UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE

Opioid Master Disbursement Trust II v. Citadel Securities LLC, et al.

Opioid Master Disbursement Trust II · No. 1:25-cv-00114-SB · Decided November 24, 2025

SUMMARY

The United States District Court for the District of Delaware affirmed summary judgment for financial institutions in litigation seeking to recover Mallinckrodt PLC's allegedly fraudulent stock-repurchase payments. The court held that payments made to complete intended securities transactions may qualify as settlement payments under the Bankruptcy Code's 11 U.S.C. § 546(e) safe harbor even when the underlying transactions are void ab initio under Irish law. The court also concluded that the transfers were made in connection with securities contracts.

CASE DETAILS

COURT	United States District Court for the District of Delaware
WRITING FOR THE COURT	BIBAS, Circuit Judge, sitting by designation
JURISDICTION	United States District Court for the District of Delaware
DECIDED	November 24, 2025
DOCKET	1:25-cv-00114-SB
DISPOSITION	affirmed
PROCEDURAL POSTURE	Appeal from the bankruptcy court's grant of summary judgment in favor of financial institutions and other firms on the Trust's fraudulent-transfer claims seeking to recover stock-repurchase payments.
STANDARD OF REVIEW	De novo review of the grant of summary judgment.
PRECEDENTIAL VALUE	Unknown
PARTIES	Opioid Master Disbursement Trust II v. Citadel Securities LLC, et al.

TOPICS

fraudulent transfer · chapter 11 · bankruptcy · statutory interpretation · appellate procedure

PRACTICE AREAS

Bankruptcy · Fraudulent transfer · Securities transactions · Appellate procedure · Commercial litigation

QUESTIONS PRESENTED

1. Whether payments made for stock repurchases that were allegedly void ab initio under Irish law can qualify as settlement payments protected by 11 U.S.C. § 546(e).
2. Whether the challenged transfers were made in connection with securities contracts and therefore independently protected by 11 U.S.C. § 546(e).
3. Whether summary judgment for the appellees was proper.

HOLDINGS

1. Yes. Payments made to complete intended securities transactions may qualify as settlement payments under § 546(e) even when the underlying contracts are void ab initio and the securities transactions never became legally effective.
2. No. The distinction between void and voidable transactions does not exclude real payments from § 546(e)'s safe harbor.
3. Yes. The challenged transfers were made in connection with securities contracts because Mallinckrodt entered into purchase agreements with brokers under which the brokers executed the share repurchases.

KEY QUOTATIONS

> *"A payment alone is enough, even if the transaction does not ultimately settle."* (§ II.A)

> *"True, the contracts underlying the transaction are "nonexistent." But the settlement payments are not."* (§ II.B)

> *"The entire scheme is set up to determine whether transfers ought to be considered void."* (§ II.C)

> *"Here, that balances tips in favor of the financial firms. The Trust must continue pursuing compensation elsewhere."* (Conclusion)

FACTUAL BACKGROUND

Mallinckrodt, a major opioid manufacturer, conducted approximately $1.6 billion in debt-fueled share repurchases from 2015 through 2018 while its opioid-related liabilities mounted and its business deteriorated. The repurchases allegedly inflated the company's share price and transferred hundreds of millions of dollars to shareholders, including financial institutions, through brokers. After Mallinckrodt entered Chapter 11 bankruptcy, the Trust sought to claw back the payments as fraudulent transfers, while the appellees invoked the Bankruptcy Code's securities safe harbor.

PROCEDURAL HISTORY

After Mallinckrodt filed for Chapter 11 bankruptcy, opioid-related claims were assigned to the Opioid Master Disbursement Trust II. The Trust sued to avoid and recover allegedly fraudulent stock-repurchase transfers under 11 U.S.C. §§ 544(b) and 550(a). The bankruptcy court granted summary judgment for the appellees, holding that the payments were protected by the safe harbor in 11 U.S.C. § 546(e). The district court reviewed the judgment de novo and affirmed.

DISPOSITION

affirmed

CASES CITED

- Bevill, Bresler & Schulman Asset Mgmt. Corp. v. Spencer Sav. & Loan Ass'n, 878 F.2d 742 (3d Cir. 1989)
- Lowenschuss v. Resorts Int'l, Inc. (In re Resorts Int'l, Inc.), 181 F.3d 505 (3d Cir. 1999)
- Enron Corp. v. Bear, Stearns Int'l Ltd. (In re Enron Corp.), 323 B.R. 857 (Bankr. S.D.N.Y. 2005)
- Enron Creditors Recovery Corp. v. Alfa, S.A.B. de C.V., 651 F.3d 329 (2d Cir. 2011)
- Cooper v. Centar Invs. Asia Ltd. (In re TriGem Am. Corp.), 431 B.R. 855 (Bankr. C.D. Cal. 2010)
- Brandt v. B.A. Capital Co. LP (In re Plassein Int'l Corp.), 590 F.3d 252 (3d Cir. 2009)
- Picard v. Ida Fishman Revocable Trust (In re Bernard L. Madoff Inv. Sec. LLC), 773 F.3d 411 (2d Cir. 2014)
- Kaliner v. Load Rite Trailers, Inc. (In re Sverica Acquisition Corp., Inc.), 179 B.R. 457 (Bankr. E.D. Pa. 1995)
- Shadis v. Beal, 685 F.2d 824 (3d Cir. 1982)
- Sandvik AB v. Advent Int'l Corp., 220 F.3d 99 (3d Cir. 2000)
- Atl. Coast Line R. v. Florida, 295 U.S. 301 (1935)
- Buckeye Check Cashing, Inc. v. Cardegna, 546 U.S. 440 (2006)
- United States v. Amdahl Corp., 786 F.2d 387 (Fed. Cir. 1986)
- Knapper v. Bankers Trust Co. (In re Knapper), 407 F.3d 573 (3d Cir. 2005)
- Wyle v. Howard, Weil, Labouisse, Freidrichs Inc. (In re Hamilton Taft & Co.), 114 F.3d 991 (9th Cir. 1997)
- Miller v. Black Diamond Cap. Mgmt. (In re Bayou Steel BD Holdings, L.L.C.), 642 B.R. 371 (Bankr. D. Del. 2022)
- Am. Flint Glass Workers Union v. Anchor Resol. Corp., 197 F.3d 76, 80 (3d Cir. 1999)
- Fla. Dept. of State v. Treasure Salvors, Inc., 458 U.S. 670 (1982)
- Transamerica Mortg. Advisors, Inc. v. Lewis, 444 U.S. 11 (1979)

INSTRUCTIONS FOR AN AI ASSISTANT