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Case Law Update for Q1 2024

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Eleventh Circuit Cases

PRN Real Estate & Investments, Ltd. v. Cole
85 F.4th 1324 (11th Cir. 2023)

Creditor filed multi-count complaint seeking to avoid and recover fraudulent transfers and objecting to the discharge of a chapter 7 debtor under section 727 of the Bankruptcy Code and to the dischargeability of its debt under section 523(a)(2)(A) of the Bankruptcy Code. The bankruptcy court entered summary judgment in favor of the debtor on certain counts of the complaint, and other counts proceeded to trial. The bankruptcy court ultimately entered judgment in favor of the debtor on all counts, and the district court affirmed. The Eleventh Circuit affirmed on all counts except for the 523(a)(2)(A) claim (the "Husky Claim") and reversed and remanded in part with respect to the Husky Claim.

The Eleventh Circuit affirmed rulings that the debtor's conduct did not amount to concealment of estate property or constitute false oaths necessary to bar discharge under section 727. The Eleventh Circuit adopted "to knowingly withhold information about property or to knowingly prevent its discovery" as the definition for concealment for purposes of section 727(a). The Court affirmed that the creditor lacked standing to pursue fraudulent transfer claims settled by the trustee.

As for the Husky Claim, the Eleventh Circuit reversed the rulings of the bankruptcy court and the district court, concluding that the creditor properly stated a claim under section 523(a)(2)(A), by alleging that the debtor obtained property by actual fraud and, that under state law, the debtor took on the transferor's debt when he fraudulently obtained such property. The creditor's nondischargeability claim was not preempted by the chapter 7 trustee's avoidance action or the settlement of that claim.

Sweetapple v. Asset Enhancement, Inc. (In re Asset Enhancement, Inc.)
87 F.4th 1271 (11th Cir. 2023)

Appeal of the bankruptcy court's contempt order arising from damages for violation of the automatic stay was timely even though the appeal was taken more than fourteen days after the order was entered. The contempt order awarded reasonable attorneys' fees and costs for the filing and prosecution of the contempt motion but did not include the amount of the attorneys' fees and costs. The parties stipulated to the amount of attorneys' fees and costs, and the bankruptcy court entered a separate order awarding the attorneys' fees and costs (the "Fee Order"). The notice of appeal was filed within fourteen days of the entry of the Fee Order. The debtor moved to dismiss the appeal for lack of jurisdiction as untimely, and the district court dismissed the appeal. Concluding that the appeal was timely filed, the Eleventh Circuit vacated the dismissal of the appeal and remanded to the district court to consider the merits of the appeal.

Bankruptcy Court Cases

In re Da Lugo Investment LLC d/b/a Oasis Sports Lounge
2023 WL 8369329 (Bankr. M.D. Fla. Dec. 1, 2023) (Colton, J.)

The debtor operated a hookah lounge in leased premises that were destroyed by a fire, which caused the debtor to file for chapter 11 bankruptcy. After the debtor rejected the lease, the landlord filed a claim for lease-rejection damages. In the claim, the landlord asserted a claim for the rent remaining under the lease. The claim stated that it "reserve[d] all claims against the Debtor that may exist as a result of the Tenant's intentional or negligent actions leading to a fire incident on the Leased Premises."

Later, the landlord amended its claim to assert a new claim for the debtor's alleged contractual duty to repair the leased premises even if it did not intentionally or negligently cause the fire. The court acknowledged that creditors are typically free to amend claims to cure a defect, describe the claim with greater particularity, or even plead a new theory on the facts set forth in the original claim. However, the court concluded that the contractual-duty-to-repair claim was essentially a new claim that "was not even hinted at in the [original] proof of claim." Therefore, Judge Colton denied landlord's motion to amend the claim to the extent it asserted a new contractual-duty-to-repair claim.

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In re Huckleberry Partners LLC
2023 WL 8453520 (Bankr. M.D. Fla. Nov. 22, 2023) (Robson, J.)

The liquidating agent objected to a claim by a creditor, an attorney seeking attorney's fees for the estate in connection with pre-petition services. The liquidating agent and creditor settled the claim objection and filed a motion to approve compromise. A dissociated member of the debtor, who was not a creditor, objected. After trial, Judge Robson approved the compromise, finding the settlement met the *Justice Oaks* factors as fair, reasonable, and within the range of possible litigation outcomes. Judge Robson explained she did not have to decide the numerous questions of law and fact raised by the objection party; instead, Judge Robson's task was to canvass the issues to see if the settlement fell below the lowest point in the range of reasonableness.