



Update: Delaware Fee-Shifting Prohibition Reaching Match Point

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Several months later, Paylocity Holding Corporation adopted two new bylaws. One of the bylaws required internal corporate claims to be filed in Delaware (absent company consent). The other bylaw provided that a stockholder who filed an internal corporate claim outside of Delaware (without company consent) would be responsible for the company's attorney's fees and expenses relating to such claim if the stockholder did not obtain a judgment that substantially achieved the full remedy sought. The bottom line of the two bylaws was that, if a stockholder violated the exclusive forum bylaw, the fee-shifting bylaw would apply.

The Delaware Court of Chancery, after much discussion as to whether the point was even ripe for review, ruled (on a Motion to Discuss) that the fee-shifting bylaw in question violated the Delaware fee-shifting statute (Section 109(b) of the Delaware General Corporate Law). The court noted that DGCL Section 109(b) applies irrespective of where a claim is filed. In other words, Paylocity's fee-shifting bylaw was invalid, even though it would have applied only when an internal corporate claim was filed outside of Delaware.

Categories

Corporate Governance

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