Flaster Greenberg Secures Unanimous Third Circuit Victory Upholding Corporate Veil Protections for Family Owned Business

Press Release

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Flaster Greenberg is pleased to announce a significant appellate victory on behalf of the shareholders of **Eshai Corporation**, as the United States Court of Appeals for the Third Circuit unanimously affirmed a district court judgment refusing to pierce the corporate veil and impose personal liability on the companys owners.

The case arose from claims brought by **Pennsylvania Manufacturers Association Insurance Company (PMAIC)**, which sought to recover more than $8 million in alleged unpaid retrospective workers compensation insurance premiums by holding Eshais shareholders personally liable under an alter ego theory. Both the district court and the Third Circuit rejected those claims.

Eshai, a family-owned package delivery company, experienced rapid expansion after entering into a delivery services contract with Amazon in 2015. Following the termination of that contract in 2020, the company faced substantial financial challenges. PMAIC subsequently asserted that Eshai owed more than $8 million in retroactive insurance premiums and sought to bypass the corporation by pursuing recovery directly from its shareholders.

After a bench trial, the district court found that PMAIC had failed to meet the stringent burden required to pierce the corporate veil under Pennsylvania law. On appeal, the Third Circuit unanimously affirmed that decision.

The appellate court endorsed the district courts application of the clear and convincing evidence standard, emphasizing Pennsylvanias strong presumption in favor of respecting the corporate form. The Third Circuit further concluded that PMAIC failed to establish grounds for imposing personal liability on the shareholders and noted that the insurer would not have prevailed even under the lower preponderance-of-the-evidence standard.

This decision reinforces the well-established principle that the corporate form cannot be disregarded absent compelling evidence and extraordinary circumstances, said **Harry Giacometti**, Chair of Flaster Greenbergs Commercial Litigation Practice Group. The Third Circuits ruling affirms the important protections the law affords business owners who operate through properly maintained corporate entities.

The decision serves as an important reminder that Pennsylvania courts continue to apply a high standard in veil-piercing cases, particularly where plaintiffs seek to hold shareholders personally responsible for corporate obligations.

The Eshai shareholders were represented at trial by **Harry Giacometti**, Chair of Flaster Greenbergs Commercial Litigation Practice Group, and on appeal by **Lee Epstein**, a shareholder in the firms Litigation Department.

ATTORNEYS MENTIONED

Lee Epstein

Harry Giacometti