

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

IN RE RELIANCE SECURITIES :
LITIGATION. : C.A. No. 99-858-JJF
:

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MEMORANDUM OPINION

April 17, 2003
Wilmington, Delaware

FARNAN, District Judge.

On March 7, 2002, the Taylor Defendants¹ filed a Motion to Enjoin Prosecution of Released Claims (D.I. 548). The Taylor Defendants contend that Alvin Doppelt and Robert Doppelt ("Doppelts") have asserted claims in a lawsuit filed in the Circuit Court of Cook County, Illinois, captioned Alvin Doppelt, et al. v. Jeffery Taylor, et. al., C.A. No. 99 L 11100 (the "Illinois Action"), that were released by the Doppelts and are barred by the Final Judgment and Order of Dismissal With Prejudice (the "Final Judgment") (D.I. 538). In short, the Taylor Defendants contend the Illinois Action is an improper collateral attack on the Final Judgment that should be enjoined by this Court.

The Court did not receive the Doppelts' answer brief, which was due on March 21, 2003. Based on the Doppelts' failure to answer, the Taylor Defendants filed a Motion for Judgment by Default by the Court (D.I. 551) on April 10, 2003.² The Taylor Defendants contend that the Doppelts were properly served and that there is an urgent need for the requested injunction because the Taylor Defendants are being forced to produce documents in

¹ Jeffery Taylor, Bruce Taylor, Sidney Taylor, Iris Taylor, Taylor Capital Group, Inc., Cole Taylor Bank, the Taylor Family Partnership, L.P., and J. Christopher Alstrin.

² Because the Court will grant the Taylor Defendants' Motion to Enjoin on the merits, it will deny as moot the Motion for Judgment by Default.

the Illinois Action by April 22, 2003, with depositions to occur within thirty days of that date.

FACTS

A. The Class

On October 31, 2000, the Court certified a class which included "all persons who had a right to vote at Cole Taylor Financial Group's ("CTFG") annual meeting on November 15, 1996, to approve the split-off transaction pursuant to the proxy statement dated October 16, 1996." (the "Class") (D.I. 550 at A1-A2). The Taylor Defendants contend that because the Doppelts held CTFG stock on September 16, 1996, and were therefore eligible to vote on the split-off transaction, they are members of the Class. (D.I. 549 at 10). The Taylor Defendants further contend that the Doppelts neither opted out of the Class nor objected to the settlement. Id. at 5.

B. The Final Judgment

On February 8, 2002, the Court entered the Final Judgment (D.I. 538) ending the class action litigation spawned by the Split-Off Transaction involving Reliance Acceptance Group, Inc. (also known as CTFG), the Cole Taylor Bank, the CTFG shareholders, and the Taylor Defendants. As part of the settlement stipulation approved by the Final Judgment, the Class of CTFG shareholders agreed to release claims arising out of, based upon, or relating to the facts, transactions, events, or

occurrences which were or could have been alleged in the class action litigation. (D.I. 550 at A22-A23). The Final Judgment barred members of the class from pursuing released claims. Id. at A82. The Final Judgment provided that the Court retained "continuing and exclusive jurisdiction" for the purpose of "construing, enforcing and administering the Settlement Stipulation and resolving disputes as to the rights and obligations of the Settling Parties thereunder." Id. at A91-A92.

C. The Illinois Action

While the Reliance class action lawsuits were pending, the Doppelts filed the Illinois Action. (D.I. 550 at A93-A101). In the Illinois Action, the Doppelts seek to recover for the Taylor Defendants' alleged breach of an agreement to exchange bank stock for the Doppelts' CTFG stock as part of the Split-Off Transaction. Id.

The Taylor Defendants contend that they have moved for summary judgment in the Illinois Action based on the Final Judgment in this Court. (D.I. 549 at 6). The Taylor Defendants further contend that the Doppelts have not answered that Motion and are seeking discovery to formulate a response. Id. As part of that discovery, the Doppelts are seeking "[a]ll documents in ... [the possession of the Taylor Defendants] which relate to the 'Split-off Transaction' detailed in Case Nos. 98-288 (PJW) and C.A. No. 99-858-RRM, formerly pending in the United States

District Court for the District of Delaware [sic]." (D.I. 550 at A102).

DISCUSSION

The Taylor Defendants contend that, in the Illinois Action, the Doppelts are asserting claims that were released in the Final Judgment. Therefore, the Taylor Defendants urge the Court to enjoin the Illinois Action pursuant to the All Writs Statute, 28 U.S.C. § 1651(a).

The All Writs Statute, in relevant part, provides that "all courts established by Act of Congress may issue all writs necessary or appropriate in aid of their respective jurisdictions and agreeable to the usages and principles of law." 28 U.S.C. § 1651(a). "[C]ourts have interpreted [the All Writs Statute] as authorizing injunctions to protect and effectuate their judgments." Baker v. Gotz, 415 F.Supp. 1243, 1247 (D. Del. 1976) (collecting cases). Thus, the Court is empowered to enjoin the Illinois Action; however, the principles of federalism embodied in the Anti-Injunction Act, 28 U.S.C. § 2283, counsel restraint.

The Anti-Injunction Act provides: "A court of the United States may not grant an injunction to stay proceedings in a State court except as expressly authorized by Act of Congress, or where necessary in aid of its jurisdiction, or to protect or effectuate its judgments." 28 U.S.C. § 2283. The relief sought here, an

injunction to protect this Court's Final Judgment, falls within the "relitigation" exception to the Anti-Injunction Act and thus raises no significant federalism concerns. Moreover, the United States Court of Appeals for the Third Circuit recently confirmed the authority of a federal district court that has entered a final judgment implementing a class action settlement to enjoin class members from pursuing state court actions in violation of the settlement. In re Prudential Ins. Co. of America Sales Practice Litigation, 261 F.3d 355 (3d Cir. 2001). In Prudential, the court stated that "a district court has the power to enforce an ongoing order against relitigation so as to protect the integrity of a complex class settlement over which it retained jurisdiction." Id. at 367. Applying the above standards to the instant case, the Court concludes that it has both the power and jurisdiction to enjoin the Illinois Action.

The Settlement Stipulation and Final Judgment released:

all Claims (including Unknown Claims), demands, rights, liabilities and Causes of Action of every nature and description whatsoever, known or unknown, direct or indirect, whether concealed or hidden, asserted or that might have been asserted (including, without limitation, Claims for negligence, gross negligence, breach of duty of care and/or breach of duty of loyalty and/or breach of duty of candor, fraud, breach of fiduciary duty, mismanagement, corporate waste, breach of contract, negligent misrepresentation, or violations of any state or federal statutes rules or regulations) by the Class or any Lead Plaintiff, Class Member, or Delaware Class Litigation plaintiff against ... any of the Taylor Defendants ... arising out of, based upon, or related to ... the holding of RAG [Reliance Acceptance Group, formerly CTFG] common stock on

September 23, 1996 (the record date for the vote on the Split-Off Transaction)....

(D.I. 550 at A22-A23).

The Doppelts' claims for breach of contract and promissory estoppel against the Taylor Defendants in the Illinois Action relate to CTFG stock the Doppelts owned in the "fall of 1996." Id. at A93. The Doppelts' Amended Complaint recites the events leading up to and culminating in the Split-Off Transaction and alleges that the Doppelts are entitled to recovery based on the Taylor Defendants' breach of an oral agreement. Id. at 94.

Because the Doppelts owned CTFG stock at the relevant time, the Court concludes that the Doppelts were members of the Class. Thus, the Doppelts' claims arising out their ownership of CTFG stock are subject to the release in the Court's Final Judgment. Because the claims in the Illinois Action, as evidenced both by the Doppelts' Amended Complaint and discovery request (D.I. 550 at A93-A101, A102), arise out of the Split-Off Transaction, which is the very event mentioned in the Court's Final Judgment, the Court concludes that the claims asserted by the Doppelts in the Illinois Action are released claims. Thus, to protect its Final Judgment, the Court will grant the Taylor Defendants' Motion (D.I. 549) and enjoin the Illinois Action.

CONCLUSION

For the reasons discussed, the Court will grant the Taylor Defendants' Motion to Enjoin Prosecution of Released Claims (D.I.

548) .

An appropriate Order will be entered.

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

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LITIGATION. : C.A. No. 99-858-JJF
:

ORDER

At Wilmington this 17th day of April 2003, for the
reasons set forth in the Memorandum Opinion issued this date;

IT IS HEREBY ORDERED that:

- (1) The Taylor Defendants' Motion to Enjoin Prosecution of Released Claims (D.I. 548) is **GRANTED**;
- (2) Alvin Doppelt and Robert Doppelt are enjoined from maintaining, prosecuting, or otherwise pursuing the claims alleged in the lawsuit filed against the Taylor Defendants in the Circuit Court of Cook County, Illinois, captioned Alvin Doppelt, et al. v. Jeffery Taylor, et. al., C.A. No. 99 L 11100;
- (3) The Taylor Defendants' Motion for Judgment by Default by the Court (D.I. 551) is **DENIED** as moot.

JOSEPH J. FARNAN, JR.
UNITED STATES DISTRICT JUDGE