

# An Undefined Business Relationship Might Create Fiduciary Duties

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Where the business relationship between two individuals was evolving and undefined, the law may recognize a partnership which, by law, imposes fiduciary duties between and among the partners. [Loyd v. Griffin](#), 2022 NCBC 30 (J. Robinson). As a result, one partner could maintain claims for breach of fiduciary duty and constructive fraud based upon the *de jure* fiduciary duties that existed between the partners.

Plaintiff was an insurance agent who, in 2004, agreed to work for Defendant Griffin at the Griffin Insurance Agency (“GIA”). Over the course of the next several years, Griffin and Plaintiff entered into various agreements, planned various enterprises and started certain corporations all with the goal of Plaintiff eventually becoming a partner in GIA for the purpose of making and sharing profits from the company. In 2018, the parties entered into a Shareholder Agreement and Merger Agreement, whereby Griffin merged one of the corporations the two had created into GIA. In return, Plaintiff received shares in GIA. In late 2019, Griffin allegedly sought potential buyers for GIA, but failed to disclose such information to Plaintiff. Shortly thereafter, Griffin allegedly terminated Plaintiff for actions which Plaintiff contended were done solely at Griffin’s direction. The termination, per the Shareholder Agreement, required Plaintiff to sell his shares back to GIA at a discount, which Plaintiff refused to do. Griffin nonetheless sold Plaintiff’s shares to a buyer without advising Plaintiff. Plaintiff filed suit against Griffin and GIA alleging, *inter alia*, claims for breach of fiduciary duty and fraud. Griffin moved to dismiss, contending he owed no fiduciary duty to Plaintiff.

The Business Court disagreed. Recognizing that North Carolina law imposes *de jure* fiduciary duties among business partners, the Business Court held that Plaintiff’s complaint presented sufficient factual allegations which proved Plaintiff and Griffin were business partners both prior to and subsequent to the merger and Shareholder Agreement. (Opinion, ¶¶62-68). Given that a fiduciary relationship existed, the Business Court went on to hold that Plaintiff’s allegations that Griffin had used his position of authority within GIA to terminate Plaintiff for purposes of increasing his own personal profit from the sale of GIA stock were sufficient to establish that Griffin had personally benefited from the breach of his fiduciary duty. (*Id.*, ¶¶79-80). The Business Court therefore allowed both the breach of fiduciary duty and the constructive fraud claims to proceed.

## Additional Legal Points

- One can maintain a claim for conversion of stock, provided the necessary elements are proven. (Opinion, ¶¶88-89).
- A party can plead a claim for unjust enrichment in the alternative, without negating a claim for breach of an express contract. (*Id.*, 98-99).

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