

Vorys Appellate Team Wins Supreme Court of Ohio Case Redefining Standards for Corporate Veil Piercing

The Court's holding in *Dombroski* provides needed guidance to Ohio courts and litigants.

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Yesterday, the Supreme Court of Ohio modified the test for corporate veil piercing in *Dombroski v. WellPoint, Inc.*, __ Ohio St.3d __, 2008-Ohio-4827 (Slip. Op. Sept. 30, 2008). In a 6-1 decision, the Court altered the 15-year-old test announced in *Belvedere Condominium Owners' Assn. v. R.E. Roark Cos., Inc.* (1993), 67 Ohio St.3d 274. Belvedere announced a test requiring a litigant to show, (1) complete control over the corporation by those to be held liable, (2) that control over the corporation was exercised in such a manner as to commit fraud or an illegal act against the person seeking to disregard the corporate entity, and (3) that injury or unjust loss resulted from such control and wrong.

Although the Court in *Dombroski* expanded the "fraud or illegal act" language in *Belvedere* to include "similarly unlawful acts," the Court also highlighted the *Belvedere* language requiring those who would pierce corporate veils to show that the controlling shareholders controlled the corporation "in such a manner" as to commit fraud or an illegal or

unlawful act. Specifically, the Court held that allegations of insurer bad faith do not "represent the type of exceptional wrong that piercing is designed to remedy."

In reaching that result, the Court observed that limiting veil piercing to cases where the controlling shareholders use their control to "commit specific egregious acts" prevents every lawsuit against a corporation from stating a claim for veil piercing.

The Court's holding in *Dombroski* provides needed guidance to Ohio courts and litigants. Going forward, veil-piercing litigation should focus on whether shareholders used their control to wrong a litigant, not on whether a litigant was harmed by a corporation in a way independent of wrongful shareholder control.

Suzanne K. Richards argued the case before the Supreme Court of Ohio. With her on the brief were Robert N. Webner and Michael J. Hendershot, of the Vorys Appellate Practice Group. For further information visit www.vorys.com.

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