

Squeeze Out Litigation Isn't Just for the Rich, Famous and Camouflaged

Amundsen Davis Commercial Litigation Alert
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Law360 recently reported that the creators of *Duck Dynasty* were in litigation with the Hollywood production company to whom they sold a controlling interest. The suit alleges the new control group was vilifying the original creators in preparation to buy them out at an artificially low price. This case caught my eye not because these sorts of disputes are uncommon, but because they are cyclical. In the Great Recession, we didn't see many of them.

When money is tight if someone wants to share the risk with you, you let them. In bad times if someone wants to buy you out, you take the money. Decision making for distressed firms is made by lenders or other outside forces. In bad times, the litigation du jour is fraud as people try to raise money by *selling* interests.

It's a sign of nascent prosperity when people start to squeeze out their business partners. If you think success is just around the corner, you want to enjoy it alone. The prospect of extra cash will create greedy folks in majority and minority positions. The variations on who is the "bad guy" are as wide as the differences in companies and the people that work and invest in them. "Good" and "bad" conduct may be defined differently depending on simply your point of view (e.g. What is a more valuable contribution to a company: a cash infusion, hard work or new ideas?).

We've begun to see an uptick in squeeze out/corporate control of litigation. People are jockeying to be positioned to reap the rewards of success, even if it is at the expense of their former business partners. Avoid these disputes if you can. They are corporate divorces and they are just as nasty and expensive as a regular divorce.

How do you avoid it? 1) Communicate with your fellow owners. Make it clear how the rewards of success will or will not be shared. Don't let miscommunications turn into litigation. If you are going to disagree, find out about it sooner rather than later. Problems are easier to solve when they are small and young. 2) Get lawyers involved earlier not later. There may be solutions you haven't thought of and lawyers can be helpful. Your lawyer is like your doctor. The sooner you see them the less likely the problem is to get severe.

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