

Verdicts & Settlements

Judgment details company's specific oppressive acts

Judge awards buyout, damages, interest after appellate process

\$1.55 million

Plaintiff Rama Madugula alleged that he began working for defendant Dataspace Inc. in late 2002, at which time Dataspace was losing more than \$50,000 per month. In less than a year, Madugula's efforts returned Dataspace to profitability.

In light of Madugula's substantial contributions to the growth and success of the company, he became a 29 percent shareholder in 2004. Madugula's interest increased to 36.25 percent in 2007 after Dataspace redeemed another shareholder's interest.

In his complaint, Madugula alleged that defendant Benjamin Taub terminated Madugula's employment in breach of a supermajority provision in a shareholders' agreement. Plaintiff further alleged Taub froze Madugula out of any involve-

ment in the company's operations and decisions after the company's revenues doubled and it appeared the company might sell for many millions of dollars.

After a trial, Madugula won a jury verdict for oppression, totaling approximately \$1.3 million for a buyout and damages.

Taub appealed, arguing that (1) oppression is an equitable claim that should have been tried by the court; and (2) the breach of the supermajority provision was just a breach of contract and not evidence of oppression. The Michigan Court of Appeals denied the appeal on both grounds.

Taub then sought leave to the Michigan Supreme Court, arguing the same two points. The MSC — in the first shareholder oppression case ever taken up by the high court — held that the oppression cause of action was an equitable claim, to be tried by a jury, and that trial courts may employ advisory juries when deciding claims alleging willfully unfair and oppressive conduct, *Madugula v. Taub*, 496 Mich. 685 (2014). The MSC also held that the breach of a shareholders' agreement can be evidence of oppression.

On remand, the trial court used the

Type of action: Shareholder oppression	Name of judge: Hon. Archie C. Brown
Injuries alleged: Damages to shareholding interest, buyout amount, lost wages	Judgment amount: \$1.55 million
Name of case: <i>Madugula v. Taub</i>	Most helpful expert: Thomas Frazee, economics, Rochester
Court/Case no./Date: Washtenaw County Circuit Court; 2008-537-CK; May 26, 2016.	Attorneys for plaintiff: Gerard V. Mantese, Ian M. Williamson, Peter S. Tangalos
Tried before: Advisory jury, bench trial	

advisory jury's findings and found oppression, writing: "Based on the facts produced at trial, the reasoning set forth above and the governing law, the Court concludes that Madugula's shareholder interests were interfered with by Taub as a matter of law."

The specific oppressive acts identified in the order include: termination of Madugula's employment, compensation and benefits; denying Madugula access to information regarding Dataspace's operations; freezing Madugula out of decision-making and involvement in operations; and violation of the parties' shareholders agreement.

The court then entered judgment in

favor of Madugula, awarding a buyout of \$1.2 million and \$191,675 in damages. After setting off amounts that the court determined were owed to Taub, the court entered a total net judgment of \$1,283,782.66 against Taub, with interest payable at the statutory rate and compounding annually. With interest, the judgment reached \$1.55 million. Defendant filed a claim of appeal, and the court ordered him to post a bond in the amount of \$600,000.

The case then settled for a confidential amount.

Gerard V. Mantese, co-counsel for plaintiff, provided case information.