

Business lawyer Richard Kranitz comments on Marx v. Morris, a recent Wisconsin case involving claims among LLC members

In a recent opinion, the Wisconsin Supreme Court reviewed a dispute among members of an LLC. Richard Kranitz, Esq. explains the implications for businesses.

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/EINPresswire.com/ -- A limited liability company (LLC) is a popular structure to form a private company that exists in all 50 States of the U.S. It combines pass-through taxation of a partnership or sole proprietorship with the limited liability of a corporation. But what happens if there are disputes among the Members of the limited liability company?

In Marx, Wisconsin Supreme Court addressed the standing of LLC members to assert individual claims based on harm to the members or the LLC. [Richard A. Kranitz](#), in a newly published comment, reviews this case. The full comment will be published on the Blog of [Mr. Kranitz](#) at <https://richardkranitzblog.blogspot.com/>



Attorney Richard A. Kranitz, Wisconsin

“Two members of a limited liability company (LLC), Fracsand, LLC by Daniel Marx (Marx) and Management Funds, LLC by Michael Murray (Murray), brought an action against another member, Richard Morris (Morris) and his LLC, R.L. Co., LLC, after North Star Sand, LLC (North Star) sold valuable assets to a company owned by Morris. At the time of the sale, Morris was a manager of North Star.”

“

The Court noted that for LLCs the underlying statutes and their treatment of derivative standing are different. Given the different treatment, plaintiffs had standing to sue.”

Richard A. Kranitz, business attorney

The central grievance asserted by the plaintiffs was violation of Wisconsin LLC statute. “Marx and Murray alleged that Morris willfully failed to deal fairly with them while having a material conflict of interest in the transaction, in violation of Wis. Stat. § 183.0402(1). They also alleged a number of common-law claims involving

improper self-dealing. Marx and Murray brought all their claims in their individual LLC and

personal capacities rather than in the name of North Star.” Morris moved for summary judgment, which the trial court denied. On appeal, the court of appeals certified following two questions to the Supreme Court:

1. Does a member of a limited liability company (LLC) have standing to assert a claim against another member of the same LLC based on an injury suffered primarily by the LLC, rather than the individual member asserting the claim?

2. Does the Wisconsin Limited Liability Company Law, Wis. Stat. ch. 183, preempt common law claims by one member of an LLC against another member based on the second member's alleged self-dealing?

In addressing the standing issue, the Court noted that “[i]n order to have standing to sue, a party must have a personal stake in the outcome of the controversy.” The Court went on to explain, however, that more than mere damage, “plaintiffs must show that they suffered or were threatened with an injury to an interest that is legally protectable.” Turning to the specific issue of standing in the context of an LLC, the Court acknowledged that “[i]n the corporate context, we have long held that individual shareholders cannot directly sue a corporation's directors or officers when the ‘primary injury’ resulting from the actor's wrong is to the corporation itself.” The Court, however, declined to extend the principle to LLCs, noting that the underlying statutes and their treatment of derivative standing are different. Thus, given the different treatment of LLC compared to corporations in the code, the Court concluded that the plaintiffs had standing to sue.

With respect to preemption of common law claims, the Court examined the LLC statute and other Wisconsin law and concluded that there was no basis to conclude that the plaintiffs' common law claims were preempted. - The case is Marx v. Morris, 2019 WI 34.

About Richard A. Kranitz

[Richard Kranitz](#) is an experienced attorney and business consultant in the areas of corporate, securities and tax planning for corporations, partnerships, joint ventures, limited liability companies, multi-unit enterprises, and a variety of different non-profit entities. In addition, he has counseled their owners and executives in compensation planning, estate plans, and asset protection.



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Blog of Richard Kranitz, Attorney at Law, Wisconsin. <https://advicoach.com>

Monday, September 3, 2018


Richard Kranitz, Attorney in Wisconsin: In dispute over international Business Consulting Services, reviewing a complex defamation suit brought in the Ontario Courts, the Canadian Supreme Court unanimously rules



Richard A. Kranitz

In dispute over international Business Consulting Services, reviewing a complex defamation suit brought in the Ontario Courts, the Canadian Supreme Court unanimously rules that neither considerations of personal jurisdiction over some U.S. defendants nor the greater weight of factors appropriate for forum non conveniens analysis warrants dismissal of the Canadian action for trial in the courts of Illinois

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