

UNITED STATES DISTRICT COURT FOR THE DISTRICT OF PUERTO RICO

Edgar Reyes-Colon v. Banco Popular de Puerto Rico, et al.

Reyes-Colon · No. Civil No. 20-1355 (JAG) · Decided February 24, 2026

SUMMARY

The United States District Court for the District of Puerto Rico grants Edgar Reyes-Colon’s motion to withdraw the reference of his adversary proceeding seeking damages under 11 U.S.C. § 303(i)(2). The court holds that the Granfinanciera test establishes a Seventh Amendment right to a jury trial, rejects arguments that Puerto Rico residents lack that right in federal civil proceedings, and finds no waiver because the claim was not ripe before dismissal of the involuntary bankruptcy petition. The court also concludes that the § 303(i)(2) claims were timely and that the dispute should proceed in the district court.

CASE DETAILS

COURT	United States District Court for the District of Puerto Rico
WRITING FOR THE COURT	Jay A. Garcia-Gregory
JURISDICTION	United States District Court for the District of Puerto Rico
DECIDED	February 24, 2026
DOCKET	Civil No. 20-1355 (JAG)
DISPOSITION	other
PROCEDURAL POSTURE	Plaintiff moved under 28 U.S.C. § 157(d) to withdraw the reference of his bankruptcy adversary proceeding seeking damages under 11 U.S.C. § 303(i)(2). After the First Circuit vacated this court's prior denial of withdrawal and remanded, the district court granted the motion.
STANDARD OF REVIEW	The court applied the statutory cause standard for permissive withdrawal of reference under 28 U.S.C. § 157(d) and the four-part Granfinanciera test for determining whether the Seventh Amendment confers a jury-trial right.
PRECEDENTIAL VALUE	unpublished district court opinion
PARTIES	Edgar Reyes-Colon v. Banco Popular de Puerto Rico, Popular Auto

TOPICS

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adversary proceedings

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PRACTICE AREAS

bankruptcy

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QUESTIONS PRESENTED

1. Whether the reference of the § 303(i)(2) adversary proceeding should be withdrawn because Reyes-Colon has a Seventh Amendment right to a jury trial.
2. Whether Puerto Rico residency or the Insular Cases deprive a federal civil litigant in Puerto Rico of the Seventh Amendment right to a jury trial.
3. Whether Reyes-Colon waived his jury-trial right by failing to demand a jury before dismissal of the involuntary petition.
4. Whether the § 303(i)(2) claims were timely.
5. Whether Banco Popular's arguments concerning the § 157(d) withdrawal factors or the alleged lack of bad faith precluded withdrawal.

HOLDINGS

1. The reference must be withdrawn because Reyes-Colon's § 303(i)(2) damages claims satisfy the Granfinanciera test and implicate a Seventh Amendment right to a jury trial, which constitutes cause for withdrawal under 28 U.S.C. § 157(d).
2. Puerto Rican litigants in federal court are entitled to the Seventh Amendment right to a jury trial in civil proceedings; Balzac and the Insular Cases do not eliminate that right in a federal civil case arising under federal law.
3. Reyes-Colon did not waive his right to a jury trial because a § 303(i)(2) claim does not become ripe until the involuntary petition is dismissed, so he could not have been required to demand a jury before a legally cognizable claim existed.
4. The § 303(i)(2) claims were timely under the circumstances presented.

KEY QUOTATIONS

“Here, the Granfinanciera four prong test is met.” (at 5)

“Though Puerto Rico does not use juries for civil questions, it is well established that the Seventh Amendment most decidedly affords litigants in federal court in Puerto Rico the right to trial by jury.” (at 8-9)

“It would be absurd to require a litigant to make a jury demand before he has a valid claim to plead.” (at 10-11)

“For the aforementioned reasons, Plaintiff’s Motion to Withdraw Reference is GRANTED. The reference of this case to the bankruptcy court is withdrawn.” (at 15)

FACTUAL BACKGROUND

Banco Popular filed an involuntary bankruptcy petition against Reyes-Colon while related litigation was pending in Puerto Rico state court. The Bankruptcy Court ultimately dismissed the petition, and the First Circuit affirmed that dismissal. Reyes-Colon then sought damages and other relief under § 303(i)(2), alleging that Banco Popular filed the involuntary petition as a debt-collection and litigation tactic despite having state-court remedies and knowing it lacked the requisite number of creditors.

PROCEDURAL HISTORY

Banco Popular filed an involuntary bankruptcy petition against Reyes-Colon in 2006. The Bankruptcy Court dismissed the petition in 2016 for noncompliance with 11 U.S.C. § 303(b)(1); the District Court reversed, but the First Circuit reversed the District Court and affirmed dismissal in 2019. Reyes-Colon subsequently sought fees, costs, and damages under § 303(i), and the claim was refiled as an adversary proceeding. The Bankruptcy Court denied the claims and transmitted the withdrawal request to the District Court; after prior district-court rulings and a First Circuit remand, the District Court granted withdrawal of the reference.

DISPOSITION

other

CASES CITED

- Popular Auto, Inc. v. Reyes-Colon (In re Reyes-Colon), 922 F.3d 13, 20 (1st Cir. 2019)
- Reyes-Colon v. Banco Popular de P.R., 110 F.4th 54, 61-70 (1st Cir. 2024)
- Glannon v. Garrett & Assocs., Inc., 261 B.R. 259, 267 (D. Kan. 2001)
- Graber v. Fuqua, 279 S.W.3d 608, 610, 615 (Tex. 2009)
- McMillan v. Schmidt (In re McMillan), 614 F. App'x 206, 210 (5th Cir. 2015)
- Mont. Dep't of Revenue v. Blixseth (In re Blixseth), 112 F.4th 837, 847 (9th Cir. 2024)
- DVI Receivables XIV, LLC v. Rosenberg (In re Rosenberg), 779 F.3d 1254, 1260 (11th Cir. 2015)
- Nat'l Med. Imaging, LLC v. U.S. Bank, N.A. (In re Nat'l Med. Imaging, LLC), 818 F. App'x 129, 132 (3d Cir. 2020)
- In re Dean, 359 B.R. 218, 222 (Bankr. C.D. Ill. 2006)
- Ponce Marine Farm v. Browner (In re Ponce Marine Farm), 172 B.R. 722, 723-24 (Bankr. D.P.R. 1994)
- Granfinanciera v. Nordberg, 492 U.S. 33, 42, 48-49, 51-52 (1989)
- Glannon v. Carpenter (In re Glannon), 245 B.R. 882, 889 (D. Kan. 2000)
- Moyer v. Koloseik (In re Sutton), 470 B.R. 462, 472 (Bankr. W.D. Mich. 2012)
- Nat'l Med. Imaging, LLC v. DVI Receivables XIV, LLC, 2016 U.S. Dist. LEXIS 117973, *20 (E.D. Pa. 2016)
- Balzac v. Porto Rico, 258 U.S. 298 (1922)
- Reid v. Covert, 354 U.S. 1, 14 (1957)
- United States v. Verdugo-Urquidez, 494 U.S. 259, 291 (1990) (Brennan, J., dissenting)
- Jacob v. New York City, 315 U.S. 752, 752-53 (1942)

- Mitsui & Co. v. P.R. Water Res. Auth., 558 F. Supp. 116, 117 (D.P.R. 1983)
- United States v. Santiago, 23 F. Supp. 3d 68, 68-69 (D.P.R. 2014)
- Pérez-Pérez v. Hosp. Episcopal San Lucas, Inc., 113 F.4th 1, 8 (1st Cir. 2024)
- Byrd v. Blue Ridge Rural Elec. Coop., 356 U.S. 525, 538 (1958)
- Wright v. Paramount-Richards Theatres, Inc., 198 F.2d 303, 305 (5th Cir. 1952)
- Reddy v. Foster, 845 F.3d 493, 500 (1st Cir. 2017)
- Herbert v. Dickhaut, 695 F.3d 105, 109 (1st Cir. 2012)
- Nat'l Med. Imaging, LLC v. U.S. Bank, N.A. (In re Nat'l Med. Imaging, LLC), 570 B.R. 147, 157 (Bankr. E.D. Pa. 2017)
- Rosenberg v. DVI Receivables XIV, LLC, 818 F.3d 1283, 1285 (11th Cir. 2016)
- Hilrock Corp. v. Imani Fe, LP (In re Imani Fe, LP), 2012 Bankr. LEXIS 5232, *16 (B.A.P. 9th Cir. 2012)
- In re Forever Green Ath. Fields, Inc., 804 F.3d 328, 330 (3d Cir. 2015)
- In re Nordbrock, 772 F.2d 397, 400 (8th Cir. 1985)
- In re Tichy, 332 B.R. 364, 374 (Bankr. N.D. Iowa 2005)
- In re Val W. Poterek & Sons, 169 B.R. 896, 905 (Bankr. N.D. Ill. 1994)
- In re Silverman, 230 B.R. 46, 53 (Bankr. D.N.J. 1998)
- In re Dami, 172 B.R. 6, 10 (Bankr. E.D. Pa. 1994)