Sabetian v. Exxon Mobil Corp. (2020) 57 Cal.App.5th 1054

An operating agreement between a corporate entity and its shareholders that imposed contractual obligations on the shareholders is not sufficient to pierce of the corporate veil unless the shareholders exercised direct control over the corporation's employees.

FACTS/PROCEDURE

Plaintiff Houshang Sebetian developed mesothelioma after he was exposed to asbestos while working at an oil refinery in Abadan, Iran. The Abadan refinery was owned by the National Iranian Oil Company (NIOC), a government-owned oil and natural gas company established in the late 1940s. In 1954, the NIOC entered into an agreement with several international oil companies, including Defendants Chevron and Exxon, under which these oil companies would provide the resources and infrastructure necessary for the NIOC to revitalize the Iranian oil industry. The participating oil companies, referred to as the Operating Companies, invested in the NIOC and received approximately 7-8% in stock.

Plaintiff and his wife, Soraya Sebetian, sued Defendants Chevron and Exxon, alleging causes of action for negligence, strict liability, premises liability, negligent joint venture, alter ego, and loss of consortium. Plaintiffs alleged Defendants owed a duty of care to refinery workers, such as Plaintiff, at NIOC's facilities because Defendants had "full and effective control of the [Abadan] refinery." Both Defendants moved for summary judgment, alleging they did not own, possess, lease, maintain, manage, control, or supervise the Abadan facility where Plaintiff was exposed to asbestos. The court granted Defendants' motions for summary judgment, finding Defendants did not owe a duty of care to NIOC's refinery workers, and Plaintiff appealed.

HOLDING/DISCUSSION

<u>The Court of Appeal for the Second District affirmed.</u> To pierce the corporate veil, a plaintiff must show the following: (1) there is "such unity of interest and ownership that the separate personalities of the corporation and the individual no longer exist"; and (2) "if the acts are treated as those of the corporation alone, an inequitable result will follow." Here, Plaintiff's argued that the operating agreement created a duty of care between the Operating Companies and the refinery workers because it stated the companies must "use 'good oil industry practice'" and "jointly and severally guarantee[d] the due performance by the Operating Companies of their respective obligations under this Agreement." The court rejected Plaintiff's argument, finding Defendants did not exercise any direct control over the employees of the Abadan refinery to justify imposing a duty of care. The court also rejected the argument that a special relationship existed between the parties to support imposing a duty of care under public policy. The agreement was not intended to benefit or protect Plaintiff, so the harm to Plaintiff was not foreseeable. Additionally, the Operating Companies did not have control over the day-to-day operations of the oil refineries so Plaintiff could not prove causation between Defendants' conduct and Plaintiff's injury. Finally, because of Defendants' lack of control over the refinery workers, imposing liability on Defendants for Plaintiff's injuries would not support the public policy of preventing future harm. Therefore, the trial court properly granted Defendants' motions for summary judgment and held the facts do not support the imposition of liability on Defendants.