

Acknowledgments	xix
Introduction: Trends and Challenges in Business Law	xxi
Chapter 1 The Law of Agency	1
A. Creation of the Agency Relationship	2
<i>Yost v. Wabash College</i>	3
Problem 1-1	6
B. Agent's Fiduciary Duties to Principal	8
<i>Food Lion, Inc. v. Capital Cities/ABC, Inc.</i>	8
Problem 1-2	12
Problem 1-3	12
C. Principles of Attribution	13
1. Actual Authority	14
<i>Castillo v. Case Farms of Ohio, Inc.</i>	15
Problem 1-4	19
2. Apparent Authority	20
Problem 1-5	22
Chapter 2 Partnerships	23
A. Formation	26
<i>Holmes v. Lerner</i>	27
Problem 2-1	35
B. Management	36
<i>Vecchitto v. Vecchitto</i>	37
Problem 2-2	40
C. Fiduciary Duties	41
<i>Meinhard v. Salmon</i>	43
Problem 2-3	48
<i>Gibbs v. Breed, Abbott & Morgan</i>	48

D. Financial Attributes	57
1. Partnership Accounting	57
2. Sharing Profits and Losses Among Partners	61
<i>Kovacik v. Reed</i>	62
E. Liability	64
1. Liability of Partners to Third Parties	64
<i>In re Keck, Mahin & Cate</i>	65
Problem 2-4	69
2. Limited Liability Partnerships	69
3. Limited Partnerships	70
4. Limited Liability Limited Partnerships	72
F. Dissolution	72
<i>Fischer v. Fischer</i>	74
Problem 2-5	81
Chapter 3 Limited Liability Companies	83
A. Birth and Development of LLCs	84
B. Formation	85
<i>Stone v. Jetmar Properties, LLC</i>	87
Problem 3-1	91
C. Management	91
<i>Gottsacker v. Monnier</i>	92
Problem 3-2	99
<i>Taghipour v. Jerez</i>	100
Problem 3-3	103
D. Limited Liability	104
<i>NetJets Aviation, Inc. v. LHC Communications, LLC</i>	105
Problem 3-4	112
E. Fiduciary Duties	113
<i>Miller v. HCP & Company</i>	115
Problem 3-5	127
F. Dissolution	127
<i>Haley v. Talcott</i>	128
Problem 3-6	135
Chapter 4 Organization and Structure of a Corporation	137
A. Incorporation	140
<i>Grant v. Mitchell</i>	143
Problem 4-1	154

Contents	xiii
B. Capital Structure	154
<i>Grimes v. Alteon Inc.</i>	157
Problem 4-2	162
C. Directors and Shareholders	162
<i>Adlerstein v. Wertheimer</i>	169
Problem 4-3	178
D. Dividends and Distributions	178
<i>Klang v. Smith's Food & Drug Centers, Inc.</i>	180
Problem 4-4	184
E. Limited Liability, Piercing the Corporate Veil, and Related Doctrines	184
1. Piercing to Reach an Individual Shareholder	188
<i>Soerries v. Dancause</i>	188
Problem 4-5	190
2. Piercing in the Corporate Group Context	190
<i>Blair v. Infineon Techs, AG</i>	192
3. Agency-Based Theories for Parents' Liability	198
<i>Doe v. Exxon Mobil Corp.</i>	198
Chapter 5 Control of the Closely Held Firm	205
A. Shareholder Agreements	206
<i>Salamone v. Gorman</i>	207
Problem 5-1	216
B. Transfer Restrictions	217
<i>Henry v. Phixios Holdings, Inc.</i>	218
Problem 5-2	225
C. Voting Trusts	225
D. Cumulative Voting	226
E. Supermajority Requirements	228
Problem 5-3	229
F. Preemptive Rights	229
<i>Kimberlin v. Ciena Corporation</i>	230
Problem 5-4	235
G. Deadlock	236
<i>Shawe v. Elting</i>	236
H. Oppression of Minority Shareholders	245
<i>Leslie v. Boston Software Collaborative, Inc.</i>	249
Problem 5-5	257

Chapter 6	Shareholder Voting in the Publicly Held Firm	259
A.	Introduction	259
B.	Corporate Federalism	261
	1. Sarbanes-Oxley Act of 2002	262
	2. Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010	267
	3. Federal Proxy Regulation	269
	4. Liability for Misleading Proxy Disclosure	272
	Problem 6-1	273
C.	Shareholder Voting	274
	1. Shareholders' Voting Power Generally	274
	2. Proxy Contests	277
	<i>Third Point LLC v. Ruprecht</i>	280
	3. Shareholder Proposals	300
	a. Shareholders' Efforts to Amend the Bylaws: Conflicts Between DGCL §109 and 141(a)	301
	<i>CA, Inc. v. AFSCME Employees Pension Plan</i>	303
	Problem 6-2	312
	Problem 6-3	313
	b. Social and Environmental Proposals	313
	Problem 6-4	316
	Problem 6-5	316
Chapter 7	Duty of Care	319
A.	Directors' Duty of Care and the Business Judgment Rule	319
	<i>Gagliardi v. Trifoods International, Inc.</i>	321
	Problem 7-1	324
B.	The Decision-Making Context	325
	<i>Smith v. Van Gorkom</i>	325
	Problem 7-2	339
C.	Substantive Rationality	339
	Problem 7-3	342
D.	The Shareholder Primacy Norm	343
	<i>eBay Domestic Holdings, Inc. v. Newmark</i>	345
	Problem 7-4	363
E.	Emerging Trends in Corporate Social Relationships	363
	Problem 7-5	366

Contents	xv
Chapter 8 Duty of Loyalty	367
A. The Oversight Context and Good Faith	368
1. Oversight Generally	368
<i>In re Caremark International Inc. Derivative Litigation</i>	369
Problem 8-1	374
2. The Duty of Good Faith	375
<i>In re The Walt Disney Company Derivative Litigation</i>	376
<i>Stone v. Ritter</i>	385
Problem 8-2	391
3. Recent Developments	391
<i>Marchand v. Barnhill</i>	392
B. Conflict-of-Interest Transactions Generally	401
<i>Valeant Pharmaceuticals International v. Jerney</i>	402
1. Majority or Controlling Shareholders	413
Problem 8-3	414
2. Stockholder Ratification	414
<i>Gantler v. Stephens</i>	415
<i>Espinoza v. Zuckerberg</i>	424
Problem 8-4	432
C. Corporate Opportunities	433
<i>Dweck v. Nasser</i>	435
Chapter 9 Litigation to Enforce Fiduciary Duties	445
A. The Demand Requirement	445
<i>Beam ex rel. Martha Stewart Living Omnimedia, Inc. v. Stewart</i>	449
Problem 9-1	457
B. Direct Versus Derivative Claims	458
<i>Tooley v. Donaldson, Lufkin, & Jenrette, Inc.</i>	459
Problem 9-2	464
C. Special Litigation Committees	465
<i>In re Oracle Corp. Derivative Litigation</i>	468
Problem 9-3	482
D. Books and Records Requests	483
<i>AmerisourceBergen Corp. v. Lebanon County Employees' Retirement Fund</i>	483
E. Statutory Exculpation from Liability	493
<i>In re Cornerstone Therapeutics Inc. Stockholder Litigation</i>	495
Problem 9-4	501

F. Insurance and Indemnification	501
Problem 9-5	503
Chapter 10 Friendly Mergers and Acquisitions	507
A. An Overview of Mergers and Acquisitions: Structuring an Acquisition	508
B. Fiduciary Duties in Friendly Transactions	512
1. Controlling Shareholder Transactions: Mergers	513
a. The Entire Fairness Standard	513
<i>In re Dole Food Co., Inc., Stockholder Litigation</i>	515
Problem 10-1	528
b. Reasserting Business Judgment Review of Deal Terms	528
<i>Kahn v. M&F Worldwide Corp.</i>	529
Problem 10-2	539
2. Controlling Shareholder Transactions Using Tender Offers	540
<i>In re Pure Resources, Inc. Shareholders Litigation</i>	541
Problem 10-3	556
C. Challenges to the Adequacy of Disclosure	556
<i>In re Trulia, Inc. Stockholder Litigation</i>	557
D. The Appraisal Remedy	567
<i>DFC Global Corp. v. Muirfield Value Partners, L.P.</i>	570
Chapter 11 Defending Against Hostile Takeovers	587
A. A Brief History of Hostile Takeovers	588
B. Delaware’s “Intermediate Scrutiny” of Defensive Measures	593
<i>Unocal Corp. v. Mesa Petroleum Co.</i>	593
Problem 11-1	603
C. Poison Pills	604
<i>Versata Enterprises, Inc. v. Selectica, Inc.</i>	606
Problem 11-2	615
D. Change-of-Control Transactions: <i>Revlon</i>	616
<i>Revlon, Inc. v. MacAndrews & Forbes Holdings, Inc.</i>	616
Problem 11-3	622
E. The Evolving Standards	623
1. <i>Revlon</i>	623
<i>C & J Energy Services, Inc. v. City of Miami General Employees’ Retirement Trust</i>	626
<i>Corwin v. KKR Financial Holdings, LLC</i>	637
2. <i>Unocal</i>	642

Contents	xvii
<i>Air Products and Chemicals, Inc. v. Airgas, Inc.</i>	642
Problem 11-4	654
<i>In re Williams Companies Stockholder Litigation</i>	655
Chapter 12 Regulation of Disclosure, Fraud, and Insider Trading	679
A. Section 10(b) and Rule 10b-5	680
1. Misstatements and Omissions	681
<i>Gallagher v. Abbott Laboratories</i>	682
2. Materiality and Reliance	686
<i>Basic Inc. v. Levinson</i>	686
Problem 12-1	696
3. Scienter	697
<i>Tellabs, Inc. v. Makor Issues & Rights, Ltd.</i>	699
Problem 12-2	706
4. “In Connection With”	707
<i>Securities and Exchange Comm’n v. Zandford</i>	707
5. Causation	711
<i>Dura Pharmaceuticals, Inc. v. Broudo</i>	712
B. Insider Trading	716
1. The Classical Theory	716
<i>United States v. Smith</i>	717
2. The Misappropriation Theory	723
<i>United States v. O’Hagan</i>	725
Problem 12-3	732
C. Tipper/Tippee Liability and Regulation FD	732
1. Selective Disclosure and Regulation FD	733
Problem 12-4	734
2. Applying Dirks	735
<i>United States v. Newman</i>	736
<i>Salman v. United States</i>	746
Problem 12-5	752
D. Fiduciary Duty of Disclosure Under State Law	752
<i>Merrill Lynch, Pierce, Fenner & Smith, Inc. v. Dabit</i>	756
Table of Cases	763
Index	769