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Delaware Supreme Court Reins in Moelis – On Procedure, Not Policy

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On January 20, 2026, in an *en banc* ruling, the Delaware Supreme Court unanimously reversed and vacated the Court of Chancery's 2024 decision invalidating provisions of Moelis & Co.'s stockholder agreement. The Court expressly declined to address the merits of whether the challenged provisions violated Delaware's board-primacy principles, holding instead that any alleged statutory defects rendered those provisions voidable — not void — and that the plaintiff's claims were time-barred.

The Chancery Court's Decision

As discussed in our prior Quorum article analyzing the Court of Chancery's ruling, the underlying dispute arose from a stockholder challenge to provisions in a stockholder agreement entered into in connection with Moelis & Co.'s initial public offering in 2014. The plaintiff contested the validity of the stockholder agreement, which granted the company's founder, Ken Moelis, and other affiliated holders extensive consent and approval rights over a wide range of corporate actions, as well as rights affecting board and committee composition.

In a decision that drew significant attention from practitioners and market participants, the Court of Chancery held that several of those provisions were facially invalid and a challenge to them is not subject to equitable defenses. In its opinion, the trial court concluded that if the challenged provisions violate Section 141(a) of the Delaware General Corporation Law (the "DGCL"), then they are void, and equitable defenses, including laches, cannot validate void acts. The trial court reasoned that the challenged provisions impermissibly constrained the board of directors' authority to manage the business and affairs of the corporation and could not be enforced through a private stockholder agreement. That ruling raised immediate concerns regarding the validity of similar governance arrangements commonly used in controlled-company, founder-led, and private-equity-backed structures.

The Supreme Court's Decision

The Delaware Supreme Court reversed the Court of Chancery's ruling on threshold procedural grounds, without reaching the substantive governance issues adjudicated in the lower court's 131-page decision.

The Supreme Court first determined whether the challenged provisions were void and therefore immune from equitable defenses, or merely voidable and thus subject to such defenses. In untangling the distinction between void and voidable contracts, the Court explained that void acts are not ratifiable because the corporation lacks the legal power to accomplish them, whereas voidable acts are ratifiable because the corporation can lawfully accomplish them if it does so in the appropriate manner. The Court reasoned that even assuming a conflict with statutory board-authority principles, the challenged provisions were at most voidable because similar governance arrangements could have been implemented through other lawful mechanisms, including charter-based structures. As a result, equitable defenses — including laches — were available.

In its laches analysis, the Supreme Court concluded that the claims accrued when the stockholder agreement was executed and publicly disclosed in 2014. Because the plaintiff waited nearly nine years to bring its facial challenge, the Court held that the claims were untimely and barred by laches, applying the analogous three-year statute of limitations. The Court disagreed with the trial court's application of the "continuing wrong" doctrine and rejected arguments that the continued operation of the agreement constituted an ongoing statutory violation sufficient to delay accrual.

Having resolved the case on these grounds, the Supreme Court expressly declined to address, and offered no opinion as to whether the challenged provisions violated Section 141(a) of the DGCL or otherwise impermissibly restricted the board's authority.

The Court also vacated the Court of Chancery's $6 million award of attorneys' fees and expenses to the plaintiff in connection with its earlier ruling.

Legislative and Market Context

The Supreme Court's decision comes against the backdrop of significant legislative developments following the Court of Chancery's 2024 ruling. In response to concerns raised by that decision, the Delaware General Assembly swiftly adopted Section 122(18) of the DGCL to expressly authorize certain governance arrangements implemented through stockholder agreements.

While the DGCL amendments were not retroactive, the legislative action mitigated the practical effects of the Court of Chancery's ruling and provided statutory cover for corporations and investors structuring governance rights going forward, reducing uncertainty and reinforcing Delaware's longstanding policy favoring private ordering in corporate governance.

Key Takeaways

- The resolution of *Moelis* on timeliness grounds underscores that delay can be outcome-determinative in challenges to entrenched governance structures.
- Provisions alleged to conflict with statutory governance principles may be voidable rather than void, opening the door to laches and other equitable defenses.
- By deciding the case on procedural grounds rather than opining on whether the challenged stockholder-agreement provisions violated Delaware's board-primacy doctrine, the Court left that substantive question unresolved as a matter of common law.
- DGCL amendments subsequent to the Chancery Court's decision provide additional certainty for the use of stockholder agreements to allocate governance rights, even as common law limits continue to evolve.

Conclusion

The Delaware Supreme Court's unanimous reversal in *Moelis* reins in the reach of the Court of Chancery's earlier decision without endorsing or rejecting its substantive governance analysis. By resolving the case on procedural grounds, the Court avoided a broad pronouncement on the limits of private ordering under Section 141(a), while reinforcing the continued vitality of equitable defenses in corporate litigation. For practitioners, *Moelis* serves as a reminder that timing can be outcome-determinative — and that statutory and contractual governance structures must be evaluated through both doctrinal and procedural lenses.