duty for failure to provide personal financial statements, Count 1, and for dismissal of the unjust-enrichment claim. The judgment is affirmed in all other respects.

CASES CITED

- Wood v. Bell, 2006 ME 98, ¶ 20, 902 A.2d 843, 851
- Niedojadlo v. Central Maine Moving & Storage Co., 1998 ME 199, ¶ 8, 715 A.2d 934, 936
- In re Walt Disney Co. Derivative Litigation, 906 A.2d 27, 52 (Del. 2006)
- Emerald Partners v. Berlin, 787 A.2d 85, 90-91 (Del. 2001)
- Aronson v. Lewis, 473 A.2d 805, 812-13 (Del. 1984)
- Brehm v. Eisner, 746 A.2d 244, 253-54 (Del. 2000)
- Benihana of Tokyo, Inc. v. Benihana, Inc., 891 A.2d 150, 192 (Del. Ch. 2005)
- In re Walt Disney Co. Derivative Litigation, 907 A.2d 693, 748 & n. 418 (Del. Ch. 2005)
- Rabkin v. Philip A. Hunt Chemical Corp., 1987 WL 28436, 1987 Del. Ch. LEXIS 522 (Del. Ch. 1987)
- In re Caremark International Inc. Derivative Litigation, 698 A.2d 959 (Del. Ch. 1996)
- Seminaris v. Landa, 662 A.2d 1350 (Del. Ch. 1995)
- In re Baxter International Inc. Shareholders Litigation, 654 A.2d 1268 (Del. Ch. 1995)
- Schock v. Nash, 732 A.2d 217, 232 (Del. 1999)
- Sao Paulo v. American Tobacco Co., 919 A.2d 1116, 1124-25 (Del. 2007)
- Grynberg v. Total S.A., 538 F.3d 1336, 1352 (10th Cir. 2008)
- McPadden v. Sidhu, 964 A.2d 1262, 1277 n. 44 (Del. Ch. 2008)
- In re Real Property of Former Wife, K., 297 A.2d 424, 426 (Del. Ch. 1972)
- Keniston v. JPMorgan Chase Bank, 2007 ME 29, ¶ 9 n. 6, 918 A.2d 436, 439
- Weinstein Enterprises v. Orloff, 870 A.2d 499, 507 & n. 14 (Del. 2005)
- McMahon v. New Castle Associates, 532 A.2d 601, 604-05 (Del. Ch. 1987)