UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

Claimant ID 100081155 v. BP Exploration & Production, Inc.

No. 18-30268 (Consolidated with 18-30269, 18-30270, 18-30271, 18-30281), United States Court of Appeals for the Fifth Circuit (April 18, 2019)

SUMMARY

The Fifth Circuit held that the district court misinterpreted the Deepwater Horizon Settlement Agreement's definition of a "failed business." The court ruled that the first definition requires both "ceased operations" and "wound down" as separate elements, and the third definition's "liquidation" means selling assets to settle debts, not merely disposing of assets. The court applied de novo review to interpretative issues arising from the district court's discretionary review. The case was vacated and remanded for proper application of the settlement agreement.

CASE DETAILS

COURT	United States Court of Appeals for the Fifth Circuit
WRITING FOR THE COURT	Jennifer Walker Elrod; Thomas M. Reavley; Don R. Willett
JURISDICTION	Federal
DECIDED	April 18, 2019
DOCKET	18-30268 (Consolidated with 18-30269, 18-30270, 18-30271, 18-30281)
DISPOSITION	vacated
PROCEDURAL POSTURE	Appeal from the United States District Court for the Eastern District of Louisiana, which granted discretionary review and affirmed the Appeal Panel's decision classifying JME as a failed business under the Settlement Agreement.
STANDARD OF REVIEW	De novo for interpretation of the Settlement Agreement; the court noted that the district court's interpretation of a settlement agreement is reviewed de novo, and that when the district court is presented with purely legal questions of contract interpretation, the standard is effectively de novo.
PRECEDENTIAL VALUE	published
PARTIES	Claimant ID 100081155 (JME Management, Inc.) v. BP Exploration & Production, Inc.; BP America Production Company; BP p.l.c.

TOPICS

contract interpretation | canons of construction | standard of review | appellate procedure | class actions

QUESTIONS PRESENTED

1. Whether the district court erred in interpreting the first definition of a 'failed business' under the Settlement Agreement, which requires that a business both 'ceased operations and wound down'.
2. Whether the district court erred in interpreting the third definition of a 'failed business', which requires that a business 'otherwise initiated or completed a liquidation of substantially all of its assets' to settle debts.

HOLDINGS

1. The district court erred by not requiring both 'ceased operations' and 'wound down' as separate elements. The conjunction 'and' requires an entity to have both ceased operations and set into motion a process to bring its corporate existence to a close to be a failed business under the first definition.
2. The district court erred in interpreting 'liquidation' as simply disposing of assets. The term 'liquidation' means converting assets into cash to settle debts, as indicated by dictionaries, contextual clues, and Exhibit 6 of the Settlement Agreement. An entity must have sold its assets to settle its debts to be a failed business under the third definition.

KEY QUOTATIONS

> *"A business Entity that commenced operations prior to November 1, 2008 and that, subsequent to May 1, 2010 but prior to December 31, 2011, either (i) ceased operations and wound down, or (ii) entered bankruptcy, or (iii) otherwise initiated or completed a liquidation of substantially all of its assets, as more fully described in Exhibit 6."* (at 3)

> *"We hold that the district court's conclusion was erroneous under both the first and third definitions."* (at 5)

> *"The district court's interpretation of the first definition was erroneous."* (at 8)

> *"We hold that an entity must have 'initiated or completed a liquidation of substantially all of its assets' to settle its debts to be a failed business under the third definition."* (at 11)

FACTUAL BACKGROUND

JME, a vacation rental business affected by the 2010 BP oil spill, sold substantially all of its assets to Gulf Blue Vacations Inc. in June 2011 for $800,000. JME then submitted five claims for compensation under the Settlement Program, calculating the value using the Business Economic Loss (BEL) framework. The Claims Administrator classified JME under the Failed Business Economic Loss (FBEL) framework, determining that JME was a 'failed business' under the Settlement Agreement, and awarded $0 for three locations and denied compensation for two locations.

PROCEDURAL HISTORY

JME filed five claims under the Settlement Program, which were classified under the FBEL framework. The Claims Administrator and Appeal Panel affirmed. The district court granted discretionary review and affirmed. JME appealed to the Fifth Circuit.

DISPOSITION

vacated

REMAND INSTRUCTIONS

Remand for further proceedings consistent with the opinion.

CASES CITED

- In re Deepwater Horizon, 785 F.3d 1003 (5th Cir. 2015)
- BP Expl. & Prod., Inc. v. Claimant ID 100169608, 682 F. App'x 256 (5th Cir. 2017)
- Claimant ID 100197593 v. BP Expl. & Prod., Inc., 666 F. App'x 358 (5th Cir. 2016)
- United States v. Delgado-Nunez, 295 F.3d 494 (5th Cir. 2002)
- Koon v. United States, 518 U.S. 81 (1996)
- Musacchio v. United States, 136 S. Ct. 709 (2016)
- Matador Petroleum Corp. v. St. Paul Surplus Lines Ins. Co., 174 F.3d 653 (5th Cir. 1999)
- Claimant ID 100262194 v. BP Expl. & Prod., Inc., 745 F. App'x 539 (5th Cir. 2018)
- Claimant ID 100212278 v. BP Expl. & Prod., Inc., 848 F.3d 407 (5th Cir. 2017)
- Holmes Motors, Inc. v. BP Expl. & Prod. Inc., 829 F.3d 313 (5th Cir. 2016)
- Breaux v. Halliburton Energy Servs., 562 F.3d 358 (5th Cir. 2009)
- In re Katrina Canal Breaches Litig., 495 F.3d 191 (5th Cir. 2007)
- Taniguchi v. Kan. Pac. Saipan, Ltd., 566 U.S. 560 (2012)
- In re Deepwater Horizon, 745 F.3d 157 (5th Cir. 2014)
- Envtl. Def. v. Duke Energy Corp., 549 U.S. 561 (2007)
- Atl. Cleaners & Dryers, Inc. v. United States, 286 U.S. 427 (1932)
- In re Deepwater Horizon, 857 F.3d 247 (5th Cir. 2017) (Crystal Seafood)
