

Critical Legal Cases for Chapter 39

39.2 Liability of Members: Only Microhard.com, LLC is liable. Harold, Jasmine, Caesar, and Yuan, the owners Microhard.com, LLC, are not liable. Heather, the LLC's employee who caused the accident is personally liable to Singer, the pedestrian she negligently injured. An LLC is liable for any loss or injury caused to anyone as a result of a wrongful act or omission by a member, a manager, an agent, or an employee of the LLC who commits the wrongful act while acting within the ordinary course of business of the LLC or with authority of the LLC. Thus, the LLC is liable for the negligence of its employee. However, the debts, obligations, and liabilities of an LLC, whether arising from contracts, torts, or otherwise, are solely those of the LLC. The general rule is that members of an LLC are not personally liable to third parties for the debts, obligations, and liabilities of an LLC beyond their capital contribution. Therefore, the owners of Microhard.com, LLC—Harold, Jasmine, Caesar, and Yuan—are not personally liable to the pedestrian injured by the LLC's employee.

39.3 Member-Managed LLC: Big Apple, LLC and Jennifer are liable to the injured pedestrian. Martin and Edsel, the other owners of Big Apple, LLC are not personally liable. The LLC was a member-managed LLC and not a manager-managed LLC. This difference does not affect the liability of the members of the LLC for the debts and obligations of the LLC. The owners are not liable for the tort liability of an LLC whether the LLC is a member-managed or manager-managed LLC. The choice to be a manager-managed LLC or a member-managed LLC does affect which owners can bind the LLC to contracts. Here, no contracts are involved. As for tort liability for negligence in this case, Jennifer is personally liable to the injured pedestrian because she negligently caused the accident. The LLC is liable because Jennifer is an agent of the LLC and was acting within the scope of LLC business when she caused the accident. However, Martin, and Edsel are not personally liable for the accident because they are protected by the LLC shield from personal liability.