UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS, DALLAS DIVISION

Highland Crusader Offshore Partners, L.P. v. Lifecare Holdings, Inc.

627 F. Supp. 2d 730 (N.D. Tex. 2008) · No. 3:08-CV-0102-B · Decided May 15, 2008

SUMMARY

The United States District Court for the Northern District of Texas denied plaintiffs' motion to remand an action alleging contract, fraud, and related claims arising from a senior credit agreement. The court held that it had jurisdiction under the Edge Act, 12 U.S.C. § 632, because the agreement involved a foreign lender and banking or financial operations.

CASE DETAILS

COURT	United States District Court for the Northern District of Texas, Dallas Division
WRITING FOR THE COURT	Jane J. Boyle
JURISDICTION	Texas
DECIDED	May 15, 2008
DOCKET	3:08-CV-0102-B
DISPOSITION	remanded
PROCEDURAL POSTURE	Plaintiffs moved to remand a state-law action after JPMorgan Chase removed it to federal court under the Edge Act, 12 U.S.C. § 632.
STANDARD OF REVIEW	The removing party bears the burden of establishing federal jurisdiction; doubts and ambiguities concerning removal are resolved against removal and in favor of remand.
PRECEDENTIAL VALUE	Published federal district court memorandum order; persuasive authority within the Northern District of Texas and the Fifth Circuit, but not binding circuit precedent.
PARTIES	Highland Crusader Offshore Partners, L.P., Highland Credit Strategies Funds, Highland Distressed Opportunities, Inc., Highland Floating Rate Advantage Fund, Restoration Opportunities Funds, Highland Credit Opportunities Fund CDO, L.P., Highland Funds I, Highland Capital Management, L.P. v. Lifecare Holdings, Inc., LCI Holdco, LLC, JPMorgan Chase Bank, N.A.

TOPICS

subject matter jurisdiction · civil procedure · breach of contract · commercial litigation · federalism

PRACTICE AREAS

federal jurisdiction · removal and remand · commercial lending · contract litigation

QUESTIONS PRESENTED

1. Whether the Credit Agreement constituted a foreign or international transaction for purposes of federal jurisdiction under the Edge Act.
2. Whether the Credit Agreement involved banking transactions or other financial operations within the meaning of 12 U.S.C. § 632.
3. Whether the state-law contractual and related claims had to themselves involve significant foreign banking issues to support Edge Act jurisdiction.

HOLDINGS

1. A credit agreement among American borrowers, an American bank, and multiple lenders, including a Bermudan limited partnership, constituted an international transaction for purposes of 12 U.S.C. § 632.
2. The loans made under the Credit Agreement constituted traditional banking activities and therefore satisfied the banking or financial-operations requirement of the Edge Act.
3. Section 632 does not require the claims themselves to involve significant foreign banking issues; it requires that the lawsuit arise out of a transaction involving international or foreign banking or other financial operations.

KEY QUOTATIONS

> *"The Court DENIES the Motion to Remand for the reasons that follow."* (627 F. Supp. 2d at 730)

> *"Section 632 does not require that the claims themselves have a foreign character; it only requires that the lawsuit "arise out of" transactions with a foreign aspect."*

> *"Based on the plain language of the statute and the authorities cited above, the Court concludes that it unlikely that the Edge Act requires that the lawsuit itself (as opposed to the underlying transaction) have a significant relationship with banking issues."*

FACTUAL BACKGROUND

The parties entered into a $255 million senior credit facility documented by a Credit Agreement among LifeCare and LCI as borrowers, JPMorgan as administrative and collateral agent and lender, and multiple lender plaintiffs. One plaintiff lender, Highland Crusader, was a Bermudan limited partnership with its principal place of business in Bermuda. After the Highland Funds declined to consent to a proposed second amendment, plaintiffs alleged that defendants secretly offered enhanced amendment fees to other lenders while excluding the Highland Funds.

PROCEDURAL HISTORY

Plaintiffs filed the action in the 191st Judicial District Court of Dallas County, Texas, asserting breach of contract, breach of the duty of good faith and fair dealing, fraud, negligent misrepresentation, aiding and abetting fraud, and conspiracy to commit fraud. JPMorgan filed a notice of removal on January 22, 2008, with the consent of the other defendants, invoking 12 U.S.C. § 632. The federal district court denied plaintiffs' motion to remand, concluding that the action arose from an international transaction involving banking or financial operations.

DISPOSITION

remanded

CASES CITED

- Howery v. Allstate Insurance Co., 243 F.3d 912, 916 (5th Cir. 2001)
- De Aguilar v. Boeing Co., 47 F.3d 1404, 1408 (5th Cir. 1995)
- Manguno v. Prudential Property and Casualty Insurance Co., 276 F.3d 720, 723 (5th Cir. 2002)
- Bank of America Corp. v. Lemgruber, 385 F. Supp. 2d 200, 213 (S.D.N.Y. 2005)
- Pinto v. Bank One Corp., 2003 WL 21297300, at *3, *3 n.5, *5 (S.D.N.Y. 2003)
- Stamm v. Barclays Bank of New York, 960 F. Supp. 724, 728 (S.D.N.Y. 1997)
- Corporacion Venezolana de Fomento v. Vintero Sales Corp., 629 F.2d 786, 793 (2d Cir. 1980)
- In re Lloyd's American Trust Fund Litigation, 928 F. Supp. 333, 340-341 (S.D.N.Y. 1996)
- Conitrade Services Corp. v. Eddie Bauer, Inc., 794 F. Supp. 514, 517 (S.D.N.Y. 1992)
- Racepoint Partners, LLC v. JPMorgan Chase Bank, 2006 WL 3044416, at *1, *3 (S.D.N.Y. 2006)
- Consorcio de Fomento Industrial S.A., de C.V. v. First National Bank of Chicago, 1993 WL 291706, at *3-*4 (N.D. Ill. 1993)
- Telecredit Service Center, Inc. v. First National Bank of the Florida Keys, 679 F. Supp. 1101, 1102-1104 (S.D. Fla. 1988)
- Bank of New York v. Bank of America, 861 F. Supp. 225, 232-233 (S.D.N.Y. 1994)
- Conjugal Society Composed of Juvenal Rosa v. Chicago Title Insurance Co., 690 F.2d 1 (1st Cir. 1982)
- Cutler v. Bank of America National Trust & Savings Association, 441 F. Supp. 863 (N.D. Cal. 1977)
- Puerto Rico v. Eastern Sugar Associates, 156 F.2d 316 (1st Cir. 1946), cert. denied, 329 U.S. 772 (1946)
- Rose Hall Ltd. v. Chase Manhattan Overseas Banking Corp., 494 F. Supp. 1139 (D. Del. 1980)
- General Star Indemnity Co. v. Platinum Indemnity Ltd. Bank of America, 2001 WL 40763, at *2 (S.D.N.Y. 2001)
- ABA International v. Citicorp USA, 1988 WL 30637, at *1 (S.D. Tex. 1988)