SUPREME COURT OF CALIFORNIA

Giraldin v. Giraldin

55 Cal. 4th 1058 (2012) · No. S197694 · Decided December 20, 2012

SUMMARY

The California Supreme Court considers whether remainder beneficiaries of a revocable trust have standing, after the settlor's death, to sue the trustee for breaches of fiduciary duty committed while the trust was revocable. The court concludes that beneficiaries may challenge breaches of the trustee's duty to the settlor to the extent those breaches harmed their interests, and reverses the Court of Appeal's contrary judgment.

CASE DETAILS

COURT	Supreme Court of California
WRITING FOR THE COURT	Chin, J.; Cantil-Sakauye, C. J.; Baxter, J.; Corrigan, J.; Liu, J.
JURISDICTION	California
DECIDED	December 20, 2012
DOCKET	S197694
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Plaintiff-beneficiaries prevailed after a court trial in the superior court on claims against the trustee for breach of fiduciary duty, removal, accounting, and surcharge. The Court of Appeal reversed on the ground that the beneficiaries lacked standing to challenge conduct occurring while the settlor was alive and the trust was revocable. The Supreme Court granted review on the standing question.
STANDARD OF REVIEW	The opinion resolves a legal standing and statutory-interpretation question de novo; it did not decide the merits of the alleged fiduciary breaches.
PRECEDENTIAL VALUE	Published California Supreme Court opinion; binding statewide precedent on beneficiary standing to challenge a trustee's breach of the fiduciary duty owed to a settlor of a revocable trust after the settlor's death.
PARTIES	Timothy Giraldin et al., Mary Giraldin v. Christine Giraldin et al., Patricia Gray, Michael Giraldin, Philip Giraldin

TOPICS

trust administration | trustee duties | beneficiary litigation | breach of trust | statutory interpretation

PRACTICE AREAS

trusts and estates | probate litigation | fiduciary duty | trust remedies

QUESTIONS PRESENTED

1. Whether, after the settlor of a revocable inter vivos trust dies and the trust becomes irrevocable, contingent or remainder beneficiaries have standing to sue the trustee for breach of the fiduciary duty owed to the settlor during the period of revocability.
2. Whether the beneficiaries must wait until the death of an intervening lifetime beneficiary before asserting such claims.
3. Whether the Court of Appeal properly resolved the standing issue without deciding the remaining merits and limitations issues.

HOLDINGS

1. After the settlor of a revocable trust dies, the beneficiaries have standing to assert that the trustee breached the fiduciary duty owed to the settlor during the settlor's lifetime, to the extent the breach harmed the beneficiaries' interests.
2. The children, as contingent beneficiaries, need not wait until Mary Giraldin's death to bring the action.
3. The Supreme Court decided standing only and expressed no opinion on the merits, statute of limitations, or laches issues.

KEY QUOTATIONS

> *"Because a trustee's breach of the fiduciary duty owed to the settlor can substantially harm the beneficiaries by reducing the trust's value against the settlor's wishes, we conclude the beneficiaries do have standing to sue for a breach of that duty after the settlor has died."* (55 Cal. 4th at 1062-1063)

> *"But after the settlor has died and can no longer protect his own interests, the beneficiaries have standing to claim a violation of the trustee's duty to the settlor to the extent that violation harmed the beneficiaries' interests."* (55 Cal. 4th at 1071)

> *"We merely hold that, after the settlor's death, the beneficiaries have standing to assert a breach of the fiduciary duty the trustee owed to the settlor to the extent that breach harmed the beneficiaries."* (55 Cal. 4th at 1076)

FACTUAL BACKGROUND

William Giraldin created a revocable trust in 2002, named his son Timothy as trustee, and retained the power to revoke, amend, and direct trustee actions. William was the lifetime beneficiary; Mary was to receive benefits after William's death, followed by the couple's nine children as remainder beneficiaries. More than $4 million of trust assets was invested in SafeTzone Technologies, a company associated with Timothy and his brother

Patrick, and the investment substantially declined in value. After William died, four children sued Timothy, alleging that he had breached fiduciary duties owed to William and harmed the beneficiaries' interests.

PROCEDURAL HISTORY

The Orange County Superior Court found that Timothy Giraldin breached fiduciary duties owed to settlor William Giraldin, removed him as trustee, ordered an accounting, and imposed surcharges. The Court of Appeal reversed without prejudice to an accounting limited to the period after William's death. The California Supreme Court reversed the Court of Appeal and remanded for resolution of the remaining issues.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

The Court of Appeal was directed to conduct further proceedings consistent with the Supreme Court's opinion, including deciding the issues it had not reached after concluding that plaintiffs lacked standing.

CASES CITED

- Steinhart v. County of Los Angeles, 47 Cal. 4th 1298 (2010)
- Johnson v. Kotyck, 76 Cal. App. 4th 83 (1999)
- Evangelho v. Presoto, 67 Cal. App. 4th 615 (1998)
- Conservatorship of Irvine, 40 Cal. App. 4th 1334 (1995)
- Esslinger v. Cummins, 144 Cal. App. 4th 517 (2006)
- Estate of Bowles, 169 Cal. App. 4th 684 (2008)
- Brundage v. Bank of America, 996 So. 2d 877 (Fla. Dist. Ct. App. 2008)
- Siegel v. Novak, 920 So. 2d 89 (Fla. Dist. Ct. App. 2006)
- King v. Johnston, 178 Cal. App. 4th 1488 (2009)