

Court Finds This Triptych Sufficient To Establish A Director's Breach Of Fiduciary Duty

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Yesterday's [post](#) discussed one aspect of the Court of Appeal's holding in *Coley v. Eskaton*, 2020 Cal. App. LEXIS 629. The case involved a homeowner's lawsuit against two directors of the homeowner's association and their employers. Among other things, the plaintiff alleged that the directors approved assessments that benefited their employers in violation of the association's governing documents.

The trial court declined to hold the directors personally liable for breach of fiduciary duty because the plaintiff failed to show that the directors acted in their self-interest, benefited from the breach of fiduciary duty, and mismanaged the association.

The Court of Appeal disagreed, holding that the trial court had asked "too much" from the plaintiff. It held that it was sufficient that the plaintiff had shown the following:

- The directors owed a fiduciary duty to the plaintiff and other association members;
- The directors breached that duty by approving transactions, while acting under a conflict of interest, that were unfair to the plaintiff and other association members; and
- The plaintiff suffered damages.

The Court found that having established this triptych, the plaintiff was entitled to damages absent some applicable affirmative defense. One such defense is the business judgment rule. The Court, however, found that the common law business judgment rule does not apply when a director is acting under a conflict of interest.

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