UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

Regions Bank v. J.R. Oil Co., LLC

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

SUMMARY

The Eighth Circuit affirmed the dismissal of Regions Bank's civil RICO claims against entities and individuals associated with J.R. Oil Company and related businesses. The court held that the claims constituted an impermissible collateral attack on bankruptcy-court judgments and, alternatively, that Regions Bank lacked RICO standing because its alleged injuries were not proximately caused by the asserted RICO violations. 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	M. Steven Melloy; Riley; Melloy; Ralph R. Erickson
JURISDICTION	Federal
DECIDED	October 14, 2004
DOCKET	03-2283
DISPOSITION	affirmed
PROCEDURAL POSTURE	Regions Bank appealed the district court's adverse grant of summary judgment on its civil RICO claims. The district court treated pending motions to dismiss as motions for summary judgment, granted judgment for the defendants on the RICO claims, declined to continue exercising supplemental jurisdiction over the state-law claims, and stayed the claims against Steven Jones because of his personal bankruptcy.
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 under 28 U.S.C. § 1367(c)(3) 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, also known as Jones Travel Mart, Inc., Jones Mart, also known as Jones Mart, Inc., Northend Jones Mart,

Piggot Jones Mart, also known as 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 | commercial litigation | summary judgment | standing | appellate procedure

PRACTICE AREAS

Bankruptcy | Civil RICO | Commercial litigation | Civil procedure | Appellate procedure

QUESTIONS PRESENTED

1. Whether Regions Bank had standing to bring civil RICO claims when its tangible loan injury occurred when the loan was funded and the later alleged RICO conduct did not proximately cause additional financial loss.
2. Whether Regions Bank's RICO claims constituted impermissible collateral attacks on final bankruptcy judgments approving sales free and clear of liens.
3. Whether claim preclusion barred claims arising from alleged fraud or misappropriation of assets that Regions Bank knew of but failed to raise in the J.R. Oil bankruptcy proceeding.
4. Whether the district court abused its discretion by declining to retain supplemental jurisdiction over the state-law claims.

HOLDINGS

1. A civil RICO plaintiff must show a concrete financial injury to business or property that was factually and proximately caused by the RICO violation. Regions Bank lacked RICO standing because its tangible injury occurred when it funded the loan, the collateral was already fully encumbered by superior liens, and the later alleged bankruptcy-related conduct did not worsen its position.
2. A bankruptcy sale under 11 U.S.C. § 363 that is approved free and clear of liens is an in rem judgment binding against the world and cannot be collaterally attacked through a later civil action challenging the sale.
3. Regions Bank was barred from bringing later claims based on 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 of but failed to raise in that proceeding.
4. The district court did not abuse its discretion by declining to continue exercising supplemental jurisdiction over Regions Bank's state-law claims after disposing of the federal RICO claims.

KEY QUOTATIONS

> *“We review the district court's grant of summary judgment de novo and view the facts in a light most favorable to the non-moving party.”* (at 724)

> *“This tangible injury to Regions Bank was complete, however, when Regions Bank funded the loan.”* (at 725)

> *“Regions Bank lacks RICO standing because it suffered no injury to a tangible interest by reason of RICO violation.”* (at 727)

> *“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 728)

FACTUAL BACKGROUND

Regions Bank funded a $400,000 loan to J.R. Oil Company and Steven Jones based on representations about the borrowers' assets and the priority of Regions Bank's security interest. A later lien search showed that Regions Bank held a secondary position, while a prior lender's perfected security interests fully encumbered the relevant collateral. J.R. Oil and Jones Realty subsequently filed Chapter 11 bankruptcy cases, and bankruptcy courts approved sales of the relevant assets free and clear of liens. Regions Bank did not challenge the alleged fraud, missing assets, or bankruptcy sales in those proceedings before bringing RICO and state-law claims.

PROCEDURAL HISTORY

Regions Bank sued the defendants for fraud, civil conspiracy, breach of contract, and civil RICO violations arising from a loan, alleged transfers of collateral, and bankruptcy sales. After allowing amendment of the complaint and conducting discovery, the district court granted summary judgment, concluding that Regions Bank had not established RICO continuity, 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 on bankruptcy judgments.

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)
- Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 249-50 (1986)
- 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)
- Costner v. URS Consultants, Inc., 153 F.3d 667, 673 (8th Cir. 1998)
- 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)
- Gekas v. Pipin (In re Met-L-Wood Corp.), 861 F.2d 1012, 1017 (7th Cir. 1988)
- United States v. Gurley, 43 F.3d 1188, 1195 (8th Cir. 1994)
- Eddings v. City of Hot Springs, 323 F.3d 596, 600 (8th Cir. 2003)

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