

SUPREME COURT OF WASHINGTON

Humphrey Industries, Ltd. v. Clay Street Associates, LLC

176 Wash. 2d 662 (2013) · Decided February 14, 2013

SUMMARY

The Washington Supreme Court held that the law-of-the-case doctrine barred the trial court from reinstating attorney fee awards against Humphrey Industries under the Washington Limited Liability Company Act. The court awarded Humphrey prejudgment interest on the reversed fee awards and attorney fees for the appeal, but declined to impose liability on the individual LLC members because Humphrey had not established the necessary factual findings.

CASE DETAILS

COURT	Supreme Court of Washington
WRITING FOR THE COURT	González, J.; Madsen, C.J.; C. Johnson, J.; Owens, J.; Fairhurst, J.; J.M. Johnson, J.; Stephens, J.; Wiggins, J.; Chambers, J. Pro Tem.
JURISDICTION	Washington
DECIDED	February 14, 2013
DISPOSITION	reversed
PROCEDURAL POSTURE	Direct appeal to the Washington Supreme Court from the trial court's orders on remand following the court's prior reversal of attorney-fee awards.
STANDARD OF REVIEW	The court reviewed the trial court's prejudgment-interest ruling for abuse of discretion. Findings of fact are upheld when supported by substantial evidence, and unchallenged findings become verities on appeal. Application of the law-of-the-case doctrine was reviewed as a legal issue.
PRECEDENTIAL VALUE	Published Washington Supreme Court opinion; precedential.
PARTIES	Humphrey Industries, Ltd. v. Clay Street Associates, LLC, Scott Rogel, Joseph Rogel, Lee Ann Rogel, ABO Investments

TOPICS

limited liability companies attorney fees prejudgment interest appellate procedure commercial litigation

PRACTICE AREAS

QUESTIONS PRESENTED

1. Whether the law-of-the-case doctrine barred the trial court on remand from reinstating attorney-fee awards against Humphrey under RCW 25.15.480(2)(b).
2. Whether Humphrey was entitled to prejudgment interest on attorney-fee awards that it had paid and that the Supreme Court had reversed.
3. Whether the individual members of Clay Street were personally liable for the LLC's obligations or for restitution.
4. Whether Humphrey was entitled to attorney fees for the present appeal and the remand proceedings.

HOLDINGS

1. The trial court violated the law-of-the-case doctrine by reinstating attorney fees against Humphrey. The prior appellate holding that the record did not establish arbitrary, vexatious, or bad-faith conduct was binding on remand.
2. Humphrey was entitled to prejudgment interest on the specific attorney-fee awards it had paid and that the Supreme Court reversed.
3. The court declined to hold Clay Street's individual members liable for the LLC's obligations because Humphrey had not supported the requested liability findings and the theories required factual inquiries beyond the scope of appellate review.
4. Humphrey was entitled to attorney fees from Clay Street for the present appeal under RCW 25.15.480(2)(a), but was not entitled to fees for the remand proceedings or from the individual members.

KEY QUOTATIONS

“Because we held that Humphrey’s conduct did not meet the standard to support a fee award under RCW 25.15.480(2)(b), that conclusion became the law of the case and the trial court erred by failing to apply that holding on remand.” (at 670-71)

“This rule is ill suited to awards of prejudgment interest, which accrue from the time of a plaintiff’s loss rather than from the date of judgment.” (at 673)

“Humphrey is entitled to attorney fees for this appeal. It has not established that the individual members are liable for its fees.” (at 677)

FACTUAL BACKGROUND

Humphrey and the other members formed Clay Street Associates LLC to acquire and manage real property. After Scott Rogel sought to sell the property and dissolve the LLC, the other members used a merger with a newly formed LLC to circumvent the agreement's unanimity requirement, and Humphrey exercised its statutory dissenters' rights. Clay Street initially failed to pay Humphrey within the statutory 30-day period, later paying \$181,192.64, and the trial court subsequently determined that Humphrey was owed an additional \$60,588.22.

The trial court also awarded fees against Humphrey based on allegedly arbitrary, vexatious, and bad-faith conduct, but those awards were reversed in the prior appeal.

PROCEDURAL HISTORY

Humphrey exercised dissenters' rights after Clay Street merged with another LLC and disputed the value paid for its membership interest. The trial court awarded Humphrey additional value but denied Humphrey's fees and awarded fees to Clay Street and the Rogels; the Court of Appeals affirmed. In the prior appeal, the Washington Supreme Court held that Clay Street had not substantially complied with the LLC Act, reversed the fees awarded against Humphrey, and remanded for reconsideration of fees in Humphrey's favor. On remand, the trial court awarded Humphrey some fees but reinstated portions of the fees previously awarded against it and denied prejudgment interest, prompting this direct appeal.

DISPOSITION

reversed

REMAND INSTRUCTIONS

The attorney-fee awards against Humphrey were reversed, and Humphrey was awarded prejudgment interest on the original reversed fee award. The opinion did not remand the individual-member-liability issue for further factual findings.

CASES CITED

- *Humphrey Indus., Ltd. v. Clay St. Assocs.*, 170 Wn.2d 495, 242 P.3d 846 (2010)
- *Greene v. Rothschild*, 68 Wn.2d 1, 10, 414 P.2d 1013 (1966)
- *Adamson v. T aylor*, 66 Wn.2d 338, 339, 402 P.2d 499 (1965)
- *State v. Worl*, 129 Wn.2d 416, 424, 918 P.2d 905 (1996)
- *Govett v. First Pac. Inv. Co.*, 68 Wn.2d 973, 973, 413 P.2d 972 (1966)
- *Alverado v. Wash. Pub. Power Supply Sys.*, 111 Wn.2d 424, 429, 759 P.2d 427 (1988)
- *Hansen v. Rothaus*, 107 Wn.2d 468, 472-73, 730 P.2d 662 (1986)
- *Prier v. Refrigeration Eng'g Co.*, 74 Wn.2d 25, 32, 442 P.2d 621 (1968)
- *Scoccolo Constr., Inc. v. City of Renton*, 158 Wn.2d 506, 519, 145 P.3d 371 (2006)
- *Noble v. Safe Harbor Family Pres. Trust*, 167 Wn.2d 11, 17, 216 P.3d 1007 (2009)
- *Fulle v. Boulevard Excavating, Inc.*, 25 Wn. App. 520, 522, 610 P.2d 387 (1980)
- *Fisher Properties, Inc. v. Arden-Mayfair, Inc.*, 115 Wn.2d 364, 373-74, 798 P.2d 799 (1990)
- *Weyerhaeuser Co. v. Commercial Union Ins. Co.*, 142 Wn.2d 654, 687-88, 15 P.3d 115 (2000)
- *Flint v. Hart*, 82 Wn. App. 209, 225-26, 917 P.2d 590 (1996)
- *Chadwick Farms Owners Ass'n v. FHC, LLC*, 166 Wn.2d 178, 200, 207 P.3d 1251 (2009)
- *Davis v. Dep't of Labor & Indus.*, 94 Wn.2d 119, 123, 615 P.2d 1279 (1980)
- *Seattle Sch. Dist. No. 1 v. State*, 90 Wn.2d 476, 540, 585 P.2d 71 (1978)

- Dragt v. Dragt/DeTray, LLC, 139 Wn. App. 560, 574-75, 161 P.3d 473 (2007)
- King County v. Wash. State Boundary Review Bd., 122 Wn.2d 648, 660, 860 P.2d 1024 (1993)

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