

SUPREME COURT OF CONNECTICUT

Jonathan S. Metcalf v. Michael Fitzgerald et al.

SC 20227 · No. SC 20227 · Decided September 3, 2019

SUMMARY

The Connecticut Supreme Court affirmed dismissal of state-law vexatious litigation and Connecticut Unfair Trade Practices Act claims arising from conduct during a bankruptcy proceeding. The court held that federal bankruptcy law implicitly preempts those claims because Congress occupied the field of penalties and sanctions for abuse of the bankruptcy process and because state-law remedies could undermine the uniformity and finality of bankruptcy proceedings.

CASE DETAILS

COURT	Supreme Court of Connecticut
WRITING FOR THE COURT	D'Auria, J.; Robinson, C. J.; Palmer, J.; McDonald, J.; Kahn, J.; Ecker, J.
JURISDICTION	Connecticut
DECIDED	September 3, 2019
DOCKET	SC 20227
DISPOSITION	affirmed
PROCEDURAL POSTURE	The plaintiff appealed from the Superior Court's dismissal, for lack of subject matter jurisdiction, of state-law vexatious litigation and Connecticut Unfair Trade Practices Act claims arising from conduct during a bankruptcy proceeding. The appeal was transferred from the Appellate Court to the Supreme Court of Connecticut.
STANDARD OF REVIEW	Review of a motion to dismiss raising subject matter jurisdiction is de novo. The court considers the allegations of the complaint in the light most favorable to the pleader, accepts well-pleaded facts and necessarily implied facts as true, and indulges every presumption favoring jurisdiction.
PRECEDENTIAL VALUE	Published Connecticut Supreme Court opinion; precedential.
PARTIES	Jonathan S. Metcalf v. Michael Fitzgerald, Ion Bank, Myles H. Alderman, Jr., Alderman & Alderman, LLC

TOPICS

bankruptcy

subject matter jurisdiction

adversary proceedings

remedies

civil procedure

PRACTICE AREAS

Bankruptcy

Federal preemption

Civil procedure

Consumer protection

QUESTIONS PRESENTED

1. Whether the Bankruptcy Code expressly preempts state-law vexatious litigation and CUTPA claims arising from alleged abuse of the bankruptcy process.
2. Whether the Bankruptcy Code implicitly preempts those state-law claims by occupying the field of penalties and sanctions for abuse of the bankruptcy process.
3. Whether the state-law claims are conflict-preempted because they obstruct Congress's objectives of uniformity and finality in the bankruptcy system.
4. Whether the Connecticut Supreme Court should decline to follow or overrule *Lewis v. Chelsea G.C.A. Realty Partnership, L.P.*

HOLDINGS

1. The Bankruptcy Code does not expressly preempt the plaintiff's state-law CUTPA and vexatious litigation claims because it contains no provision explicitly precluding those causes of action.
2. The Bankruptcy Code impliedly preempts state-law CUTPA and vexatious litigation claims based on alleged abuse of the bankruptcy process because Congress occupied the field of penalties and sanctions for such abuse.
3. Although compliance with the Bankruptcy Code and Connecticut law would not be impossible, the state-law CUTPA and vexatious litigation claims are conflict-preempted because they obstruct Congress's objectives of uniformly defining the scope and availability of remedies for abuse of the bankruptcy process.

KEY QUOTATIONS

“State [l]aw has a role to play in bankruptcy only if Congress affirmatively permits it.” (II A)

“Permitting assertion of a host of state law causes of action to redress wrongs under the Bankruptcy Code would undermine the uniformity the Code endeavors to preserve and would [stand] as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.” (III)

“it is for Congress and the federal courts, not the state courts, to decide what incentives and penalties are appropriate for use in connection with the bankruptcy process and when those incentives or penalties shall be utilized.” (II A)

FACTUAL BACKGROUND

Metcalf's business and later Metcalf individually filed for bankruptcy. Ion Bank, a creditor, commenced an adversary proceeding alleging, among other things, nondisclosure of information, improper transfers, destruction

of estate property, and fraud relating to the bankruptcy. After Metcalf presented evidence contradicting the allegations, the Bankruptcy Court dismissed the adversary proceeding. Metcalf subsequently alleged that the defendants had initiated and maintained the adversary proceeding without probable cause and with malice and had engaged in unfair or deceptive practices, seeking statutory, punitive, and other damages.

PROCEDURAL HISTORY

Metcalf's business filed a Chapter 11 bankruptcy petition in 2009, which was later converted to Chapter 7, and Metcalf then filed an individual Chapter 7 petition. Ion Bank commenced an adversary proceeding against him under 11 U.S.C. §§ 523(a) and 727(a)(7); after Metcalf submitted contrary evidence and moved for summary judgment, the bank moved to dismiss, and the Bankruptcy Court granted dismissal. Metcalf then brought state-law vexatious litigation and CUTPA claims in Superior Court. The trial court dismissed the claims on its own motion or on defendants' motion for lack of subject matter jurisdiction because federal bankruptcy law preempted them, and the Supreme Court affirmed.

DISPOSITION

affirmed

CASES CITED

- Lewis v. Chelsea G.C.A. Realty Partnership, L.P., 86 Conn. App. 596, 862 A.2d 368 (2004), cert. denied, 273 Conn. 909, 870 A.2d 1079 (2005)
- Dorry v. Garden, 313 Conn. 516, 521, 98 A.3d 55 (2014)
- Arizona v. United States, Arizona v. United States, 567 U.S. 387, 399, 132 S. Ct. 2492, 183 L. Ed. 2d 351 (2012)
- Sarrazin v. Coastal, Inc., 311 Conn. 581, 592-593, 89 A.3d 841 (2014)
- English v. General Electric Co., 496 U.S. 72, 78-79, 110 S. Ct. 2270, 110 L. Ed. 2d 65 (1990)
- Air Transport Assn. of America, Inc. v. Cuomo, 520 F.3d 218, 221 (2d Cir. 2008)
- Southport Congregational Church-United Church of Christ v. Hadley, 320 Conn. 103, 119 n.21, 128 A.3d 478 (2016)
- In re Pruitt, 401 B.R. 546, 554 (Bankr. D. Conn. 2009)
- Barbieri v. United Technologies Corp., 255 Conn. 708, 717, 771 A.2d 915 (2001)
- Eastern Equipment & Services Corp. v. Factory Point National Bank, 236 F.3d 117, 120-121 (2d Cir. 2001)
- MSR Exploration, Ltd. v. Meridian Oil, Inc., 74 F.3d 910, 913-916 (9th Cir. 1996)
- Astor Holdings, Inc. v. Roski, 325 F. Supp. 2d 251, 262 (S.D.N.Y. 2003)
- Glannon v. Garrett & Associates, Inc., 261 B.R. 259, 263 (D. Kan. 2001)
- Raymark Industries, Inc. v. Baron, Docket No. CIV 96-7625, 1997 WL 359333, *10 (E.D. Pa. June 23, 1997)
- Koffman v. Osteoimplant Technology, Inc., 182 B.R. 115, 125 (D. Md. 1995)
- Idell v. Goodman, 224 Cal. App. 3d 262, 269, 271, 273 Cal. Rptr. 605 (1990)
- Smith v. Mitchell Construction Co., 225 Ga. App. 383, 386, 481 S.E.2d 558 (1997), cert. denied

- Sarno v. Thermen, 239 Ill. App. 3d 1034, 1044, 608 N.E.2d 11 (1992)
- Mason v. Smith, 140 N.H. 696, 700-701, 672 A.2d 705 (1996)
- Stone Crushed Partnership v. Kassab Archbold Jackson & O'Brien, 589 Pa. 296, 314, 908 A.2d 875 (2006)
- Williams v. United States Fidelity & Guaranty Co., 236 U.S. 549, 554-555, 35 S. Ct. 289, 59 L. Ed. 713 (1915)
- In re Renshaw, 222 F.3d 82, 86 (2d Cir. 2000)
- Gonzales v. Parks, 830 F.2d 1033, 1035-1036 (9th Cir. 1987)
- Graber v. Fuqua, 279 S.W.3d 608, 609-620 (Tex.), cert. denied, 558 U.S. 880 (2009)
- U.S. Express Lines, Ltd. v. Higgins, 281 F.3d 383, 393 (3d Cir. 2002)
- R.L. LaRoche, Inc. v. Barnett Bank of South Florida, N.A., 661 So. 2d 855, 857 (Fla. App. 1995)
- Longnecker v. Deutsche Bank National Trust Co., Docket No. 12-2304, 2013 WL 6700312, *4, *6 (Iowa App. Dec. 18, 2013)
- PNH, Inc. v. Alfa Laval Flow, Inc., 130 Ohio St. 3d 278, 285, 958 N.E.2d 120 (2011), cert. denied, 565 U.S. 1262 (2012)
- Florida Lime & Avocado Growers, Inc. v. Paul, 373 U.S. 132, 142 (1963)
- Sosnowy v. A. Perri Farms, Inc., 764 F. Supp. 2d 457, 464 (E.D.N.Y. 2011)

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