

SUPREME COURT OF ALASKA

Henrichs v. Chugach Alaska Corp.

250 P.3d 531 (Alaska 2011) · No. No. S-13094 · Decided April 22, 2011

SUMMARY

The Alaska Supreme Court affirmed a jury verdict holding Robert Henrichs liable for breach of fiduciary duty arising from his conduct as chair of Chugach Alaska Corporation's board. The court rejected arguments concerning a statutory reliance-on-counsel safe harbor, the business judgment rule and gross negligence standard, equitable defenses, and the jury instructions. It also upheld the superior court's five-year ban on Henrichs serving on CAC's board.

CASE DETAILS

COURT	Supreme Court of Alaska
WRITING FOR THE COURT	Christen, Justice; Carpeneti, Chief Justice; Fabe, Justice; Winfree, Justice
JURISDICTION	Alaska
DECIDED	April 22, 2011
DOCKET	No. S-13094
DISPOSITION	affirmed
PROCEDURAL POSTURE	Former corporate director Robert Henrichs appealed a jury verdict finding him liable for breach of fiduciary duty and a superior court order barring him from serving on Chugach Alaska Corporation's board for five years.
STANDARD OF REVIEW	Questions of law are reviewed de novo; factual findings are reviewed for clear error; the duration of a board-service bar is reviewed for abuse of discretion; jury-instruction rulings are reviewed independently for legal correctness, and instructional error warrants reversal only if prejudicial. The appellant bears the burden of proving prejudice.
PRECEDENTIAL VALUE	Published Alaska Supreme Court opinion; precedential.
PARTIES	Robert J. Henrichs v. Chugach Alaska Corporation

TOPICS

breach of fiduciary duty

business judgment rule

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remedies

appellate procedure

PRACTICE AREAS

corporate law

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QUESTIONS PRESENTED

1. Whether the superior court erred by failing to repeat the statutory reliance-on-counsel language in a second jury instruction.
2. Whether the jury should have been instructed that Henrichs could be liable for breach of fiduciary duty only upon a showing of gross negligence under the business judgment rule.
3. Whether the superior court erred by refusing to instruct the jury on Henrichs's equitable defenses, including unclean hands.
4. Whether the superior court abused its discretion by barring Henrichs from serving on CAC's board for five years.

HOLDINGS

1. Any error in failing to repeat the statutory reliance-on-counsel language in the second jury instruction was harmless because Henrichs presented no evidence that he relied on counsel's advice or that counsel approved the proxy letter, and he failed to show that the omission probably affected the verdict.
2. The superior court properly refused to instruct the jury that Henrichs could be held liable only for gross negligence. Alaska's common-law business judgment rule was not replaced, redefined, or codified by AS 10.06.450(b), but the rule does not protect volitional and egregious misconduct constituting a breach of fiduciary duty.
3. The superior court did not err by refusing to instruct the jury on Henrichs's equitable defenses because CAC's claims seeking money damages were legal claims, the jury was advisory as to the equitable board-service remedy, and the trial court had discretion whether to use or rely on an advisory jury.
4. Henrichs was not entitled to specific findings on his unclean-hands defense because he presented no evidence that CAC's alleged wrongdoing related to the events litigated in the action.
5. The superior court did not abuse its discretion by barring Henrichs from serving on CAC's board for five years.

KEY QUOTATIONS

"Jury instructions are to be analyzed as a whole, rather than in isolation" (536)

"the adoption of AS 10.06.450(b) did not replace, redefine, or codify Alaska's common law business judgment rule." (538)

"we have never adopted the gross negligence standard as a measure of the business judgment rule's protection, and we decline to do so now." (539)

“the nature of a claim — equitable or legal — depends on the remedy sought.” (540)

FACTUAL BACKGROUND

In 2004, Chugach Alaska Corporation's board was divided into factions, and Robert Henrichs became chair after a coalition removed the incumbent chairwoman. During his approximately six months as chair, Henrichs allegedly held meetings with only his faction, acted without full-board approval, retaliated against dissenting directors, and authorized a proxy solicitation letter that suggested the validity of proxies supporting non-board candidates might be questioned. The Alaska Division of Banking, Securities, and Corporations determined that the letter contained a materially misleading statement, and CAC later sent a corrective letter. A jury found Henrichs liable for general and specific breaches of fiduciary duty and awarded CAC \$34,500 on the specific breach claim.

PROCEDURAL HISTORY

Chugach Alaska Corporation sued Henrichs after his six-month tenure as board chair, asserting conversion, misrepresentation, and breaches of fiduciary duty. The superior court dismissed Henrichs's malicious-prosecution counterclaim and directed a verdict against his abuse-of-process counterclaim. After a June 2007 jury trial, the jury awarded CAC \$34,500 for Henrichs's breach of fiduciary duty in authorizing a false or misleading proxy solicitation letter. The superior court separately ordered a five-year bar from board service. The Alaska Supreme Court affirmed.

DISPOSITION

affirmed

CASES CITED

- Alaska Plastics, Inc. v. Coppock, 621 P.2d 270 (Alaska 1980)
- Betz v. Chena Hot Springs Group, 657 P.2d 831 (Alaska 1982)
- Shields v. Cape Fox Corp., 42 P.3d 1083 (Alaska 2002)
- Martinez v. Cape Fox Corp., 113 P.3d 1226 (Alaska 2005)
- Lynden Inc. v. Walker, 30 P.3d 609 (Alaska 2001)
- City of Kodiak v. Samaniego, 83 P.3d 1077 (Alaska 2004)
- Municipality of Anchorage v. Baugh Construction & Engineering Co., 722 P.2d 919 (Alaska 1986)
- State v. l'Anson, 529 P.2d 188 (Alaska 1974)
- Knaebel v. Heiner, 663 P.2d 551 (Alaska 1983)
- Dugan v. Atlanta Casualty Cos., 113 P.3d 652 (Alaska 2005)
- In re Protective Proceedings of W.A., 193 P.3d 743 (Alaska 2008)
- State v. Carpenter, 171 P.3d 41 (Alaska 2007)
- Young v. Embley, 143 P.3d 936 (Alaska 2006)
- Kodiak Island Borough v. Exxon Corp., 991 P.2d 757 (Alaska 1999)

- Vinson v. Hamilton, 854 P.2d 733 (Alaska 1993)
- Laughlin v. Laughlin, 229 P.3d 1002 (Alaska 2010)
- Wirum & Cash, Architects v. Cash, 837 P.2d 692 (Alaska 1992)
- Bennett v. Weimar, 975 P.2d 691 (Alaska 1999)
- City of Nome v. Ailak, 570 P.2d 162 (Alaska 1977)
- Beacon Theatres, Inc. v. Westover, 359 U.S. 500 (1959)
- Papalexiou v. Tower West Condominium, 401 A.2d 280 (N.J. Super. Ch. Div. 1979)
- Wetzler v. Wetzler, 570 P.2d 741 (Alaska 1977)

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