

Published on *The National Law Review* <https://natlawreview.com>

California Court of Appeal Interprets "Controlling Person" Liability Under State and Federal Securities Laws

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In [*Hellum v. Breyer*](#), No. A127660, 2011 WL 1631662 (Cal. App. 1st Dist. Apr. 29, 2011), the [California Court of Appeal for the First District](#) reversed the dismissal of state and federal securities law claims against three outside directors of a closely held California corporation. The Court held that under [Section 25504 of the California Corporations Code](#) ("Section 25504"), directors and officers of a corporation are presumptively liable for the corporation's violations of state securities laws. The Court held that plaintiffs need not allege that directors or officers exercised actual control over the corporation or its purported wrongdoing in order to state a cause of action under Section 25504. This decision makes it easier for a controlling person claim against officers and directors of a California corporation to survive the pleadings stage.

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National Law Review, Volume I, Number 161

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