SUPREME COURT OF THE STATE OF DELAWARE

Chicago Bridge & Iron Company N.V. v. Westinghouse Electric Company LLC and WSW Acquisition Co., LLC

Chicago Bridge & Iron Co. N.V. v. Westinghouse Electric Co. LLC and WSW Acquisition Co. LLC, 166 A.3d 912 (Del. 2017) · No. No. 573, 2016 · Decided June 28, 2017

SUMMARY

The Delaware Supreme Court reversed the Court of Chancery in a dispute between Chicago Bridge & Iron Company N.V. and Westinghouse Electric Company LLC and WSW Acquisition Co., LLC. The court held that the purchase agreement required the closing payment and closing statements to comply with GAAP and that the independent auditor's authority extended to disputes concerning the objections statement and closing statement. The opinion was revised on June 28, 2017, to correct a mathematical error.

CASE DETAILS

COURT	Supreme Court of the State of Delaware
WRITING FOR THE COURT	Leo E. Strine, Jr.; Leo E. Strine, Jr., Chief Justice; Karen L. Valihura, Justice; Collins J. Seitz, Jr., Justice
JURISDICTION	Delaware
DECIDED	June 28, 2017
DOCKET	No. 573, 2016
DISPOSITION	reversed
PROCEDURAL POSTURE	Chicago Bridge & Iron appealed the Court of Chancery's judgment on the pleadings in a dispute concerning the interpretation and application of a purchase agreement's post-closing purchase-price adjustment provisions.
STANDARD OF REVIEW	The Supreme Court reviews de novo the Court of Chancery's grant of a motion for judgment on the pleadings. Judgment on the pleadings is proper only when no material issue of fact exists and the movant is entitled to judgment as a matter of law.
PRECEDENTIAL VALUE	Published Delaware Supreme Court opinion
PARTIES	Chicago Bridge & Iron Company N.V. v. Westinghouse Electric Company LLC, WSW Acquisition Co., LLC

TOPICS

contract interpretation | contracts | commercial litigation | appellate procedure | standard of review

PRACTICE AREAS

contract law | commercial litigation | appellate procedure

QUESTIONS PRESENTED

1. Whether the purchase agreement unambiguously required the Closing Payment Statement and Closing Statement to comply with GAAP.
2. Whether the Independent Auditor's authority under the True Up process extended to all disputes relating to the Objections Statement and Closing Statement, including disputes concerning historical accounting practices.
3. Whether judgment on the pleadings was appropriate to enforce the asserted contract interpretation.

HOLDINGS

1. The unambiguous language of the Purchase Agreement required the Closing Payment Statement and Closing Statement to be GAAP compliant.
2. The Independent Auditor's authority extended to all disputes related to the Objections Statement and Closing Statement.
3. Judgment on the pleadings was reviewed de novo and was not a proper basis for enforcing the narrower contract interpretation adopted below.

KEY QUOTATIONS

> *"the unambiguous language of the Purchase Agreement required the Closing Payment Statement and Closing Statement to be GAAP compliant, and that the Independent Auditor's authority extends to all disputes related to the Objections Statement and Closing Statement."* (at 26)

> *"A motion for judgment on the pleadings may be granted only when no material issue of fact exists and the movant is entitled to judgment as a matter of law."* (at 26)

> *"[J]udgment on the pleadings . .. is a proper framework for enforcing unambiguous contracts because there is no need to resolve material disputes of fact."* (at 26)

FACTUAL BACKGROUND

Chicago Bridge & Iron and Westinghouse entered into a purchase agreement containing post-closing purchase-price adjustment procedures. The agreement required preparation of a Closing Payment Statement and a Closing Statement, with disputes submitted to an Independent Auditor through the True Up process. The parties disputed whether the statements had to comply with GAAP and whether the Independent Auditor could resolve disputes involving historical accounting practices and changes to net working capital.

PROCEDURAL HISTORY

The Court of Chancery entered judgment on the pleadings in favor of Westinghouse and WSW Acquisition. Chicago Bridge & Iron appealed to the Delaware Supreme Court, which reviewed the judgment de novo and reversed.

DISPOSITION

reversed

CASES CITED

- Desert Equities, Inc. v. Morgan Stanley Leveraged Equity Fund, II, L.P., 624 A.2d 1199, 1204-1205 (Del. 1993)
- NBC Universal v. Paxson Communications Corp., 2005 WL 1038997, at *5 (Del. Ch. Apr. 29, 2005)
