

NEW YORK COURT OF APPEALS

Aoki v. Aoki

27 N.Y.3d 32 (N.Y. 2016) · Decided March 31, 2016

SUMMARY

The New York Court of Appeals affirmed a ruling upholding two irrevocable partial releases of testamentary powers of appointment executed by Hiroaki (Rocky) Aoki. The court held that the constructive-fraud exception did not shift the burden of proof because the fiduciary attorneys who assisted Aoki neither were parties to the releases nor stood to benefit directly from them. Because the evidence did not raise a triable issue that the releases were procured by fraud or wrongful conduct, the releases were valid.

CASE DETAILS

COURT	New York Court of Appeals
WRITING FOR THE COURT	Pigott, J.; Abdus-Salaam, J.; DiFiore, C.J.; Fahey, J.; Garcia, J.; Rivera, J.; Stein, J.
JURISDICTION	New York
DECIDED	March 31, 2016
DISPOSITION	affirmed
PROCEDURAL POSTURE	Appeal from an order of the Appellate Division, First Department, which reversed a Surrogate's Court decree invalidating two partial releases of testamentary powers of appointment and declared the releases valid.
STANDARD OF REVIEW	Summary judgment is proper where the movant establishes entitlement to judgment as a matter of law and the opposing party fails to raise a triable issue of fact.
PRECEDENTIAL VALUE	Published, precedential New York Court of Appeals opinion
PARTIES	Keiko Aoki v. Devon Aoki, Steven Aoki

TOPICS

trusts

trustee duties

beneficiary litigation

estate litigation

probate procedure

PRACTICE AREAS

QUESTIONS PRESENTED

1. Whether the constructive-fraud exception shifted the burden of proof to the proponents of the releases merely because Rocky's attorneys were fiduciaries, even though the attorneys were not parties to and did not directly benefit from the releases.
2. Whether Keiko raised a triable issue of fact that the releases were procured by fraud, misrepresentation, omission, concealment, or other wrongful conduct.
3. Whether the releases were valid and enforceable despite Rocky's possible failure to read them and his later assertion that he did not understand their irrevocable effect.

HOLDINGS

1. The constructive-fraud exception did not shift the burden to Devon and Steven because Rocky's fiduciary attorneys were neither parties to the releases nor direct beneficiaries of their execution.
2. Keiko failed to raise a triable issue of fact that the releases were signed as a result of fraud, misrepresentation, omission, concealment, or other wrongful conduct.
3. The partial releases of Rocky's testamentary power of appointment were valid and enforceable.

KEY QUOTATIONS

“when “the relations between the contracting parties appear to be of such a character as to render it certain that they do not deal on terms of equality but that either on the one side from superior knowledge of the matter derived from a fiduciary relation, or from overmastering influence, or on the other from weakness, dependence, or trust justifiably reposed, unfair advantage in a transaction is rendered probable, there the burden is shifted, the transaction is presumed void, and it is incumbent upon the stronger party to show affirmatively that no deception was practiced, no undue influence was used, and that all was fair, open, voluntary and well understood”” (27 N.Y.3d at 39-40)

“If anything, the execution of the releases all but ensured that Dornbush and Shaw would have no interest in, nor would receive any benefit from, the trust assets.” (27 N.Y.3d at 41)

“Absent any evidence of fraud, one who signs a document is bound by its terms” (27 N.Y.3d at 42)

FACTUAL BACKGROUND

Hiroaki (Rocky) Aoki created the Benihana Protective Trust and initially retained an unlimited testamentary power of appointment. After Rocky married Keiko Aoki and efforts to obtain a postnuptial agreement failed, he executed releases limiting his power of appointment to his descendants, with a later release excluding nonresident-alien descendants. Rocky later executed testamentary instruments attempting to provide Keiko with trust benefits, then asserted that he had not understood the releases' irrevocable effect. The releases were prepared and explained by Rocky's attorneys, who were fiduciaries but were not parties to, and did not directly benefit from, the releases.

PROCEDURAL HISTORY

The trustees of the Benihana Protective Trust commenced a proceeding to determine the validity of Rocky Aoki's September and December releases. The Surrogate dismissed four affirmative defenses but allowed Keiko Aoki's constructive-fraud defense to proceed, ultimately finding the releases invalid because the proponents had not shown that Rocky's execution was voluntary and free from fiduciary misrepresentation or omission. The Appellate Division unanimously reversed and granted summary judgment declaring the releases valid. The Court of Appeals affirmed.

DISPOSITION

affirmed

CASES CITED

- Matter of Gordon v. Bialystoker Center & Bikur Cholim, 45 N.Y.2d 692 (1978)
- Cowee v. Cornell, 75 N.Y. 91 (1878)
- Matter of Greiff, 92 N.Y.2d 341 (1998)
- Fisher v. Bishop, 108 N.Y. 25 (1888)
- Da Silva v. Musso, 53 N.Y.2d 543 (1981)
- Aoki v. Aoki, 117 A.D.3d 499 (1st Dep't 2014)
- Fisher v. Bishop, 36 Hun 112 (4th Dep't 1885)