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Delaware Court Rejects “Portfolio Theory” Regarding Directors’ Fiduciary Rights

The Delaware Chancery Court rejected an attempt to hold directors of Meta liable for the implications their social media products have to the economy as a whole. The plaintiff argued that the social media company's directors hurt Meta shareholders that invested in Meta as part of a portfolio of investments designed to cover the economy broadly (though vehicles such as index funds).

The Chancery Court concluded that a director's fiduciary duties are to shareholders to maximize that company's value for its shareholder, not to maximize the economy as a whole.

While Delaware law requires corporate directors to act in the best interests of their stockholders, including maximizing the value of their shares, attorneys for McRitchie argued that Delaware courts should recognize a “portfolio theory” of corporate governance that takes into account external factors.

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