Jackson & Campbell, P.C.
2300 N Street, N.W.
Suite 300
Washington, D.C. 20037-1194
202.457.1600 (p)

SCOTUS Opinion: Court Sets No Objectively Reasonable Basis Standard For Violation Of Bankruptcy Discharge Orders

3 Jun 2019

James N. Markels

After Bradley Taggart was civilly sued for violating a business operating agreement, but before the case went to trial, he filed for Chapter 7 bankruptcy and received a discharge. After the discharge was granted, the civil suit recommenced and Taggart lost. The winners sought their attorneys fees incurred after Taggart s petition was filed, which normally were discharged unless Taggart had returned to the fray after filing for bankruptcy. Ultimately, the bankruptcy court held the winners in civil contempt for violating the bankruptcy discharge, applying a strict liability standard. On appeal, the sanctions were vacated under the Ninth Circuit s view that the winners had a subjective good faith belief that the discharge did not apply to their claim for fees. In assessing these conflicting standards of review, the Court, in a unanimous opinion by Justice Breyer, reversed, holding that a creditor may be held in civil contempt for violating a discharge order if the is no fair ground of doubt as to whether the order barred the creditor s conduct also phrased as whether the creditor had no objectively reasonable basis for its actions. The Court reasoned that discharge orders function as injunctions, and thus imported the standard for contempt sanctions against violators of injunctions into this area. The case was remanded for further proceedings. A link to the opinion in *Taggart v. Lorenzen* is here.

TAGGED: scotus, Bankruptcy Discharge, SCOTUS opinion, No Objectively Reasonable Basis, civil contempt, no fair ground of doubt, Taggart v. Lorenzen