

Corporate & Financial Weekly Digest

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[Parent Corporate Defendants Exposed to Liability in ERISA Suit Under Veil-Piercing Theory](#)

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The U.S. District Court for the District of Delaware denied defendants' motion to dismiss an Employee Retirement Income Security Act (ERISA) complaint, ruling among other things that plaintiffs properly alleged facts to reach the corporate parent defendants on a theory of piercing the corporate veil.

Plaintiffs, former employees of two subsidiary companies named as defendants, brought a series of claims alleging that their former employer failed to make payments due under the company's group severance plan following a period of layoffs. In addition to the subsidiary defendants, plaintiffs also named two corporate parent entities. Plaintiffs made a variety of factual submissions supporting their veil-piercing argument including, for example, that the parent defendants retained a 77% shareholder interest on one of the subsidiaries, that substantial financing, over €500 million (approximately \$635 million), was provided to the subsidiary defendants by one of the parent defendants, and that the parents reported the subsidiaries' earnings on a consolidated basis in some of their own financial statements. Relying on these and other facts provided by the plaintiffs, the court noted that the standard for piercing the corporate veil was reduced in ERISA cases and denied defendants' motion to dismiss. In so doing, the court found that plaintiffs successfully alleged that the corporate parent and subsidiary defendants were a "single entity" under the alter ego doctrine, and that if the parent defendants did, as alleged, misdirect funds, exercise crippling control and purposefully siphon profits from one subsidiary to prop up another, then plaintiffs successfully alleged a requisite fraud or injustice to pierce the corporate veil. (*Blair v. Infineon Tech. A.G.*, Civ. No. 09-295 (SLR), 2010 WL 2608959 (D.Del. June 29, 2010))

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