

Delaware Supreme Court Reverses Moelis, Holding Claims Regarding Stockholder Agreement Are Time-Barred

March 11, 2026

On January 20, 2026, the Delaware Supreme Court issued a highly anticipated opinion in [Moelis & Company v. West Palm Beach Firefighters' Pension Fund](#), rejecting a minority stockholder's challenge to a company's stockholder agreement with its founder. Reversing a Delaware Court of Chancery decision, the Delaware Supreme Court held that the plaintiff's claims are "time-barred under the doctrine of laches" because the complaint was filed nine years after the agreement was executed. The court did not reach the merits of the plaintiff's claims or opine more generally on the standards for facial invalidity challenges in Delaware. But the Court's laches holding will – in practice – make it more difficult for shareholders to bring facial invalidity claims.

The Court of Chancery's 2024 decision prompted Delaware's legislature to amend the Delaware General Corporation Law (DGCL) to expressly authorize the type of stockholder agreement challenged in *Moelis*. However, the new statutory provision ([Section 122\(18\)](#)) does not apply to litigation already pending prior to its enactment, such as *Moelis*. In a footnote, the Delaware Supreme Court noted that while Section 122(18) might reflect the "public policy of Delaware," the legislature's express carve out of then-existing litigation "require" the court to "ignore that public policy" in reaching its decision.

Background

As discussed in our [April 8, 2024 blog post](#), the *Moelis* case was brought by certain minority stockholders in the investment bank Moelis & Company and arose from a stockholder agreement entered into between the investment bank and its founder (Ken Moelis) before the investment bank's initial public offering. The stockholder agreement granted the founder certain rights and protections, including veto rights over certain corporate actions and decision making over the composition of the board. The defendants argued that the challenged provisions were valid and that the plaintiff's challenge was time-barred, either by the three-year statute of limitations or under the doctrine of laches.

The [Court of Chancery rejected the defendants' timeliness argument](#), holding that the challenged provisions were "void" because they violated Section 141(a), and void provisions are not subject to equitable defenses such as laches. The Court of Chancery also held that even if the defense of laches were available, it would not apply because the plaintiff's claim was "based on an ongoing statutory violation." [In a separate opinion](#), the Court of Chancery concluded that several of the challenged provisions were facially invalid because they substantially limited the directors' ability to exercise their best judgment on behalf of the company's stockholders on management matters, in violation of Section 141(a) of the DGCL. The Court of Chancery, however, recognized that the provisions deemed facially invalid would have survived challenge if they were included in Moelis's charter. The Court of Chancery later awarded the plaintiff's counsel \$6 million in attorney's fees.

Delaware Supreme Court's reversal

The Delaware Supreme Court reversed the Court of Chancery's decision, holding that the plaintiff's suit was barred by laches. In reaching that holding, the Supreme Court ruled that:

1. The challenged provisions are **voidable**, not **void**, and therefore challenges to such provisions could be subject to equitable defenses such as laches.
2. The plaintiff's claim as to the facial invalidity of the challenged provisions accrued when the stockholder agreement was executed in 2014.

The court concluded that the claim was "time barred under the doctrine of laches," and thus, the defendant was entitled to summary judgment and the plaintiff was not entitled to attorney's fees.

Void versus voidable

The Delaware Supreme Court first reversed the Court of Chancery's determination that the challenged stockholder agreement was void rather than voidable. Acknowledging that the distinction between "void" and "voidable" has "long

vexed courts and legal scholars alike,” the court explained that in the corporate governance context, void acts are “illegal acts or acts beyond the authority of the corporation,” whereas voidable acts are those that “the corporation can lawfully accomplish” if done in the appropriate manner. The Delaware Supreme Court rejected the Court of Chancery’s “categorical rule” that “any contractual provision adopted in a manner that exceeds the board’s or management’s authority” is void, even if such provision “could be ratified or enacted in an authorized manner.” Thus, whether the stockholder agreement was void or voidable hinged upon whether there were any lawful means by which Moelis could have accomplished the agreement’s purposes.

The court answered that question in the affirmative, noting that the Court of Chancery recognized that Moelis could have used “alternative methods” to achieve the same governance arrangements provided for in the stockholder agreement (such as by amending its charter). In other words, it was not “beyond the authority of the corporation” to adopt those provisions, thus rendering the provisions voidable, not void. Because the plaintiff failed to meet its “burden of establishing that the challenged provisions are void,” the court rejected the Court of Chancery’s conclusion that equitable defenses like laches were unavailable.

Laches

The Delaware Supreme Court then proceeded to hold that the plaintiff’s suit was barred by laches. To determine whether the plaintiff’s delay in bringing its claim was unreasonable, the court looked to the “statutory limitations period for bringing an analogous legal claim,” which is three years. Because the complaint was filed nine years after the stockholder agreement was adopted in 2014, the timeliness analysis turned on when the claim “accrued.”

The Delaware Supreme Court rejected the Court of Chancery’s conclusion that the claim had not yet accrued because there was an “ongoing statutory violation.” Instead, it held that “the only wrongful conduct alleged in the complaint was the execution of the stockholders agreement,” and that “all the elements of the plaintiff’s claim were present and complete relief was available in 2014.” The court also held that the plaintiff failed to rebut the presumption that Moelis was prejudiced “as a matter of law” due to the plaintiff’s delay.

The court emphasized that its opinion does not provide blanket immunity for stockholder agreements. Rather, facial challenges are timely if filed within three years of the execution of the agreement, and as-applied challenges may be brought even after the three-year limitations period has expired. Indeed, the court noted that Moelis stockholders could still bring as-applied challenges to the stockholder agreement in the future.

Takeaways

Effect of Statutory Amendments: The Court of Chancery’s decision in *Moelis* was among the cases that prompted Delaware-incorporated companies (especially controlled companies) to consider reincorporation in a different state, a trend commonly referred to as “DExit.” In response, the Delaware Legislature made significant amendments to the DGCL, including adding Section 122(18) to allow for certain stockholder agreements similar to the one at issue in the *Moelis* case and [amending Section 144](#) to provide for certain safe harbors for controlled transactions. The Delaware Supreme Court’s *Moelis* opinion sidestepped DExit considerations and the ongoing policy debate in Delaware. Indeed, the court noted that it consciously ignored any public policy reasons behind Section 122(18).

Practically speaking, the adoption of Section 122(18) means that there is a statutory bar on facial (but not as-applied) challenges to stockholder agreement provisions that fall within its scope and were not the subject of existing litigation claims as of August 1, 2024. Provisions not within the scope of 122(18) may still be subject to future facial and as-applied challenges by plaintiffs.

Future Challenges to Stockholder Agreements: *Moelis* makes it more difficult for stockholders to bring facial invalidity challenges to long-standing corporate governance documents. The Delaware Supreme Court’s opinion first provides valuable guidance on which corporate acts may be deemed void (if the acts are illegal or beyond the corporation’s authority) versus merely voidable (if they can be lawfully accomplished). The opinion then makes clear that a corporate defendant may raise a laches defense whenever a plaintiff challenges a provision in a corporate instrument that is: (1) voidable and not void; and (2) more than three years old. Even when both criteria are met, plaintiffs will argue that case-specific circumstances warrant allowing a particular suit to proceed. But, as a general matter, *Moelis* gives would-be defendants a potent weapon for side stepping such suits.

As the Delaware Supreme Court explained in its recent opinion, laches is “an affirmative defense that the plaintiff unreasonably delayed in bringing suit after learning of an infringement of his or her rights” that applies to equitable rather than legal claims.

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