

Delaware Supreme Court Clears the Path for Conflicted Transactions

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In a significant development for corporate practitioners, the Delaware Supreme Court issued a unanimous decision on February 27, 2026, that brings long-awaited clarity to one of the more complex areas of deal-making: transactions involving conflicted fiduciaries, including controlling stockholders. In *Rutledge v. Clearway Energy Group LLC*, the court upheld the constitutionality of Senate Bill 21 (SB 21), a set of amendments to the Delaware General Corporation Law enacted in March 2025. The ruling represents a strong endorsement of the new statutory framework and gives boards, deal lawyers, and corporate advisers increased certainty, while still underscoring the importance of careful compliance with the applicable requirements.

For decades, Delaware courts developed a complex and, at times, unpredictable body of case law governing conflicted transactions. Uncertainty often arose around when a stockholder would be deemed a controlling stockholder, when the demanding “entire fairness” standard of review would apply, and whether dual procedural protections, such as both independent committee approval and a majority-of-the-minority vote, were required under prior case law. This uncertainty frequently resulted in prolonged litigation, inconsistent outcomes, and heightened transaction risk. SB 21 and the applicable changes to Rule 144 were designed to simplify this landscape by establishing clear statutory safe harbors, defining key concepts such as “controlling stockholder” and “control group” with greater precision, and clarifying standards for director independence and disinterestedness. The statute also applies broadly, including retroactively to most pre-enactment transactions. Where its conditions are satisfied, the amended rules limit exposure to damages and certain equitable remedies, providing a more predictable path for structuring conflicted deals.

The SB 21 legislation was quickly challenged on constitutional grounds, with opponents arguing that it improperly curtailed the historic equitable jurisdiction of the Court of Chancery and violated due process by applying retroactively to extinguish existing claims. The Delaware Supreme Court rejected both arguments. It emphasized that the Court of Chancery retains full authority to hear fiduciary duty claims and to determine whether the statutory safe harbor conditions have been satisfied; the statute limits remedies in qualifying cases but does not eliminate judicial oversight. On retroactivity, the court concluded that plaintiffs had, at most, an expectation that existing law would

remain unchanged rather than a vested property right. In any event, the legislature’s clear intent and legitimate policy objectives were sufficient to satisfy constitutional requirements.

From a practical perspective, the decision has meaningful implications for transaction planning. In most cases involving conflicted fiduciaries—other than certain controller take-private transactions—companies can obtain safe harbor protection by securing approval from either a fully informed, disinterested committee of directors or a fully informed majority of disinterested stockholders. In many circumstances, satisfying either path is sufficient, which simplifies structuring compared to prior doctrine. At the same time, the availability of safe harbor protection depends on strict adherence to the statute’s requirements. Boards and their advisers should therefore continue to focus on carefully establishing and documenting director independence and disinterestedness, ensuring full disclosure of all material information, and conducting a deliberative, good-faith approval process. Transactions that fall short of these standards create risks on court review.

More broadly, the decision reinforces Delaware’s longstanding strength as a responsive and adaptive corporate law jurisdiction. The court’s deference to the legislature highlights the General Assembly’s authority to refine the Delaware General Corporation Law in response to evolving market needs, particularly where increased clarity and predictability are at stake. At the same time, as with any new statutory regime, the contours of SB 21 (and Rule 144) will continue to develop through judicial interpretation, and careful attention to process will remain essential.

The *Clearway* decision ultimately enhances predictability in Delaware corporate law. It provides boards and dealmakers with a clearer framework for navigating conflicted transactions and, when its requirements are satisfied, a more reliable path to reducing litigation risk.

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