

SUMMARY STATEMENT

Investor Recovery Fund, LLC v. Hopkins, Docket No. 46247

After an investment fund declared bankruptcy, investors lost their debenture investments in the fund. A group of individual investors formed Investor Recovery Fund, LLC for the purposes of pursuing a collective action against the fund's principals and Hopkins Financial Services, Inc. Investor Recovery asserted a fraud by nondisclosure claim, alleging that had the fund's principals disclosed information about the fund's financial health, they would have withdrawn their money before sustaining losses. Prior to trial, the district court granted Hopkins Financial summary judgment. Further, the district court granted the principals' motion in limine to exclude the individual investors securities expert.

After seven days of trial, the district court granted the principals' motion for a directed verdict. The district court held that Investor Recovery failed to prove the element of causation by "clear and convincing evidence" to survive a directed verdict. Specifically, the district court held that the principals disclosed the alleged non-disclosed information in an emergency investor meeting, breaking the causal chain of connection. The district court subsequently entered judgment for the principals. Investor Recovery appealed the judgment. The principals and Hopkins Financial later cross appealed the district court's attorney fee award and amended judgment.

The Idaho Supreme Court affirmed in part and reversed in part the district court's rulings, vacated the district court's amended judgment, and remanded the case for further proceedings. First, the Court held that the district court used the wrong standard in evaluating the principals' motion for a directed verdict. Second, the Court held that the district court did not err in granting Hopkins Financial summary judgment, and did not err in excluding Investor Recovery's securities expert. Third, the Court vacated the district court's attorney fee award and held that the issue of attorney fees would be decided by the district court on remand.