UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

Regions Bank v. J.R. Oil Co.

387 F.3d 721 (8th Cir. 2004) · No. 03-2283 · Decided October 14, 2004

SUMMARY

The Eighth Circuit affirmed summary judgment against Regions Bank on its civil RICO claims arising from alleged fraud in procuring a loan, transfers and use of collateral, and bankruptcy sales. The court held that the claims constituted an impermissible collateral attack on final bankruptcy-court judgments and, alternatively, that Regions Bank lacked RICO standing because it suffered no injury proximately caused by the alleged RICO conduct. The court also affirmed dismissal of the supplemental state-law claims for lack of federal jurisdiction.

CASE DETAILS

COURT	United States Court of Appeals for the Eighth Circuit
WRITING FOR THE COURT	Melloy, Circuit Judge; Riley, Circuit Judge; Erickson, District Judge, sitting by designation
JURISDICTION	Federal
DECIDED	October 14, 2004
DOCKET	03-2283
DISPOSITION	affirmed
PROCEDURAL POSTURE	Regions Bank appealed the district court's grant of summary judgment against its civil RICO claims and dismissal of its supplemental state-law claims.
STANDARD OF REVIEW	Summary judgment is reviewed de novo, with facts viewed in the light most favorable to the nonmoving party. The decision to decline supplemental jurisdiction is reviewed for abuse of discretion.
PRECEDENTIAL VALUE	published precedential opinion
PARTIES	Regions Bank v. J.R. Oil Company, LLC, Security Western Leasing Company, Jones Travel Mart, Jones Mart, Northend Jones Mart, Piggot Jones Mart, Tank Management, Inc., JFM, Incorporated, S.W. Jones Family Limited Partnership, Walcott Enterprises, Inc., Northchase Development, Inc., Larry Jack Taylor, Steven W. Jones, Marcella Jones, Kelly B. Jones, Jennifer Jones, Tim Jones

TOPICS

bankruptcy · standing · summary judgment · res judicata · commercial litigation

PRACTICE AREAS

bankruptcy · commercial litigation · civil procedure · RICO

QUESTIONS PRESENTED

1. Whether Regions Bank had standing to bring civil RICO claims when the alleged fraud-related injury occurred when it funded the loan and its later security interest was without value from inception.
2. Whether Regions Bank's RICO claims constituted impermissible collateral attacks on bankruptcy-court judgments approving sales free and clear of liens.
3. Whether claim preclusion barred claims concerning alleged misappropriation of J.R. Oil assets that Regions Bank knew about but failed to raise in the J.R. Oil bankruptcy proceeding.
4. Whether the district court abused its discretion by declining to exercise supplemental jurisdiction over the state-law claims after disposing of the federal RICO claims.

HOLDINGS

1. A civil RICO plaintiff must establish a concrete financial injury to its business or property proximately caused by the alleged RICO violation. Regions Bank lacked standing because its tangible loss occurred when it funded the loan, that loss was not shown to be caused by the alleged RICO enterprise, and its later security interest and contractual repayment rights were without value from inception.
2. A bankruptcy sale under 11 U.S.C. § 363 that is approved free and clear of liens and supported by findings of good faith and fair value is protected from collateral attack because it is an in rem judgment that transfers rights good against the world.
3. Claim preclusion barred Regions Bank from asserting later RICO claims based on alleged fraud or misappropriation of assets that arose from the same nucleus of operative facts as the J.R. Oil bankruptcy and that Regions Bank knew about but failed to present to the bankruptcy court.
4. The district court did not abuse its discretion by declining continued supplemental jurisdiction over Regions Bank's state-law claims after granting summary judgment on all federal RICO claims.

KEY QUOTATIONS

> *"To have standing to bring a civil RICO claim, a plaintiff must have suffered injury "by reason of" a RICO violation."* (at 729)

> *"A bankruptcy sale under 11 U.S.C. § 363, free and clear of all liens, is a judgment that is good as against the world, not merely as against parties to the proceedings."* (at 733)

> *"The judgment of the district court is affirmed."* (at 736)

FACTUAL BACKGROUND

Regions Bank funded a $400,000 loan to J.R. Oil Company and Steven Jones after receiving financial representations and believing it would obtain a first lien on J.R. Oil's assets. A post-funding lien search revealed that Regions Bank held only a secondary lien, while Enterprise Mortgage Acceptance Corporation and later LaSalle National Bank held perfected security interests that fully encumbered the collateral. J.R. Oil and Jones Realty subsequently filed Chapter 11 bankruptcy cases, and bankruptcy-court-approved sales transferred property free and clear of liens. Regions Bank did not challenge the bankruptcy filings, alleged asset transfers, or bankruptcy sales before the bankruptcy courts, but later asserted that the transactions constituted a RICO enterprise and caused it injury.

PROCEDURAL HISTORY

Regions Bank sued multiple defendants asserting state-law fraud, civil conspiracy, and breach-of-contract claims, along with three civil RICO claims arising from an allegedly fraudulent loan, transfers of collateral, and bankruptcy sales. The district court treated motions to dismiss as motions for summary judgment, concluded that Regions Bank had not established RICO continuity, granted summary judgment on the RICO claims, and declined supplemental jurisdiction over the state-law claims. The Eighth Circuit affirmed on alternative grounds, holding that Regions Bank lacked RICO standing and that the claims were impermissible collateral attacks or were barred by claim preclusion.

DISPOSITION

affirmed

CASES CITED

- Terry A. Lambert Plumbing, Inc. v. Western Sec. Bank, 934 F.2d 976, 979 (8th Cir. 1991)
- Lane v. Peterson, 899 F.2d 737, 742 (8th Cir. 1990)
- Blum v. Bacon, 457 U.S. 132, 137 n.5 (1982)
- Bieter Co. v. Blomquist, 987 F.2d 1319, 1325 (8th Cir. 1993)
- Newton v. Tyson Foods, Inc., 207 F.3d 444, 446-47 (8th Cir. 2000)
- Steele v. Hosp. Corp. of Am., 36 F.3d 69, 70-71 (9th Cir. 1994)
- Price v. Pinnacle Brands, Inc., 138 F.3d 602, 607 (5th Cir. 1998)
- Anderson v. Kutak (In re Taxable Mun. Bond Sec. Litig.), 51 F.3d 518, 522-23 (5th Cir. 1995)
- Hamm v. Rhone-Poulenc Rorer Pharm., Inc., 187 F.3d 941, 952 (8th Cir. 1999)
- Berg v. First State Ins. Co., 915 F.2d 460, 464 (9th Cir. 1990)
- Gekas v. Pipin (In re Met-L-Wood Corp.), 861 F.2d 1012, 1017 (7th Cir. 1988)
- Costner v. URS Consultants, Inc., 153 F.3d 667, 673 (8th Cir. 1998)
- United States v. Gurley, 43 F.3d 1188, 1195 (8th Cir. 1994)
- Black Clawson Co. v. Kroenert Corp., 245 F.3d 759, 764 (8th Cir. 2001)
- Chase Nat’l Bank v. City of Norwalk, 291 U.S. 431, 441 (1934)
- Eddings v. City of Hot Springs, 323 F.3d 596, 600 (8th Cir. 2003)
- Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 249-50 (1986)

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