
DELAWARE JOURNAL OF CORPORATE LAW

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NOTE

KNOWING YOUR RIGHTS: STOCKHOLDER DEMANDS TO
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WOODS V. SAHARA ENTERPRISES, INC.

Clifford R. Wood, Jr.

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The Court of Chancery functions similar to a gatekeeper in its analysis on the propriety of a stockholders' inspection request. By conditioning a case-by-case analysis when such an issue arises, the court utilizes Section 220(c) as a way to "maintain a proper balance between the rights of stockholders to obtain information based upon credible allegations of corporation mismanagement and the rights of directors to manage the business of the corporation without undue interference from stockholders."⁵⁵ Section 220(c) could be best understood as the remedy and judgment clause of the DGCL. If there is a dispute regarding a stockholder seeking inspection of corporate documents, should the stockholder demonstrate proper purpose and actual ownership, and if the corporation has been given meaningful time and opportunity to respond but fails to do so, the stockholder may utilize 220(c) to determine how they should proceed in action.

III. INTERPRETATION OF *WOODS* v. *SAHARA*

Francis G.X. Pileggi, a renowned Delaware corporate and commercial litigation attorney, opined "[*Woods* v. *Sahara*] must be read by anyone seeking a complete understanding of Delaware law on Section 220."⁵⁶ The dispute in the case arose out of whether the Trust of Woods had proper purpose under Section 220 to demand corporate records and, if justified, the scope of the inspection.⁵⁷

As a legal scholar and practitioner, Mr. Pileggi appreciated the Chancery Court's technical overview in *Woods*—its opinion including approximately fifteen years of related decisions and by its contribution of "eminently quotable passages" to practitioners needing clarity and briefing on important nuances of the code.⁵⁸ As Pileggi suggested, the court's analysis does a remarkable job of laying out the foundation for Section 220 and continues on to provide noteworthy synopses of proper purpose, inspection scope, and production requirements of holding companies and their subsidiary entities.⁵⁹

⁵⁵*Amalgamated Bank*, 132 A.3d at 796 (quoting *Seinfeld v. Verizon Commc'ns, Inc.*, 909 A.2d 117, 122 (Del. 2006)).

⁵⁶Francis G.X. Pileggi, *Chancery Clarifies Nuances of Section 220 Stockholder Demand for Inspection Rights*, DELAWARE CORPORATE & COMMERCIAL LITIGATION BLOG, (July 27, 2020), <https://www.delawarelitigation.com/2020/07/articles/chancery-court-updates/chancery-clarifies-nuances-of-section-220-stockholder-demand-for-inspection-rights/>.

⁵⁷See generally *Woods*, 238 A.3d at 879.

⁵⁸*Id.*

⁵⁹*Id.*