

BLB&G Wins Precedent-Setting Ruling in Delaware Court of Chancery Case Alleging Oversight Failures Relating to Sexual Misconduct

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WILMINGTON, DE/NEW YORK (January 20, 2026) – In a milestone decision by Delaware Chancellor Kathaleen St. Jude McCormick, the Delaware Court of Chancery has ruled that directors' duty of oversight extends to investigating and remediating claims of workplace sexual misconduct and that failure to do so could constitute a breach of fiduciary duty by corporate officers and directors.

In a 90-page decision, Chancellor McCormick denied a motion to dismiss by directors and senior executives of global real estate brokerage eXp World Holdings. The Court also affirmed that such individuals could be liable for failing to appropriately respond to credible claims of sexual abuse brought by eXp agents.

The case is believed to be the first decision by the Court of Chancery upholding claims of alleged corporate governance oversight failures stemming from claims of sexual misconduct. The link to the ruling can be found [here](#).

Leading investor law firm [Bernstein Litowitz Berger & Grossmann](#), together with the Office of the Los Angeles City Attorney, filed the case in October 2024 on behalf of the Los Angeles City Employees Retirement System, which holds shares in eXp.

The derivative suit, in which investors bring claims on behalf of the company, follows widely-reported allegations that eXp agents – including two of the firm's top producers – repeatedly drugged and sexually assaulted female agents at company sponsored events; some of the assaults were allegedly captured on video and shared on social media.

Chancellor McCormick notes in her opinion that a month after one of the executives was terminated an eXp agent sent a memo to company leadership detailing multiple incidents of alleged sexual abuse by brokers. "The board did nothing," the Chancellor writes.

Referencing a well-cited Delaware decision from 1996 known as *Caremark*, which imposes a "bottom-line" requirement concerning information systems and red flags, the Chancellor wrote:

"*Caremark* imposes a bottom-line requirement to respond in good faith to red flags of central legal risks. At a minimum, efforts to respond to red flags are not sufficient under *Caremark* when it is reasonably conceivable that those efforts were nominal, tainted by deliberate heel-dragging, and ran parallel to a campaign of concealment. All of that is reasonably conceivable here."

"This is a precedent-setting ruling," said BLB&G partner [Rebecca E. Boon](#), who argued the case in Chancery Court. "We thank the Court for its careful and well-reasoned decision and look forward to the opportunity to prove our case in Court."

Ms. Boon, former sexual assault counselor to college students, has been at the forefront of the role that #MeToo and related sexual abuse issues have to play in corporate governance litigation.

Notably, she led BLB&G's representation of institutional investors in actions against the board of Twenty-First Century Fox following the alleged claims of misconduct that made national headlines a decade ago in the wake of a lawsuit brought by Fox News anchor Gretchen Carlson against the late Roger Ailes. Through Ms. Boon's investigation, Fox created a first-of-its kind program to reform its corporate culture and improve conditions for women employees, along with a \$90 million monetary recovery.

Ms. Boon also prosecuted the first successful federal securities fraud class action lawsuit involving sexual misconduct. The case against Signet Jewelers concerned allegations of a culture of severe sexual harassment that pervaded the Company at all levels, and which was condoned and exemplified by the behavior of its former CEO. After obtaining certification of a class of Signet shareholders, the case resolved for \$240 million.

And she led a stockholder derivative action on behalf of apparel company Guess, Inc. related to allegations of sexual misconduct against the company's co-founder Paul Marciano.

"We are gratified by the Court's emphatic stance that companies owe it to shareholders as well as to their employees to address and prevent sexual harassment, assault and other abuse," Ms. Boon said.

"LACERS and the LACERS Board are committed to promoting strong corporate governance practices to increase long-term shareholder value. This ruling represents a win for corporate governance checks on boards and officers," said [Todd Bouey](#), LACERS General Manager.

In addition to Ms. Boon, the Los Angeles City Employees' Retirement System is represented by [Greg Varallo](#), co-chair of BLB&G's Delaware and Corporate Governance group, along with partner [Hannah Ross](#).

ABOUT BLB&G

[Bernstein Litowitz Berger & Grossmann LLP](#) prosecutes class and private actions on behalf of individual and institutional clients worldwide. Since its founding in 1983, the firm has recovered more than \$40 billion for harmed investors and secured precedent-setting corporate governance reforms. BLB&G is widely recognized as a preeminent litigation firm with a deep commitment to investor protection and corporate responsibility.