

"[I]nequitable action does not become permissible simply because it is legally possible."

Schnell v. Chris Craft, 285 A. 2d 437, 439 (Del. 1971)

Delaware courts are looked to throughout the nation and world as experts in business and corporate law. The decisions of the Delaware Supreme Court and Court of Chancery, in particular, provide guidance to countless corporations and other business entities. But, it is not only in business decisions that the Delaware courts have made historic decisions of great impact. Our courts also addressed critical issues that affect the lives of individual citizens on a daily basis, and have taken the lead in a variety of areas. In this Annual Report, we celebrate the many historical decisions of Delaware courts in a variety of areas, and those of the Delaware Supreme Court, as the court of last resort, in particular.

CONSTITUTIONAL CASES

School desegregation - Belton v. Gebhart, 87 A. 2d 862 (Del. Ch. 1952) aff'd 91 A. 2d 137 (Del. 1952). In this historic case, the Chancellor ordered, and the Delaware Supreme Court affirmed, the desegregation of two Delaware schools. *Belton v. Gebhart* was one of four cases that was appealed to the United States Supreme Court in *Brown v. Board of Education, 349 U.S. 294 (1955)*, which ruled that *de jure* segregation violated the Equal Protection Clause of the Fourteenth Amendment. Notably, *Belton* was the only one of the four *Brown* cases in which the State Court had ordered schools desegregated.

Freedom of speech - Doe v. Cahill, 884 A. 2d 451 (Del. 2005). This case involved allegedly defamatory statements about a city councilman contained in an anonymous post on an internet blog. When the councilman sought discovery to learn the identity of the blogger, the blogger sought a protective order and appealed to the Delaware Supreme Court when the protective order was denied. Expressing concern that many defamation suits were brought merely to unmask the identity of anonymous critics and that this might chill First Amendment rights, the Court adopted a strict, "summary judgment" standard that a defamation plaintiff must satisfy to obtain the identity of an anonymous defendant.

Random traffic stops - State v. Prouse, 382 A. 2d 1359 (Del 1978) aff'd 440 U.S. 648 (U.S. 1979). In *Prouse*, the Delaware Supreme Court held that a random stop (roadblock type stops were not at issue) of a motorist violates the Fourth and Fourteenth Amendments of the United States Constitution. For a stop to be valid, the Court held there must be specific articulable facts indicating a reasonable suspicion that a violation of the law has occurred. On appeal, the United States Supreme Court affirmed the holding of the Delaware Supreme Court.

BUSINESS CASES

Delaware has long been the premier forum for the resolution of business cases. The Delaware Supreme Court, Court of Chancery, and Superior Court each play a vital role in making the Delaware courts renowned for their expertise in resolving business disputes.

"Corporate lawyers across the United States have praised the expertise of the Court of Chancery, noting that since the turn of the century, it has handed down thousands of opinions interpreting virtually every provision of Delaware's corporate law statute...."

Former Chief of the United States Supreme Court William Rehnquist on the occasion of the 200th anniversary of the Court of Chancery, 1992.

Corporate Litigation

Both the Court of Chancery and the Delaware Supreme Court are world-renowned for their decisions in matters of corporate governance. While the majority of Chancery's corporate decisions are not appealed, many of the most important and best known corporate opinions have been those which have been appealed to and decided by the Delaware Supreme Court. A sampling of the many historic opinions and their holdings that are a part of the Delaware corporate law are listed below.

A Small Sampling of Historic Delaware Corporate Law Opinions

- 1952** *Sterling v. Mayflower Hotel Corp.*, 93 A. 2d 107 (Del. 1952) – where directors stand on both sides of a transaction, they bear the burden of establishing the entire fairness of the transaction to the minority stockholders.
- 1983** *Weinberger v. UOP, Inc.*, 457 A. 2d 701 (Del. 1983) – fairness in the context of a cash-out merger includes both fair price and fair dealing.
- 1986** *Revlon v. MacAndrews and Forbes Holdings, Inc.*, 506 A. 2d 173 (Del. 1986) – when the sale of a company becomes inevitable, the board of directors has the duty to maximize the company's value for the stockholders' benefit.
- 1994** *Paramount Communications, Inc. v. QVC Network, Inc.*, 637 A. 2d 34 (Del. 1994) – corporation has a duty to produce the best value reasonably available when there is a pending sale of control regardless of whether or not there is to be a break-up of the corporation.
- 2006** *Stone v. Ritter*, 911 A. 2d 362 (Del. 2006) – adopted the standards for director oversight liability set forth by the Court of Chancery in *Caremark Intern. Derivative Litig.*, 698 A. 2d 959 (Del. Ch. 1997) and found that corporate directors' obligation to act in good faith does not establish an independent fiduciary duty that stands on the same footing as the duties of care and loyalty.
- 2008** *CA Inc. v. AFSCME Employees Pension Plan*, 953 A. 2d 227, (Del. 2008) – opinion of the Delaware Supreme Court on the first issue certified to it by the SEC pursuant to jurisdiction granted by a recent amendment to the Delaware constitution.

Litigation in the Superior Court

The Superior Court handles a variety of business litigation and is especially known for complex litigation and mass tort claims, including insurance and asbestos cases. The jurisdictional foundation for the Court's handling of these cases was established in the case of *North American Philips Corp. v. Aetna Cas. And Sur. Co.*, 1988 WL 160847 (Del. Super.). *North American Philips* involved insurance claims relating to alleged environmental contamination at 31 sites throughout the country. Finding that having one forum for suing all of the defendants would avoid piecemeal litigation and promote judicial economy, the Superior Court held that Philips' incorporation in Delaware and the fact that all of the defendants conducted business in the State was sufficient to justify maintaining the case in Delaware. This decision paved the way for the Superior Court's current role in handling such litigation.

FAMILY LAW

Child Support – Dalton v. Clanton, 559 A. 2d 1197 (Del. 1989). In this case, the Delaware Supreme Court approved the use of the Family Court's Melson Child Support Formula, which as a rebuttable presumption establishing parents' child support payments, was consistent with that Court's statutory obligation to make uniform court rules.

Right to Counsel in Termination of Parental Rights – Watson v. Division of Family Services, 813 A. 2d 1101 (Del. 2002) and *Walker v. Walker*, 892 A. 2d 1053 (Del. 2006). In *Watson*, the Delaware Supreme Court held that the United States and Delaware Constitutions required the Family Court to determine, on a case by case basis, whether indigent parents have a right to be represented by counsel in a dependency and neglect proceeding initiated by the State. In *Walker*, the Court extended its holding in *Watson* to include termination proceedings initiated by a private individual, rather than the State.

CRIMINAL LAW

Exclusionary Rule – Dorsey v. State, 761 A. 2d 807 (Del. 2000) – The Supreme Court held that the Delaware exclusionary rule is not subject to a good faith exception with regard to evidence seized under a search warrant that was issued without probable cause.

Validity of Sex Offender Notification – Helman v. State, 784 A.2d 1058 (Del. 2001) – In this case the Court found that the community notification provisions of Delaware’s sex offender statute did not violate the Federal or State Constitution either generally or as applied to juveniles.

Threats – Andrews v. State, 930 A. 2d 846 (Del. 2007) – In a matter of first impression, the Supreme Court held that Delaware’s terroristic threatening statute applies only to speech made with the subjective intent to threaten and that such speech constitutes a “true threat” not protected by the First Amendment.

