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RESULT DATE: Oct. 15, 2009

10-JV_441

Olga Romanov v. John Doe (BC360178)
Hon. Ralph W. Dau
L.A. Superior Central

TOPIC: Contracts
SUB TOPIC: Breach of Fiduciary Duty
FURTHER DESCRIPTION: Partnership, Injunctive Relief

BENCH DECISION: \$8,072,786

ATTORNEY:

Plaintiff - Ronald M. Greenberg, Peter Marcus (Berkes, Crane, Robinson & Seal, LLP, Los Angeles).

TECHNICAL:

Defendant - Ben Sheppard, accounting, Los Angeles.

FACTS: In 2003, plaintiff Olga Romanov and cross-defendant Sergei Yershov, on the one hand, and defendants and cross-complainants John Doe and Roe Corp., on the other hand, entered into a fifty-fifty oral partnership in California, whereby the partnership would acquire rights to license films in CIS, formerly Soviet Union, countries. The two named partners were Romanov (Yershov's wife) and Roe Corp. (Doe's corporation). The partnership was run by Yershov and Doe. The primary licensees were Russian T.V. stations. A third cross-defendant, Zoe Co., a Russian company, was used to transfer rights acquired by the partnership to these TV stations. According to plaintiffs counsel, when an agreement was reached with a Russian TV station, the partnership would transfer the rights needed for the particular license to Zoe Co. and Zoe Co. would then transfer these same rights to the Russian TV station. Unknown to Romanov and Yershov, Doe owned and controlled Zoe Co.

On Oct. 6, 2006, Doe told Yershov that he was dissolving the partnership. Doe offered to pay \$1 million to buy out Yershov and Romanov's interest; but, if not accepted within 24 hours the offer would be \$900,000; and, if also not accepted within 24 hours, the offer would then be \$800,000; and finally, if again not accepted within 24 hours, Yershov could go "f--- yourself." Yershov did not accept any of the offers. Suit was filed five days later. Doe spent the next three years operating the partnership business.

PLAINTIFFS' CONTENTIONS: Romanov contended that she was a named partner because it was Yershov's desire that she become involved in the business and not because of any alleged conflict of interest. Romanov further contended that, when Doe told them he was dissolving the partnership, he also stated that he had transferred the money in the partnership account to a new account which he controlled, that he had transferred all of the partnership's film library to Zoe Co.,

that Zoe Co. was his company, and that Yershov could do nothing about it. Romanov also contended that Doe spent the next three years operating the partnership as if it was his company. Romanov alleged that Doe generated millions of dollars in license fees and none of that money was distributed to Yershov or Romanov.

Romanov contended that Doe and Roe Corp. breached their fiduciary obligations and, along with Zoe Co., converted partnership assets.

DEFENDANT'S CONTENTIONS: Doe contended that Romanov was a named partner because Yershov was employed by a studio and being a partner would have constituted a conflict of interest. Doe contended that he had the right to dissolve the partnership because Yershov did not perform on alleged promises he had made to Doe concerning the partnership, did not facilitate any deals with his employer, and had taken partnership money without Doe's consent. Doe also contended that Yershov overinflated the money due the partnership by not including significant operational expenses incurred in Russia and disregarding Zoe Co.'s distribution fees.

SETTLEMENT DISCUSSIONS: Doe and Roe Corp. indicated that they would pay \$2 million, and Romanov and Yershov indicated they would settle for \$6 million.

RESULT: On Oct. 5, 2009, finding that Doe did not meet his burden of proof regarding Russian costs and expenses, judgment was entered in favor of Romanov and awarded damages in the amount of \$8,072,786. In addition, a permanent injunction was issued against all defendants prohibiting them from entering into any transactions involving the partnership's film library without the written consent of Romanov and from directly or indirectly transferring any funds received by Zoe Co. without Romanov's written consent.

All defendants and cross-complainants have appealed the judgment.

OTHER INFORMATION: On March 22, 2007, the court issued a preliminary injunction prohibiting Doe from directly or indirectly transferring any funds received by Zoe Co. without Romanov's written consent.

On November 10, 2009, Doe was found to have engaged in 27 separate acts of contempt of court. On January 26, 2010, the court ordered Doe to pay a fine of \$27,000 or spend five days in jail for each act of contempt. Doe paid the fine.

FILING DATE: Oct. 11, 2006.

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