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## U.S. Supreme Court sets New Precedent in Federal Rules of Bankruptcy Procedure

The U.S. Supreme Court set new precedent on January 14, 2020 when it decided that a ruling from a bankruptcy court enforcing a Chapter 11 automatic stay is a final order that must be appealed within 14 days as set forth in the Federal Rules of Bankruptcy Procedure.

This decision arose from a dispute between two companies which had a pending sanctions motion in Tennessee state court. One company filed bankruptcy right before the hearing, causing the litigation to be stayed until the bankruptcy was completed. The non-bankrupt company immediately filed a motion for relief from the stay, which was denied. Rather than appealing the order denying the motion, the company decided to litigate the underlying issue as part of the claims resolution process in front of the bankruptcy judge.

After the non-bankrupt company lost on the merits, it finally appealed the original ruling upholding the stay. The district court held that the stay was a final order and it was too late to appeal; the Sixth Circuit agreed and affirmed.

The Supreme Court then also affirmed. The Court ruled that allowing a party to appeal a stay more than 14 days after it was entered could allow for too much frivolous litigation. It was possible that parties could dispute the entire litigation years later, yet have all of the prior litigation undone simply if a party appealed the original denial of relief from the day and won. This could also potentially give a party the opportunity to re-litigate the entire case in a non-bankruptcy court if a later appeal was successful.

This is an important ruling for debtors and creditors alike. Those filing bankruptcy know they only have one opportunity to appeal the stay, and will not be able to do so later as a means of gaining a more favorable ruling. Additionally, creditors will be more secure in knowing that once the 14 days have passed, the bankruptcy will proceed without the potential for a change of venue or later appeal years down

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#### **John Finerty**

Partner

[jdfinerty@michaelbest.com](mailto:jdfinerty@michaelbest.com)

T 414.225.8269

#### **Justin Mertz**

Partner

[jmmertz@michaelbest.com](mailto:jmmertz@michaelbest.com)

T 414.225.4972