# GUIDEBOOK TO CHANCERY PRACTICE IN NEW JERSEY

**TENTH EDITION, 2018** 

## HON. WILLIAM A. DREIER

PRESIDING JUDGE, SUPERIOR COURT OF NJ, APPELLATE DIVISION (RET.)
NORRIS, MCLAUGHLIN & MARCUS

PAUL A. ROWE, ESQ.

GREENBAUM, ROWE, SMITH, & DAVIS LLP

ANDREA. J. SULLIVAN, ESQ. GREENBAUM, ROWE, SMITH, & DAVIS LLP

NEW JERSEY INSTITUTE FOR CONTINUING LEGAL EDUCATION  $_{\odot}$  ONE CONSTITUTION SQUARE, NEW BRUNSWICK N.J. 08901-1500 (732) 249-5100



### **FOREWORD**

For over 50 years, the New Jersey Institute for Continuing Legal Education, a division of the NJSBA, has served the needs of the New Jersey bench and bar. From seminars and legal manuals to CLE On-Demand videos and other educational tools, our products are specifically designed to provide the latest strategies, expert advice and guidance to practitioners at each stage in their career.

Our success in providing the legal community with the highest quality educational products would not be possible without the countless attorneys, doctors, dignitaries and other legal experts who volunteer their efforts to serve as lecturers and authors. NJICLE is proud to be the conduit through which they share their knowledge, skills, and expertise with their fellow professionals.

For more information about NJICLE Seminars and Publications, please visit NJICLE.com

### **ABOUT THE AUTHORS**

**HON. WILLIAM A. DREIER** is Of Counsel at Norris, McLaughlin & Marcus. In 1998, he retired as a Presiding Judge, Appellate Division, Superior Court of New Jersey. Appointed in 1973, he formerly sat as Chancery Judge for Mercer, Somerset, and Hunterdon Counties and in the Law Division in Union County.

In his 25 years on the Law Division, Chancery Division, and Appellate Division bench, Judge Dreier has had approximately 380 judicial opinions officially reported. Since 1983 he has co-authored *Guidebook to Chancery Practice in New Jersey*. He is also an author of *New Jersey Products Liability and Toxic Tort Law*, annual editions 1977 to date, *New Jersey Arbitration Handbook*, annual editions 2013 to date, and books on Secured Transitions, as well as numerous articles published in various law reviews and journals. Judge Dreier has lectured extensively for NJICLE, the ALI-ABA Committee for Continuing Professional Education, the National Judicial College, and the New Jersey Judicial College, as well as numerous bar and judicial organizations nationwide.

In 2015, Judge Dreier was the recipient of the Lifetime Achievement Award from the *New Jersey Law Journal*. For his educational endeavors, NJICLE awarded him the 1993 Alfred C. Clapp Award for Excellence in Continuing Legal Education. He also received the New Jersey Bar Foundation's Medal of Honor in 2008, and the ADR Practitioner of the Year Award from the NJSBA's Dispute Resolution Section in 2010. He was the first recipient of the William A. Dreier Award for Excellence in Product Liability Law in 2009 from the NJSBA Product Liability Section.

Judge Dreier is a member (Emeritus) of the Columbia Law School Board of Visitors, the American Bar Association's Judicial Administration Division, the *New Jersey Law Journal* Editorial Board, the NJSBA's Dispute Resolution Section, the Marie L. Garibaldi ADR American Inns of Court, the American Bar Foundation, and the American Law Institute. He is also a Fellow of the College of Commercial Arbitrators and is a member of the New Jersey Panel of Distinguished Neutrals, International Institute for Conflict Prevention and Resolution, the National Academy of Distinguished Neutrals, and the AAA National Panels of Mediators and Commercial, Complex Cases, Class Actions, and Wireless Telecommunications Arbitrators.

Judge Dreier has been regularly included in the Alternative Dispute Resolution section of *The Best Lawyers in America*© and *New Jersey Super Lawyers*. He was named the *Best Lawyers*' Arbitration "Lawyer of the Year" in the Woodbridge, New Jersey Metro Area in 2018 and 2016 and is also listed in *Who's Who in America*.

Judge Dreier earned his B.S. from the Massachusetts Institute of Technology in 1958 and his J.D. from Columbia Law School in 1961. He is also a member of the New York Bar. He practices in the areas of products liability, arbitration, mediation, and civil litigation.

**PAUL A. ROWE, ESQ.**, is Chairman of Greenbaum, Rowe, Smith & Davis LLP, with offices in Woodbridge and Roseland, New Jersey.

Listed in *The Best Lawyers in America*© in the Bet-the-Company Litigation, Appellate Law, Commercial Litigation, Family Law, Litigation—Construction, Litigation—Intellectual Property and Litigation—Real Estate categories, Mr. Rowe was also selected as *Best Lawyers'* "Lawyer of the Year" in Litigation – Real Estate (2014), Appellate Practice (2013), and as "Bet-the-Company Litigator of the Year" (2011). He received the number one ranking in *Super Lawyers New Jersey* for four consecutive years (2012, 2013, 2014, 2105).

Mr. Rowe's practice has been limited exclusively to litigation for nearly five decades. The practice has involved all forms of business litigation. He has tried to conclusion numerous cases involving trade secrets, antitrust, stock fraud, real estate brokerage, corporate and partnership disputes, and numerous Chancery matters of the type described in this book. His trial practice has been in both state and federal courts in New Jersey and other states throughout the country.

In addition to being a co-author of the *Guidebook to Chancery Practice in New Jersey*, Mr. Rowe is the original author of *New Jersey Business Litigation* and is the co-author with Andrea J. Sullivan of the 2014 edition and all subsequent editions.

Mr. Rowe is a Fellow of the International Academy of Trial Lawyers and a Fellow of the American College of Trial Lawyers. He is a Past President of the Essex County Bar Association and a member of the New Jersey State and American Bar Associations and a Fellow of the American Bar Foundation. He is also a Trustee and Past President of the Legal Services Foundation of Essex County.

In 2014, Mr. Rowe was the recipient of the Lifetime Achievement in Litigation Award from the *New Jersey Law Journal*, and received the Robert J. Cirafesi Chancery Practice Award from the Middlesex County Bar Association. He was the recipient of the National Judge Learned Hand Award from the Metro New Jersey Region of AJC in 2013, and received the Trial Attorneys of New Jersey Lifetime Achievement Award in 1993.

Mr. Rowe is a 1958 graduate of Tufts College and a 1961 graduate of Columbia Law School. He was admitted to the New York Bar in 1961 and the New Jersey Bar in 1962. Mr. Rowe is a frequent lecturer for ICLE on various subjects in connection with business and commercial litigation and has authored numerous articles regarding trial practice and related topics.

**ANDREA J. SULLIVAN, ESQ.**, is a Partner in Greenbaum, Rowe, Smith & Davis LLP, with offices in Woodbridge and Roseland, New Jersey.

Ms. Sullivan's litigation practice encompasses the representation of individuals and business entities in commercial, estate, matrimonial, and chancery litigation, and alternative dispute resolution. She has significant experience in handling contract and partnership disputes, actions involving closely held companies, oppressed minority shareholder litigation, hiring and termination of senior employees, non-compete issues, and other "business divorce" matters. Ms. Sullivan has represented professionals including attorneys, accountants, and dentists in various actions, ranging from professional malfeasance to claims of fraud and alleged professional malpractice. She has appeared before professional boards, including those in the fields of accountancy, dentistry, and mortuary science. In the areas of estate litigation and matrimonial law, Ms. Sullivan's practice concentrates primarily on the representation of high net-worth individuals, including the resolution of matters requiring sophisticated business valuations.

Ms. Sullivan serves on the Board of Trustees of the New Jersey State Bar Association, and is a Member of the Family Law and Business Sections and Co-Chair of the Equity Jurisprudence Committee. She is the Immediate Past President of the Middlesex County Bar Association and the Chair of its Chancery Practice Committee. She also serves as the Chair of the NJSBA Middlesex County Judicial & Prosecutorial Appointments Committee. She is also a Board Member and Past President of the Middlesex County Bar Foundation. She serves as a member of the New Jersey Supreme Court Committee on Mandatory Continuing Legal Education and is the Treasurer and Past President of the Board of Trustees of Central Jersey Legal Services.

Ms. Sullivan is the recipient of the Middlesex County Bar Association Chancery Practice Award and was recognized as one of the Top 50 Women in Business by *NJBIZ*. Ms. Sullivan has been listed in *The Best Lawyers in America*© in the Commercial Litigation practice area and in *New Jersey Super Lawyers* in the Business Litigation practice area. She is Peer Review Rated AV® Preeminent by Martindale-Hubbell®.

Ms. Sullivan received her A.B., cum laude, from Mount Holyoke College and her J.D. with High Honors from Rutgers University School of Law (Newark), where she was elected to the Order of the Coif. She served as Law Secretary to the Hon. Erminie L. Conley, Superior Court of New Jersey, Chancery Division, General Equity Part.

# TABLE OF CONTENTS

BY HON. IRWIN I. KIMMELMAN	vii
CHAPTER I: EQUITABLE MAXIMS & EQUITABLE DEFENSES	1
A. THE MAXIMS	1
1. EQUITY SUFFERS NO RIGHT TO BE WITHOUT A REMEDY	2
2. EQUITY REGARDS SUBSTANCE RATHER THAN FORM	3
3. EQUITY REGARDS THAT AS DONE WHICH OUGHT TO BE DONE	5
4. EQUITY IMPUTES AN INTENTION TO FULFILL AN OBLIGATION	6
5. EQUALITY IS EQUITY	7
6A. WHERE EQUITIES ARE EQUAL THE FIRST IN TIME WILL PREVAIL	7
6B. WHERE EQUITIES ARE EQUAL THE LAW WILL PREVAIL	7
7. EQUITY FOLLOWS THE LAW	8
8. EQUITY ACTS IN PERSONAM NOT IN REM	9
9. EQUITY AIDS THE VIGILANT, NOT THOSE WHO SLEEP ON THEIR RIGHTS	10
10. HE WHO SEEKS EQUITY MUST DO EQUITY	11
11. He Who Comes Into Equity Must Come With Clean Hands	13
12. WHERE A LOSS MUST BE BORNE BY ONE OF TWO INNOCENT PERSONS EQUITY WILL IMPOSE THE LOSS ON THAT PARTY WHOSE ACT FIRST COULD HAVE PREVENTED THE LOSS	15
13. EQUITY ABHORS A FORFEITURE	16
14. EQUITY WILL NOT ORDER THE DOING OF AN IMPOSSIBLE ACT	16
15. EQUITY WILL NOT KNOWINGLY BECOME AN INSTRUMENT OF INJUSTICE	17
16. MISCELLANEOUS MAXIMS	17
B. EQUITABLE DEFENSES	18
1. ESTOPPEL	18
a. Equitable Estoppel	18
b. Promissory Estoppel	23
c. Governmental Agency Application	26

d. Judicial Estoppel	28
e. Estoppel by Deed or Mortgage	29
2. Laches	30
3. UNCLEAN HANDS	36
4. Undue Influence	36
a. Inter Vivos Gifts	37
b. Improvident Gifts	38
c. Wills Application	39
d. Post Mortem Tax Planning	40
5. Duress	41
6. INCAPACITY (INFANTS AND INCOMPETENTS)	43
7. Fraud	45
CHAPTER II: EQUITABLE REMEDIES	50
A. MORTGAGE FORECLOSURE (PROCEDURES & PRIORITIES)	50
1. Procedures	50
2. Priorities	64
B. CANCELLATION OF MORTGAGE	68
C. PARTITION	69
D. QUIET TITLE	74
E. DECLARATION OF INCAPACITY; CONSERVATORSHIPS; SPECIAL	
MEDICAL GUARDIANS; GUARDIANS FOR CHILDREN	
1. Incapacity Proceedings	77
2. Conservatorships	86
3. SPECIAL MEDICAL GUARDIANSHIPS	88
4. Guardians For Children	90
5. PROTECTIVE ARRANGEMENTS	92
F. AUTHORIZATION AND SUPERVISION OF LIFE SUPPORT PROCEDURES	93
G. SPECIFIC PERFORMANCE OF A CONTRACTUAL OBLIGATION	98
H REFORMATION OF INSTRUMENTS	107

I. RESCISSION OF A CONTRACT	110
J. RECEIVERSHIPS	113
1. CUSTODIAL RECEIVERSHIPS	113
2. STATUTORY CUSTODIAN OR PROVISIONAL DIRECTOR	115
3. STATUTORY RECEIVERSHIPS	116
4. FISCAL AGENTS	117
5. ANCILLARY MATTERS	118
6. Procedures	118
K. SHAREHOLDER ACTIONS	121
1. Derivative Suits	121
2. RIGHTS OF OPPRESSED MINORITY SHAREHOLDERS	124
L. PREVENTION OF UNFAIR COMPETITION	130
1. Non-Covenant Situations	130
2. Non-Disclosure	132
3. RESTRICTIVE COVENANTS	135
4. SPECIAL RULES	138
a. Physicians	138
b. Psychologists	139
c. Law Firms/Legal Profession	139
d. Accountants	144
e. Sale of a Business	144
f. Land Interests/Leases	145
5. MISCELLANEOUS OTHER UNFAIR TRADE PRACTICE	145
M. PIERCING THE CORPORATE VEIL	147
N. DISSOLUTION OF PARTNERSHIP AND JOINT VENTURE	150
O. LIMITED LIABILITY COMPANY	152
P. LABOR STRIKE INJUNCTIONS (ANTI-INJUNCTION ACT)	153
Q. TRUSTS	155
1 CONSTRUCTIVE TRUSTS	155

2. RESULTING TRUSTS	158
R. COMPELLING AN ACCOUNTING	159
S. ESCHEAT	159
T. EXHUMATION	161
U. SETTING ASIDE FRAUDULENT CONVEYANCES	162
V. INJUNCTIVE RESTRAINT OF A NUISANCE	165
W. ESTABLISHMENT OF A LOST TITLE DOCUMENT	167
X. COMPELLING AN ARBITRATION/ALTERNATIVE DISPUTE RESOLUTION	168
Y. EQUITABLE SUBROGATION	174
Z. LIENS	175
1. MECHANIC'S LIENS AGAINST PUBLIC FUNDS ARISING FROM MUNICIPAL CONTRACTS	175
2. OTHER LIENS	177
AA. PROBATE	178
BB. ANCILLARY MATTERS AFFECTING ALTERNATIVE DISPUTE RESOLUTION	179
CHAPTER III: REMEDIES IN EQUITY OR AT LAW	180
A. INJUNCTIVE RELIEF	180
1. TEMPORARY RESTRAINING ORDERS	180
2. Preliminary Or Interlocutory Injunctions	181
3. PERMANENT INJUNCTIONS	183
B. REPLEVIN	185
C. DECLARATORY JUDGMENT	185
CHAPTER IV: SOME EFFECTS OF FILING IN CHANCERY	188
A. JURY TRIALS IN THE CHANCERY DIVISION	188
B. EQUITY ACTS IN PERSONAM, NOT IN REM	191
C. SINGLE JUDGE, SPEEDY TRIAL	192
CHAPTER V: SELECTED CHANCERY PROCEDURES	193
A. ORDERS TO SHOW CAUSE	193

	B. LIS PENDENS	198
	C. PROBATE	201
	1. PROBATE OF WILLS AND ADMINISTRATION OF ESTATES	201
	2. Non-Adversarial Proceedings	205
	3. Trust Administration	208
	4. SUBSTITUTION OF A TRUSTEE	208
	5. ACCOUNTINGS BY FIDUCIARIES	209
	D. BONDS (APPROVAL OF FORM BY THE COURT)	215
	E. TRANSFER TO LAW DIVISION	216
	F. SERVICE OF PROCESS	217
	G. MOTIONS	218
	H. PRETRIALS	220
	I. SETTLEMENT	222
	J. DEFAULTS AND PROOF HEARINGS	224
	K. DISMISSALS	226
CH	APTER VI: FREQUENT MISFILINGS IN GENERAL EQUITY	228
	A. EJECTMENT	228
	B. ACTIONS IN LIEU OF PREROGATIVE WRITS	228
	C. MATRIMONIAL ACTIONS	229
	D. PALIMONY ACTIONS	229
API	PENDICES	231
	APPENDIX A: MAXIMS OF EQUITY REAPPRAISED  BY HOWARD L. OLECK, 6 RUTGERS L. REV. 528 (1952)	231
	APPENDIX B: SELECTED NEW JERSEY STATUTES AND RULES OF COURT GOVERNING CHANCERY PRACTICE	259
	APPENDIX B-1: SELECTED FORECLOSURE RULES AND STATUTES	287
	APPENDIX B-2: PROBATE RULES	311
	APPENDIX B-3: TABLES OF SUMMARY PROCEEDINGS	351

APPENDIX C: SAMPLE FORMS FOR SELECTED CHANCERY ACTIONS AND PROCEDURES	359
TABLE OF AUTHORITIES	
TABLE OF CASES	443
TABLE OF STATUTES	472
TABLE OF RULES	477
INDEX	