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ALERTS

SCOTUS Cert Recap: Civil Procedure, Bankruptcy, And Worker's Comp

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Highlights

On Jan. 10, the U.S. Supreme Court agreed to hear three cases, which present the following three questions:

Does a motion for relief from a final judgment that is premised on a legal error fall under Rule 60(b)(1) or 60(b)(6)?

Does the Constitution's provision for "uniform" bankruptcy laws permit Congress to implement Chapter 11 fee increases in different ways in different regions of the country?

Does federal law permit a state to adopt a workers' compensation statute that applies exclusively to federal contractors who work at a single, statutorily specified federal facility?

This week, the U.S. Supreme Court granted three of the cert. petitions it considered at its first conference of the new year.

The Court agreed to hear issues involving: 1) the grounds for relief from a final judgment under Federal Rule of Civil Procedure 60(b)(1), 2) the limits on Congress' authority to apply different bankruptcy rules to

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different parts of the country, and 3) the scope of states' authority to apply their workers' compensation laws to federal facilities.

Such issues are not the most high-profile the Court will address this term, as underscored by the absence of cert-stage amicus briefs in all three of the cases (though this is less uncommon than one might think; by our calculations, about 40 percent of the cert. petitions granted for plenary review last term lacked cert-stage amicus briefs). For governmental entities, bankruptcy practitioners, and federal court civil litigators, however, the cases are worth noting and following.

Rule 60(b) Motions for Relief from Final Judgment

In *Kemp v. United States*, the Court finally agreed to resolve what the cert. petition characterizes as a 50-year circuit split on whether the "mistake" prong of Rule 60(b)(1) authorizes relief based on a district court's legal error. Rule 60(b) sets out six categories of reasons why a district court may relieve a party from a final judgment, including "mistake, inadvertence, surprise, or excusable neglect" under 60(b)(1) and "any other reason that justifies relief" under 60(b)(6). The lower courts agree that 60(b)(1) and 60(b)(6) authorize relief for at least some legal errors, but disagree about which of those provisions does so.

And that seemingly picayune distinction can matter. The Federal Rules require all 60(b) motions to be made "within a reasonable time" but set a hard one-year time limit for relief sought on 60(b)(1) grounds. This means that if Rule 60(b)(1) does *not* encompass legal errors, motions alleging legal errors would fall under Rule 60(b)(6) and would not need to meet the bright-line one-year rule – though such motions would then be subject to the Supreme Court's additional requirement that 60(b)(6) motions establish "extraordinary circumstances" justifying relief. Accordingly, the question in this case can mean the difference between a timely and untimely 60(b) motion, and civil litigators should be on the lookout for the Court's answer.

Congress' Authority to Adopt "Uniform" Bankruptcy Rules

The Court will also take up *Siegel v. Fitzgerald*, where it will consider the meaning of the Constitution's Bankruptcy Clause, which authorizes Congress to establish "*uniform* Laws on the subject of Bankruptcies throughout the United States." The petitioner in this case contends that Congress violated this "uniformity" requirement by dividing the nation's bankruptcy courts into two slightly different categories. Most operate under the U.S. Trustee program, while six (all in North Carolina and Alabama) operate under the Bankruptcy Administrator program.

In 2017, Congress increased the quarterly fees paid by debtors in large Chapter 11 bankruptcies from $30,000 to $250,000, and while this increase was immediately applicable to all pending and future cases in Trustee districts, it was imposed in Administrator districts nine months later, and then only to future cases. In *Siegel* the Court will decide whether this difference renders the 2017 statute unconstitutionally "non-uniform" (and, if the Court concludes it is unconstitutional, there will be a further difficult question to tackle concerning how such a defect should be remedied). Notably, even the respondent (who is represented

by the U.S. Solicitor General) urged the Court to take this case, observing that though Congress eliminated the difference in 2020, the question presented in this case could affect the status of approximately $324 million in quarterly fees imposed nationwide under the 2017 statute.

In light of such figures, bankruptcy professionals across the country – especially those with cases subject to the 2017 statute – will likely have a strong interest in what the Court will say.

Limits on States' Application of Workers' Compensation Laws to Federal Facilities

In *United States v. Washington*, the Court agreed to hear the federal government's challenge to a Washington workers' compensation law that applies exclusively to contractors at a federally owned nuclear-waste cleanup site. Under longstanding principles of intergovernmental immunity, state regulation of federal facilities is generally permissible only where such regulation is clearly authorized by Congress. And the federal government contends that the relevant statute here – which allows states to regulate workers' compensation at federal facilities "in the same way and to the same extent as if the premises were under the exclusive jurisdiction of the State" – does not permit states to single out federal facilities for unique treatment. The state of Washington, meanwhile, counters that states routinely apply different rules to different employers, and it argues that the federal statute simply authorizes such context-sensitive regulation at private and federal facilities alike.

The dispute accordingly consists of competing interpretations of a narrow federal statute (40 U.S.C. § 3172(a)), and it is therefore difficult to see how the case could have much broader significance outside the workers' compensation context. Contractors working at federal facilities, however, may be interested to see whether the Supreme Court opens the door for future challenges to state workers' compensation laws.

To obtain more information, please contact the Barnes & Thornburg attorney with whom you work, or Kian Hudson at 317-229-3111 or kian.hudson@btlaw.com.