

UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

In re Taylor

793 F.3d 814 (7th Cir. 2015) · Decided July 20, 2015

SUMMARY

The Seventh Circuit affirmed a district court decision reversing civil contempt sanctions, attorney-fee damages, and a judgment entered against a creditor and her attorneys in a Chapter 11 bankruptcy matter. The court held that the appeal was not moot because the purported settlement did not provide complete relief. It further held that seeking a state probate-court order ratifying an assignment did not violate the statutory discharge injunction or plan injunction and did not constitute an impermissible collateral attack on the bankruptcy court's judgment.

CASE DETAILS

COURT	United States Court of Appeals for the Seventh Circuit
WRITING FOR THE COURT	Diane P. Wood; Ilana Diamond Rovner; Patricia Ann Gaughan Springmann
JURISDICTION	Federal
DECIDED	July 20, 2015
DISPOSITION	affirmed
PROCEDURAL POSTURE	Taylor appealed from a district court decision affirming the reversal of a bankruptcy court's civil contempt order, damages order, and attorney-fee judgment against Caiarelli and her attorneys. Taylor also challenged the district court's refusal to dismiss the appeal as moot.
STANDARD OF REVIEW	Civil contempt findings are reviewed for abuse of discretion and are reversed only when based on faulty legal premises or clearly erroneous factual findings. Legal conclusions of the bankruptcy and district courts are reviewed de novo. The court applied the same standard as the district court.
PRECEDENTIAL VALUE	Published precedential federal appellate opinion
PARTIES	Charles Edward Taylor, II v. Patricia Caiarelli, Madeline Gauthier, Charles Kimbrough

TOPICS

bankruptcy

chapter 11

automatic stay

adversary proceedings

mootness

PRACTICE AREAS

Bankruptcy

Appellate Procedure

Civil Procedure

Probate

Remedies

QUESTIONS PRESENTED

1. Whether the appeal was moot because of a purported settlement under which Taylor would receive payment and seek vacatur of the challenged bankruptcy orders.
2. Whether seeking and obtaining the probate-court ratification order violated the statutory discharge injunction under 11 U.S.C. § 524(a)(2) or the Chapter 11 plan injunction.
3. Whether the probate-court ratification order constituted an impermissible collateral attack on the bankruptcy court's dismissal order.

HOLDINGS

1. The appeal was not moot because the purported settlement lacked the consent of all parties, might not result in vacatur of the challenged orders, and did not provide all relief sought by the appellees.
2. The appellees did not violate the statutory discharge injunction or the Chapter 11 plan injunction by seeking and obtaining the probate-court ratification order.
3. The probate-court ratification order was not an impermissible collateral attack on the bankruptcy court's dismissal order.

KEY QUOTATIONS

“A case is moot ‘only when it is impossible for a court to grant any effectual relief whatever to the prevailing party.’” (819)

“But gathering evidence to support a Rule 60(b) motion, in order to argue that a debt is not dischargeable, is not the same as taking action to collect on the debt.” (820)

“Given the facts presented — and in particular, the procedural gulf between the ratification order and an action to collect— we are not convinced that the Appellees violated the statutory discharge or plan injunctions by obtaining evidence in support of a permissible post-judgment motion.” (821)

“Accordingly, the district court correctly determined that the ratification order is not an impermissible collateral attack on a federal judgment.” (822)

FACTUAL BACKGROUND

Taylor's brother died in a boating accident, and a Washington probate court entered a judgment exceeding \$1.4 million against Taylor in favor of the decedent's minor child. The estate assigned the judgment to Patricia Caiarelli, but Taylor disputed the assignment and filed for Chapter 11 bankruptcy before the probate dispute was resolved. After Caiarelli's adversary proceeding seeking to except the judgment from discharge was dismissed for failure to establish standing, she obtained a probate-court order ratifying the assignment. The bankruptcy court found that obtaining the ratification order violated the discharge and plan injunctions and imposed contempt sanctions and attorney's fees.

PROCEDURAL HISTORY

After Caiarelli's adversary proceeding objecting to discharge of a judgment was dismissed for failure to establish standing, the bankruptcy court discharged the judgment and injunctions became effective. Caiarelli later obtained a state probate-court order ratifying the assignment of the judgment. The bankruptcy court held that Caiarelli and her attorneys violated the statutory discharge and plan injunctions, declared the ratification order void ab initio, and awarded \$165,662.36 in attorney's fees. The district court reversed those orders and denied Taylor's motion to dismiss the appeal as moot. The Seventh Circuit affirmed.

DISPOSITION

affirmed

CASES CITED

- *Ohr ex rel. NLRB v. Latino Express, Inc.*, 776 F.3d 469, 474 (7th Cir. 2015)
- *Harrell ex rel. NLRB v. American Red Cross, Heart of America Blood Services Region*, 714 F.3d 553, 556 (7th Cir. 2013)
- *In re Mississippi Valley Livestock, Inc.*, 745 F.3d 299, 302 (7th Cir. 2014)
- *Chafin v. Chafin*, 133 S. Ct. 1017, 1023, 185 L. Ed. 2d 1 (2013)
- *In re Envirodyne Industries, Inc.*, 29 F.3d 301, 304 (7th Cir. 1994)
- *Scott v. Westlake Services, LLC*, 740 F.3d 1124, 1126 (7th Cir. 2014)
- *Rand v. Monsanto Co.*, 926 F.2d 596, 597-98 (7th Cir. 1991)
- *Damasco v. Clearwire Corp.*, 662 F.3d 891, 895 (7th Cir. 2011)
- *Clark Equipment Co. v. Lift Parts Manufacturing Co., Inc.*, 972 F.2d 817, 818-19 (7th Cir. 1992)
- *Paul v. Iglehart* (In re Paul), 534 F.3d 1303, 1307 (10th Cir. 2008)
- *In re Hunter*, 970 F.2d 299, 310 (7th Cir. 1992)
- *Hawxhurst v. Pettibone Corp.*, 40 F.3d 175, 180 (7th Cir. 1994)
- *Eskridge v. Cook County*, 577 F.3d 806, 809 (7th Cir. 2009)
- *McCormick v. City of Chicago*, 230 F.3d 319, 327 (7th Cir. 2000)
- *Miller v. Meinhard-Commercial Corp.*, 462 F.2d 358 (5th Cir. 1972)
- *GAF Holdings, LLC v. Rinaldi* (In re Farmland Industries, Inc.), 376 B.R. 718 (Bankr. W.D. Mo. 2007)
- *Bell v. Eastman Kodak Co.*, 214 F.3d 798, 800-01 (7th Cir. 2000)

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