



California Corporate & Securities Law

Ninth Circuit Declares No General Alter Ego Claim Exists In CA Law

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When alter ego is alleged, the question may arise as to whether the theory is to be applied generally (*i.e.*, for all of the creditors) or specifically (*i.e.*, in the particular case presented by the creditor).

This question was answered recently by the Ninth Circuit Court of Appeals in [Ahcom, Ltd. v. Smeding](#), 2010 DJDAR 16125 (Oct. 21, 2010). The context of this case was somewhat unusual. A creditor had brought claims, including an alter ego claim, against a bankrupt corporation's shareholders. The shareholders argued that the creditor's alter ego claim could not proceed because the creditor was asserting a general alter ego claim that was the exclusive property of the trustee in bankruptcy. The U.S. District Court agreed with the shareholders and dismissed the creditor's complaint. Thus, the question on appeal was whether an alter ego claim is a general claim for the benefit of all corporate creditors or a specific claim. The Ninth Circuit concluded that under California law there is no such thing as an alter ego claim or cause of action "that will allow a corporation and its shareholders to be treated as alter egos for purposes of all [of] the corporation's debts."

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