

SUPREME COURT OF DELAWARE

Anderson v. Krafft-Murphy Co.

82 A.3d 696 (Del. 2013) · Decided November 26, 2013

SUMMARY

The Delaware Supreme Court considered whether a receiver could be appointed for a dissolved corporation whose only assets were unexhausted liability insurance policies. The Court held that contingent contractual rights capable of vesting constitute property under 8 Del. C. § 279, and that Delaware’s corporate dissolution statutes do not generally time-bar third-party claims against a dissolved corporation. The Court also held that after the three-year winding-up period under § 278, a dissolved corporation may conduct litigation commenced during that period, but must act through a court-appointed receiver or trustee for litigation commenced afterward.

CASE DETAILS

COURT	Supreme Court of Delaware
WRITING FOR THE COURT	Jacobs, Justice; Berger; Holland; Jacobs; Ridgely; Steele
JURISDICTION	Delaware
DECIDED	November 26, 2013
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Appeal from the Court of Chancery's grant of summary judgment to a dissolved Delaware corporation in a petition seeking appointment of a receiver under 8 Del. C. § 279.
STANDARD OF REVIEW	De novo review of the grant of summary judgment and the Court of Chancery's interpretation of Delaware statutes.
PRECEDENTIAL VALUE	published precedential opinion
PARTIES	Anderson and other petitioners v. Krafft-Murphy Co., Inc.

TOPICS

- dissolution
- insurance coverage
- statutory interpretation
- corporate law
- equitable relief

PRACTICE AREAS

- corporate law
- insurance
- torts
- remedies
- statutory interpretation

QUESTIONS PRESENTED

1. Whether contingent contractual rights, including unexhausted liability-insurance policies, constitute property of a dissolved corporation under 8 Del. C. § 279.
2. Whether Delaware's corporate-dissolution statutes impose a generally applicable statute of limitations that extinguishes third-party claims against a dissolved corporation after the applicable five- or ten-year period.
3. Whether a dissolved corporation may participate in litigation commenced after the three-year winding-up period in 8 Del. C. § 278 without a court-appointed receiver or trustee.
4. Whether the petition for appointment of a receiver was justiciable despite the insurers' representation that they would continue defending certain claims.

HOLDINGS

1. Contingent contractual rights, including unexhausted liability-insurance policies, constitute property of a dissolved corporation under 8 Del. C. § 279 when the rights are capable of vesting.
2. Delaware's dissolution statutes do not generally time-bar or extinguish third-party claims against a dissolved corporation after the three-, five-, or ten-year periods described in §§ 278-282.
3. After the three-year winding-up period expires, a dissolved corporation may participate in litigation commenced after that period only through a receiver or trustee appointed under 8 Del. C. § 279.

KEY QUOTATIONS

“We conclude that under 8 Del. C. § 279, contingent contractual rights, such as unexhausted insurance policies, constitute “property” of a dissolved corporation, so long as those rights are capable of vesting.” (698)

“We further hold that Delaware’s dissolution statutes impose no generally applicable statute of limitations that would time-bar claims against a dissolved corporation by third parties.” (698)

“Only if a receiver is appointed can the Corporation lawfully obtain that authority.” (710)

FACTUAL BACKGROUND

Krafft-Murphy was a Delaware plastering company that supplied and installed asbestos-containing material and became the defendant in hundreds of asbestos-related personal-injury lawsuits. It ceased operations in 1991 and dissolved in 1999, without using Delaware's creditor-notice or claims-planning procedures. Its only remaining assets were unexhausted liability-insurance policies that required its insurers to defend and indemnify it against covered claims. In 2010, the corporation sought dismissal of asbestos claims filed more than ten years after dissolution, prompting the claimants to petition for appointment of a receiver.

PROCEDURAL HISTORY

The petitioners, asbestos-related tort claimants, sought appointment of a receiver for Krafft-Murphy Co., Inc., whose only remaining assets were unexhausted liability-insurance policies. The Court of Chancery denied the

corporation's motion to dismiss, later granted the corporation's motion for summary judgment, and denied the petitioners' motion for judgment on the pleadings. The Supreme Court of Delaware reversed and remanded.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

Remand to the Court of Chancery for further proceedings consistent with the opinion, including proceedings concerning appointment of a receiver under 8 Del. C. § 279. Jurisdiction was not retained.

CASES CITED

- Addy v. Short, 89 A.2d 136 (Del. 1952)
- In re Texas Eastern Overseas, Inc., 998 A.2d 852 (Del. 2010)
- In re Citadel Industries, Inc., 423 A.2d 500 (Del. Ch. 1980)
- In re RegO Co., 623 A.2d 92 (Del. Ch. 1992)
- In re Dow Chemical International Inc., 2008 WL 4603580 (Del. Ch. Oct. 14, 2008)
- In re Krafft-Murphy Co., Inc., 62 A.3d 94 (Del. Ch. 2013)
- Alvarez v. Castellon, 55 A.3d 352 (Del. 2012)
- LaPoint v. AmerisourceBergen Corp., 970 A.2d 185 (Del. 2009)
- Motorola, Inc. v. Amkor Technology, Inc., 849 A.2d 931 (Del. 2004)
- Rhudy v. Bottlecaps, Inc., 830 A.2d 402 (Del. 2003)
- Bay City, Inc. v. Williams, 2 A.3d 1060 (Del. 2010)
- Delaware Bay Surgical Services, P.A. v. Swier, 900 A.2d 646 (Del. 2006)
- McBride v. Murphy, 124 A. 798 (Del. Ch. 1924)
- Blankenship v. Demmler Manufacturing Co., 411 N.E.2d 1153 (Ill. App. Ct. 1980)
- In re All Cases Against Sager Corp., 967 N.E.2d 1203 (Ohio 2012)
- Gilliam v. Hi-Temp Products, Inc., 677 N.W.2d 856 (Mich. Ct. App. 2003)
- City Investing Co. Liquidating Trust v. Continental Casualty Co., 624 A.2d 1191 (Del. 1993)
- In re Transamerica Airlines, Inc., 2006 WL 587846 (Del. Ch. Feb. 28, 2006)
- Gans v. MDR Liquidating Corp., 1990 WL 2851 (Del. Ch. Jan. 10, 1990)