Docket #1031 Date Filed: 10/14/2026

THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF NEW YORK

In re:	Chapter 11
Vanderbilt Minerals, LLC,[1]	Case No. 26-60110 (WAK)
Debtor.	

NOTICE OF FILING OF AMICUS BRIEF OF THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS WITH THE UNITED STATES SUPREME COURT

PLEASE TAKE NOTICE that on October 8, 2026, the Official Committee of Unsecured Creditors, by and through proposed amicus counsel, MoloLamken LLP[2], filed the *Brief of Official Committee of Unsecured Creditors in the Chapter 11 Case of Vanderbilt Minerals, LLC as Amicus Curiae Supporting Petitioner* (the "Amicus Brief") supporting the petitioner in *Official Committee of Talc Claimants v. Whittaker, Clark & Daniels, Inc., et al.,* No. 26-263. Attached hereto as **Exhibit A** is a copy of the Amicus Brief.

Dated: October 14, 2026

Respectfully submitted,

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[1] The Debtor is Syracuse Minerals, LLC (f/k/a Vanderbilt Minerals, LLC) (EIN 13-1432885). The Debtor's noticing address in this chapter 11 case is 33 Winfield Street, Norwalk, Connecticut 06855.

[2] The Committee's application to retain MoloLamken LLP as amicus counsel was filed on October 2, 2026, and is currently pending before this Court. *See* Docket No. 1006. The Court has scheduled a hearing on the application for October 28, 2026. *See* Docket No. 1009.

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CERTIFICATE OF SERVICE

I certify that on October 14, 2026, I caused a true and correct copy of the foregoing document to be served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas on those parties registered to receive electronic notices.

/s/ David J. Molton
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EXHIBIT A

No. 26-263

IN THE

Supreme Court of the United States

OFFICIAL COMMITTEE OF TALC CLAIMANTS,
Petitioner,

v.

WHITTAKER, CLARK & DANIELS, INC., ET AL.,
Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Third Circuit

BRIEF OF OFFICIAL COMMITTEE OF UNSECURED CREDITORS IN THE CHAPTER 11 CASE OF VANDERBILT MINERALS, LLC AS *AMICUS CURIAE* SUPPORTING PETITIONER

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OFFICIAL COMMITTEE OF TALC CLAIMANTS,

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BRIEF OF OFFICIAL COMMITTEE OF UNSECURED CREDITORS IN THE CHAPTER 11 CASE OF VANDERBILT MINERALS, LLC AS *AMICUS CURIAE* SUPPORTING PETITIONER

INTERESTS OF *AMICUS CURIAE* [1]

Amicus is the Official Committee of Unsecured Creditors in the Chapter 11 bankruptcy case of Vanderbilt

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[1] Pursuant to this Court's Rule 37.6, *amicus* states that no counsel for a party authored this brief in whole or in part, that no such counsel or party made a monetary contribution intended to fund the preparation or submission of the brief, and that no person other than *amicus* and its counsel made such a monetary contribution. Counsel was engaged by the Committee, and the Committee is seeking bankruptcy court approval of that retention. In accordance with this Court's Rule 37.2,

Minerals, LLC, currently pending in the United States Bankruptcy Court for the Northern District of New York, *In re Vanderbilt Minerals, LLC*, No. 26-60110 (WAK). In that capacity, the Committee represents the interests of various individuals who suffered severe injuries from exposure to asbestos-containing talc produced by Vanderbilt's predecessor, as well as the interests of others holding the resulting personal-injury and wrongful-death claims.

The Committee has a significant interest in this case. The decision below directly affects the asbestos claimants whose interests the Committee represents. The debtor in *Vanderbilt Minerals* invoked the same Bankruptcy Code provision at issue in this case to support a collusive settlement with its own non-bankrupt affiliates. Under the terms of that settlement, Vanderbilt Minerals purported to extinguish the claimants' rights to recover for their injuries from *Vanderbilt's own solvent affiliates*, obtaining no identifiable consideration for releasing those claims. Although the court ultimately approved that settlement under a different Bankruptcy Code provision, the Third Circuit's decision in this case is another route to that same unauthorized result.

INTRODUCTION AND SUMMARY OF ARGUMENT

This case implicates an important issue that divides the courts of appeals—whether and when a trustee in bankruptcy may take control of claimant lawsuits against non-bankrupt third parties. This Court's decision in *Harrington* v. *Purdue Pharma L.P.*, 603 U.S. 204 (2024), held that bankruptcy courts lack authority to discharge tort claims against non-debtors—that the Bankruptcy

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counsel for *amicus* provided notice to all counsel of record at least 10 days prior to this brief's due date.

Code does not authorize them to absolve third parties of tort liability to injured claimants without the claimants' consent. Since *Purdue*, however, the circuits have splintered on whether trustees and debtors-in-possession can effectively achieve the same result by other means—through § 541 or § 544 of the Bankruptcy Code. This case offers the Court an opportunity to address those conflicts and shut down both end-runs on *Purdue* at once.

Section 541 of the Bankruptcy Code, 11 U.S.C. § 541, defines the property of the bankruptcy estate (effectively what the bankrupt entity owns). In the decision below, the Third Circuit read that provision to afford bankruptcy trustees exclusive authority to assert and resolve personal-injury tort claims, brought by grievously injured individuals, who seek to hold non-debtor third parties liable as the debtors' alter egos or successors.

The Third Circuit did not dispute that such tort claims ordinarily belong to, and can be asserted only by, the injured tort claimants themselves. But it held that § 541 of the Bankruptcy Code hands their causes of action to one of the very entities responsible for their injuries—the bankrupt debtor—and allows that entity to dispose of those claims in concert with its own, potentially liable affiliates. Such claims, the Third Circuit held, *belong to the debtor upon the filing of a bankruptcy case* as a matter of federal common law, even though the debtor could not assert them on its own behalf outside of bankruptcy.

The Second Circuit recently read § 544(a) of the Bankruptcy Code in a way that threatens the same result. Section 544 allows a bankruptcy trustee to avoid certain prepetition transfers and unperfected liens. In *In re Kwok*, 172 F.4th 145 (2d Cir. 2026), the Second Circuit held that § 544(a) allows a trustee to assume control of and resolve claims that seek to hold third parties liable as alter

egos of the debtor, without regard to which party holds the state-law right to the underlying cause of action. That provision was never meant as a license for trustees to hijack and dispose of common-law claims seeking relief for creditors' *personal* injuries against non-debtors. Yet the Second Circuit's decision threatens precisely that result. That decision is the subject of another petition pending in this Court, *Mei Guo, et al.* v. *Luc A. Despins*, No. 26-194 (filed Aug. 11, 2026).

The Third Circuit's decision in this case and the Second Circuit's decision in *Kwok*, raised by the petition in *Guo*, both reflect the same flawed theory: that claims seeking relief from a bankrupt debtor's solvent alter egos or successors are necessarily "based on an injury to the debtor corporation," rather than injury to the individual claimants asserting them. Pet. App. 46a-47a; see *Kwok*, 172 F.4th at 156 (claims "that enlarge the size of the bankruptcy estate for all creditors" are not personal to any creditor). That might be a reasonable characterization of claims that seek, for example, to avoid prepetition transfers that took property from the debtor in advance of a bankruptcy petition. In those sorts of cases, the Bankruptcy Code explicitly provides mechanisms for the estate to recover property that is rightfully its own. But those provisions do not permit the debtor to seize control over, and dispose of, *tort victims' personal-injury claims* against the debtor's solvent alter egos or successors in interest—much less to do so over the tort victims' objections. Such claims are *not* "'aimed at recovering estate assets.'" Pet. App. 46a. They seek redress for the claimants *personally* and are property of the claimants under state law.

The implications of these atextual expansions of bankruptcy-court authority are staggering. For example, a

debtor-in-possession (which, under 11 U.S.C. §1107, enjoys the same powers as a trustee) might take control of and extinguish tort claims asserted by seriously injured individuals against *the debtor's own solvent affiliates*, all over the injured claimants' vociferous objections. That is what happened here. And it is what happened in *Vanderbilt Minerals*, the case in which the Committee represents talc claimants. However administratively convenient such results may seem for tortfeasors, it leaves tort victims, who previously had claims for compensation against solvent, non-bankrupt third parties, empty-handed.

The impact extends well beyond the already important circuit conflicts this case implicates. The rule that now prevails in the Third Circuit threatens claimants' state-law rights to recover for their own personal injuries, erodes the limits on bankruptcy courts' authority to dispose of claims against non-debtors, and upends the central role of state law in defining property rights in bankruptcy. It effectively grabs injured claimants' state-law property rights in their cause of action and hands those rights over to their opponents in litigation. And it intrudes on claimants' Seventh Amendment right to seek redress, allowing their opponent to resolve their claims without their consent.

This case is an ideal vehicle to address the conflict. The Third Circuit's decision misread §541 to effectively transfer state-law property rights from injured claimants to their opponent when §541's text contemplates no such thing. That issue is squarely presented. But the case also presents whether the same result can be achieved under §544(a) of the Bankruptcy Code—the question implicated by the certiorari petition in *Guo*, No. 26-194. In the proceedings below here, the bankruptcy court ruled in the alternative that the debtor could achieve the same result

under § 544(a). Pet. App. 211a-226a. And the parties litigated that alternative holding on appeal. Pet. App. 14a-15a & n.5. Although the Third Circuit found it unnecessary to address the § 544(a) alternative rationale, it was pressed below and is thus properly preserved and presented for this Court's review.

REASONS FOR GRANTING THE PETITION

I. THE CIRCUITS ARE IN DISARRAY OVER THE SCOPE OF A TRUSTEE'S AUTHORITY TO LITIGATE CREDITORS' CLAIMS AGAINST NON-DEBTOR THIRD PARTIES

There is an open and acknowledged circuit conflict over the scope of a bankruptcy trustee's authority to litigate creditor claims against third parties under § 541(a)(1). And a similar division of authority, also presented here, over whether trustees may do so under § 544(a).

A. The Circuits Are Divided Over Whether Creditor Claims Against Third Parties Are "Property of the Estate" Under § 541 Where the Debtor Could Not Assert the Claims Outside of Bankruptcy

In *Caplin* v. *Marine Midland Grace Trust Co. of New York*, 406 U.S. 416 (1972), this Court held that the Bankruptcy Act of 1898 does not allow trustees to "collect money not owed to the estate" by "suing third parties on behalf of" a debtor's creditors. *Id.* at 428. Applying that same principle to the Bankruptcy Code of 1978, the Second, Fourth, Fifth, Sixth, Seventh, Eighth, and Eleventh Circuits have refused to give trustees control of claims outside bankruptcy under § 541 unless the debtor could have asserted those claims on its own behalf under state law. See, *e.g.*, *In re Ozark Rest. Equip. Co.* v. *Anderson*, 816 F.2d 1222 (8th Cir. 1987); *In re RCS Engineered Prods. Co.*, 102 F.3d 223 (6th Cir. 1996). The Third Circuit's decision charts a different path, holding that "a debtor corporation's ability to assert a claim under applicable non-bankruptcy

law" is "not necessary" for "that claim to constitute property of the estate." Pet. App. 39a n.21.

1. Section 541 of the Bankruptcy Code provides that the bankruptcy estate includes "all legal or equitable interests of the debtor in property as of the commencement of the case." Before the decision below, courts of appeals generally agreed on § 541(a)'s effect. They agreed that "causes of action belonging to the *debtor* at the commencement of the case" become "property of the estate" under § 541. *Ozark*, 816 F.2d at 1225. As a result, a trustee (or debtor in possession) can assert those claims. *Ibid.* But where a cause of action belongs to a *creditor* (like a tort victim) under state law, and the resulting liability runs to that *creditor*, "it is axiomatic that the claim does *not* become property of the estate under Section 541(a)(1)." *Ibid.* (emphasis added).

Thus, in *Ozark*, the Eighth Circuit held that veil-piercing claims were not property of a corporate debtor's estate because, under Arkansas law, only "third parties" could assert such claims. 816 F.2d at 1225. The Sixth Circuit follows the same approach. In *RCS*, it held that an alter ego claim has "not become the property of the estate under § 541(a)(1)" because, under governing state (Michigan) law, "a subsidiary may not bring an alter ego claim against its parent company." 102 F.3d at 227. And the Eleventh Circuit addressed a similar dispute by certifying a question to the Georgia Supreme Court to determine whether that state's law "allows the corporate entity to bring an alter ego action against its principal." *In re Icarus Holding, LLC*, 391 F.3d 1315, 1320 (11th Cir. 2004).

The Second, Fourth, Fifth, and Seventh Circuits likewise hold that whether a trustee may assert an alter ego claim under § 541(a)(1) turns on whether, "under governing *state law*[,] the *debtor could have* asserted" such a

claim "to pierce its own corporate veil" outside bankruptcy. *Kalb, Voorhis & Co.* v. *Am. Fin. Corp.*, 8 F.3d 130, 132 (2d Cir. 1993); accord *In re Educators Grp. Health Tr.*, 25 F.3d 1281, 1284 (5th Cir. 1994). In finding some alter ego claims *are* estate property under § 541(a)(1), they did so based on their interpretations of *state* law—not because they were of the view that § 541 overruled state-law principles or dictated a particular result. See, *e.g.*, *Steyr-Daimler-Puch of Am. Corp.* v. *Pappas*, 852 F.2d 132, 136 (4th Cir. 1988) (holding that "*under Virginia law* an alter ego claim is property of the estate"); *Koch Ref.* v. *Farmers Union Cent. Exch., Inc.*, 831 F.2d 1339, 1346 (7th Cir. 1987) (Illinois and Indiana "[s]tate law permits the alter ego claim to be asserted by the trustee" as "section 541 property of the estate").

2. The Third Circuit's decision departs from that unbroken line of cases. The Third Circuit in this case recognized that "many courts" had ruled that a "claim is property of the estate" only if state law would have permitted the debtor "to assert it" on its own behalf outside bankruptcy. Pet. App. 32a. But it deemed that rule "unworkable" for successor-liability and alter ego theories asserted by tort victims. *Ibid.* Instead, the court announced a federal common-law rule that § 541 makes those claims property of the estate, even though *state* law is clear that those claims belong to the debtor's *victims*. Pet. App. 39a. A clearer conflict is hard to imagine.

B. The Circuits Are Likewise Divided Over Similar Issues Under § 544

Section 544(a) of the Bankruptcy Code permits a bankruptcy trustee (or debtor-in-possession) to stand in the shoes of a hypothetical lien creditor. Acting in that hypothetical capacity, the trustee can avoid unperfected liens or recover property on the estate's behalf. See 5 Collier

on Bankruptcy ¶544.02[1] (16th ed.). As *amicus* has explained in more detail in *Guo*, No. 26-194 (at 8-11), the courts of appeals are in disarray on whether that authority hands a bankruptcy trustee control over creditor claims asserting alter ego or successor liability against the debtor's non-bankrupt affiliates.[2]

1. The Second and Seventh Circuits hold that §544(a) may allow a trustee to commandeer creditor alter ego or veil-piercing claims against third parties if such claims "generally" accrue to the benefit of all creditors. In their view, the trustee's ability to assert such claims "'depends on whether the action vests in the trustee as an assignee for the benefit of creditors'" *generally*, "'or, on the other hand, accrues to *specific* creditors.'" *Koch*, 831 F.2d at 1349. "'If a claim is a general one, with no particularized injury arising from it, and if that claim could be brought by any creditor of the debtor, the trustee is the proper person to assert the claim.'" *Kwok*, 172 F.4th at 155.

The Fifth and Eighth Circuits, by contrast, reject any distinction between "general" and "personal" claims. Instead, they focus exclusively on identifying the party whose injuries the claim is intended to redress. The Fifth Circuit thus has held that any "distinction between claims that are 'personal' to some creditors or 'general' as to all is relevant only '*after* a claim has been analyzed to determine whether it is properly assertable by the debtor or creditor, and *not as a substitute* for the analysis itself.'" *In re Bradley*, 326 F. App'x 838, 839 (5th Cir. 2009) (per curiam). Unless a claim is founded on some injury to the debtor, it cannot be asserted by the trustee under §544—even if the

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[2] See, *e.g.*, Pet. App. 14a n.5; *Icarus*, 391 F.3d at 1319 n.4 (noting that "[m]any courts have completely rejected 544's use as a means for debtor corporations to bring alter ego actions"); *Steyr-Daimler-Puch*, 852 F.2d at 135-136 (similar).

claim seeks to "remedy an injury to all of [the debtor's] creditors." *Ibid.* The Eighth Circuit has also held that § 544 does not permit a trustee to bring claims "on behalf of the bankrupt estate's creditors," even when such claims are brought "on behalf of all [the corporation's] creditors." *Ozark*, 816 F.2d at 1223, 1228.

2. Within that conflict lies yet another division in circuit authority. Although the Second and Seventh Circuit both distinguish between "personal" and "general" claims, they diverge on what that means. Both courts agree that claims are "personal" where "the injury for which relief is sought" is "peculiar and personal to the claimant." *Koch*, 831 F.2d at 1349. Under the Seventh Circuit's rule, however a claim cannot qualify as *general*, unless the claim is "common *to the corporation* and creditors." *Ibid.* (emphasis added). In other words, a creditor's claim is "general" only if the corporation, too, suffered the injury for which relief is sought. "If the [debtor] *corporation* is injured by the shareholders' disregard of corporate formalities," the Seventh Circuit holds, then the trustee may "maintain a 'veil piercing' suit on behalf of the bankrupt corporation." *Steinberg* v. *Buczynski*, 40 F.3d 890, 892 (7th Cir. 1994) (emphasis added). But "[w]hen a third party has injured not the bankrupt corporation itself but a *creditor* of that corporation, the trustee in bankruptcy cannot bring suit against the third party." *Id.* at 893 (emphasis added).

The Second Circuit takes a different view. It does not ask who was injured by the conduct giving rise to liability. Rather, the Second Circuit holds that § 544(a) gives a trustee authority to assert any claim that would "enlarge the size of the bankruptcy estate for all creditors." *Kwok*, 172 F.4th at 156. Put another way, if the suit could be brought by *any* creditor and benefit *all* creditors, it can be brought by the trustee under § 544(a)—even if the debtor

corporation itself was *not* a victim. See *ibid.* That further division only underscores the need for review.

II. THE ISSUE IS PROFOUNDLY IMPORTANT

The circuit conflicts at issue here, and implicated by the petition in *Guo*, are important, recurring, and deeply problematic. Different claimants get different treatment under the Bankruptcy Code—a law the Constitution requires to be "uniform"—based on the happenstance of where the debtor chooses to file for bankruptcy. The result is not just unfairness. Debtors now shop for the most favorable forum for their bankruptcies, based not on efficiency or geography, but on which side of the split the regional circuit has taken. The content of federal bankruptcy law, and the ability of trustees to commandeer the claims of injured tort victims, should not vary with the happenstance of geography or where the debtor chooses to file for bankruptcy.

Moreover, as the petition explains, the answers to the questions presented by these cases will determine "who controls tort victims' claims against third parties in every mass-tort bankruptcy: the victims who suffered the injuries, or the debtors whose conduct caused that harm." Pet. 27. By handing control to the debtors, the decisions in this case and in *Guo* offer a roadmap for tortfeasors to extinguish liability for the torts of their solvent parents and affiliates, upsetting the Bankruptcy Code's carefully calibrated balance between state and federal law, and threatening tort victims' rights to redress for their injuries. That is deeply problematic in any context. But it is especially troubling given the rise in two-step bankruptcies like the one at issue here, where the claims of tort victims are hived off and assigned to an entity created especially for bankruptcy, while productive assets are assigned to another company that stays outside bank-

ruptcy. The decision in this case threatens to create an easy third step in which the debtor in bankruptcy further insulates its solvent affiliates by seizing alter ego and veil-piercing tort claims against its affiliates and resolving them for nothing or next to nothing.

A. The Second and Third Circuits' Decisions Offer a Roadmap for Extinguishing Tort Victims' Claims Without Consultation or Consideration

In *Purdue*, this Court considered Second and Third Circuit precedent that had allowed debtors to release creditor claims against third parties "without the consent of [the] affected claimants." *Harrington* v. *Purdue Pharma L.P.*, 603 U.S. 204, 227 (2024). This Court overturned that rule, finding the Bankruptcy Code provides no such authority. Yet the decision below threatens to allow debtors to achieve the same result with even fewer guardrails. In *Purdue*, the debtors sought to compromise claims against third-party non-debtors in exchange for consideration that would have been used to compensate tort victims. *Ibid.* The decisions in these cases provide debtors like Vanderbilt Minerals with a means and method to hijack tort victims' causes of action against their solvent affiliates and extinguish them, over the tort victims' objections, for nothing.

1. *Amicus* represents asbestos claimants in a case where precisely that occurred. For decades, the R.T. Vanderbilt Company ("RTVC") sold asbestos-laden talc. After a string of adverse jury verdicts in cases brought by individuals suffering from mesothelioma, RTVC underwent a restructuring to separate its operating assets from its asbestos-related liabilities. A new entity, Vanderbilt Minerals ("Minerals"), was saddled with over $500 million in liabilities but given limited assets. The lion's share of RTVC's assets went to other newly formed entities.

In February 2026, Minerals filed for bankruptcy and immediately moved for court approval of a pre-baked settlement—between itself and its affiliates—that purported to extinguish all the asbestos claimants' rights against those (better-funded) affiliates for nothing. See Debtor's Settlement Mot., *In re Vanderbilt Mins., LLC*, No. 26-60110 (WAK) (Bankr. N.D.N.Y. Feb. 16, 2026), ECF No. 22-2.[3] The settlement faced overwhelming opposition from claimants, *amicus* Committee of Unsecured Creditors, and the United States Trustee.[4] But Minerals did not need stakeholder support.

Unlike a plan of reorganization, the settlement did not require consultation or a vote. Instead, the company entered bankruptcy with a settlement agreement already negotiated, behind closed doors, by a one-man "special committee," without ever consulting the asbestos claimants or their counsel. At the settlement-approval hearing, Minerals' negotiator testified that he agreed to settle the claimants' alter ego claims for nothing because, in his view, the claims were "not valid and viable." Tr. of Cross-Exam. of B. Pickering at 160:25-161:1, *In re Vanderbilt Mins., LLC*, No. 26-60110 (WAK) (Bankr. N.D.N.Y. Apr. 16, 2026), ECF No. 466.

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[3] As the United States Trustee observed, Minerals' submissions were "notably devoid of any clear explanation" of what Minerals was "receiving in exchange for the sweeping releases being granted to non-debtor parties," never "identify[ing], let alone valu[ing], the consideration being provided." *In re Vanderbilt Mins., LLC*, No. 26-60110 (WAK) (Bankr. N.D.N.Y. Apr. 8, 2026), ECF No. 306 at 11. There was no "clear explanation" because there was no consideration.

[4] See Obj. of Off. Comm. of Unsecured Creditors, *In re Vanderbilt Mins., LLC*, No. 26-60110 (WAK) (Bankr. N.D.N.Y. Apr. 8, 2026), ECF No. 309; U.S. Trustee's Obj., *In re Vanderbilt Mins., LLC*, No. 26-60110 (WAK) (Bankr. N.D.N.Y. Apr. 8, 2026), ECF No. 306.

Minerals invoked § 541 to argue it had the exclusive right to assert and settle alter ego and veil-piercing claims against its non-debtor affiliates. See Debtor's Reply, *In re Vanderbilt Mins., LLC*, No. 26-60110 (WAK) (Bankr. N.D.N.Y. Apr. 13, 2026), ECF No. 359 at 5 (citing *In re Nordlicht*, 115 F.4th 90, 105 (2d Cir. 2024)). While Minerals' motion to approve the settlement was pending, however, the Second Circuit held that § 544 gives trustees and debtors-in-possession control over creditors' veil-piercing claims. Relying on that decision, the court approved the settlement, rejecting the argument that Minerals' release of third-party claims contravened this Court's decision in *Purdue*. *In re Vanderbilt Mins., LLC*, No. 26-60110 (WAK), 2026 WL 1138767, at *5-6 (Bankr. N.D.N.Y. Apr. 27, 2026), appeal filed, No. 8:26-cv-00986 (BKS) (N.D.N.Y. May 4, 2026).

2. This case vividly illustrates a similar effort to end-run *Purdue*. In 2004, then-parent company of the principal debtor in this case, Whittaker, Clark & Daniels, Inc. ("WCD"), sold off WCD's revenue-producing assets, leaving behind shells with limited assets and significant talc liabilities. Pet. 6. Following a series of transactions, WCD was acquired by another entity, which agreed to indemnify the new owner of WCD's operating assets for any claims it might face as WCD's successor. WCD then filed for bankruptcy and sought approval of a settlement—negotiated with its own corporate parent—that purported to release any such claims. Pet. App. 10a-12a. Like Minerals, WCD urged that successor-liability claims belonged to the estate under § 541 or, alternatively, that WCD had exclusive authority to assert them under § 544. Pet. App. 198a n.3, 208a. The bankruptcy court agreed, holding that §§ 541 and 544 each independently authorized WCD to seize control over and extinguish talc claimants' rights to relief against

third parties, WCD's non-bankrupt parent and successor, notwithstanding the claimants' vehement objections. Pet. App. 243a.

The Bankruptcy Code does include mechanisms for addressing third-party tort claims. But §§ 541 and 544 are not among them. For example, § 524(g) allows the establishment of an asbestos trust to compensate past and future victims. Under that provision, courts can "bar actions seeking to impose liability on a third party in circumstances in which a plaintiff might have alleged that the third party was responsible for claims against the debtor on a 'piercing the corporate veil' theory." *In re Quigley Co.*, 676 F.3d 45, 60 (2d Cir. 2012); see 11 U.S.C. § 524(g)(4)(A)(ii). But § 524(g) imposes significant guardrails. It requires, among other things, the support of seventy-five percent of the affected claimants. 11 U.S.C. § 524(g)(2)(B)(ii)(IV)(bb). Under the Third Circuit's decision in this case and the Second Circuit decision at issue in the *Guo* petition, No. 26-194, no such approval is required. The debtor needs only to take control of the tort claims and settle them out from under the victims, for little or no consideration, by reaching an agreement with its own affiliates.

B. The Decision Below Threatens Constitutionally Protected Rights

By giving a debtor control over tort victims' personal-injury claims against the debtor's solvent alter egos or successors, the decision below does not merely confiscate the victims' state-law property right in their causes of action. It then hands that property over to the tort victims' litigation adversaries. That upends the Bankruptcy Code's balance of federal and state law and implicates a host of constitutional concerns.

"Property interests are created and defined by state law." *Butner* v. *United States*, 440 U.S. 48, 55 (1979).

"[T]here is no reason why such interests should be analyzed differently simply because an interested party is involved in a bankruptcy proceeding." *Ibid.* To the contrary, "[u]niform treatment of property interests by both state and federal courts within a State serves to reduce uncertainty, to discourage forum shopping, and to prevent a party from receiving 'a windfall merely by reason of the happenstance of bankruptcy.'" *Ibid.*

The Third Circuit's decision in this case does the opposite. It *increases* uncertainty for tort claimants by raising the possibility that tortfeasors could seize control of and dispose of claims against them without consultation or consideration. It *encourages* forum-shopping, giving tortfeasors a devastating advantage in federal bankruptcy courts the tortfeasors could never enjoy in state trial courts. And it *promises* a windfall for tortfeasors who effect the kind of restructuring that created the debtors in this case and *Vanderbilt Minerals*.

That creates problems of constitutional magnitude. A cause of action is a constitutionally recognized property interest. See *Phillips Petroleum Co.* v. *Shutts*, 472 U.S. 797, 807 (1985); *Logan* v. *Zimmerman Brush Co.*, 455 U.S. 422, 428 (1982). Yet the Third Circuit's interpretation of § 541 in this case effectively permits debtors to confiscate causes of action from tort claimants without notice or opportunity to contest the deprivation. Worse, by allowing collusive settlements among affiliates—and bypassing the rigorous requirements in other provisions like § 524(g), see p. 15, *supra*—the Third Circuit's decision undermines tort claimants' Seventh Amendment jury-trial rights. That is particularly perverse: Congress enacted a statute *specifically* providing that the Bankruptcy Code does "not affect any right to trial by jury that an individual has under applicable nonbankruptcy law with regard to a

personal injury or wrongful death tort claim." 28 U.S.C. §1411(a). Review is warranted.

III. THE DECISION BELOW IS WRONG

The decision below is not merely important. It is also incorrect.

A. Section 541 addresses the "legal [and] equitable interests *of the debtor*." 11 U.S.C. §541(a)(1) (emphasis added). That language is clear on its face: The trustee can assert causes of action that belong *to the debtor*, not causes of action that belong to others, like injured tort claimants. As this Court acknowledged in *Purdue*, that language can sometimes sweep in claims that creditors have asserted against non-debtors. 603 U.S. at 219. For example, creditors may sometimes assert "derivative claims" even though they actually belong to the debtor. See *ibid.* (citing *In re Ontos, Inc.*, 478 F.3d 427, 433 (1st Cir. 2007) (holding that claims for breaches of fiduciary duty "accrue to the estate" because creditors' standing to assert them is derivative)). A trustee "may settle" such claims "against nondebtors," but *only* because the creditor in such cases is merely "'a nominal plaintiff. The *substantive claim* belongs to the corporation.'" *Ibid.* (emphasis added). By contrast, nothing in §541 allows a trustee to "extinguish claims against" non-debtors "that belong *to their victims*." *Ibid.* (emphasis added).

The Third Circuit ignored that crucial distinction. In the Third Circuit's view, §541 is not limited to claims belonging to the debtor under applicable state law. Pet. App. 39a & n.21. Rather, "property of the estate" includes any claim asserting a *theory* of liability that could, hypothetically, be invoked by any creditor—*regardless* of the "'underlying'" injuries or who owned the right to seek relief for them under non-bankruptcy law. Pet. App. 36a. The court thus deemed the tort victims' claims against

non-debtor affiliates to be "property of the estate" based solely on the fact that the victims sought to recover for those claims from the debtors' alter egos or successors.

That is not merely profoundly counter-textual—the statute refers to property "of the debtor," not property "of third parties." It also ignores this Court's precedents. The Third Circuit's focus "on the theory of liability—as opposed to underlying tort injuries caused by the debtor," Pet. App. 47a—flouts this Court's directions in *Purdue*. In that case, this Court explained that whether a cause of action falls within the scope of § 541 depends on whether "'[t]he *substantive claim belongs* to the corporation.'" 603 U.S. at 219. Veil-piercing and successor liability are *not* substantive claims. They are "'means of imposing liability on an underlying cause of action.'" *Peacock* v. *Thomas*, 516 U.S. 349, 354 (1996). And when asserted by a tort victim, the resulting recovery belongs to the tort victim, not the tortfeasor debtor that imposed the injury.[5]

The Third Circuit, moreover, eliminated any requirement to show that the substantive claim at issue belongs to the debtor as a matter of state law. Pet. App. 39a & n.21. In doing so, the Third Circuit converted a provision addressing the treatment of "property *of the estate*" into a provision that converts *other* people's property into estate property. That violates the "'basic federal rule'" that *state*

[5] See, *e.g.*, *Crosse* v. *BCBSD, Inc.*, 836 A.2d 492, 497 (Del. 2003) (veil-piercing is a means to hold third parties "directly liable" for corporation's misconduct); *Morris* v. *N.Y. State Dep't of Tax'n & Fin.*, 623 N.E.2d 1157, 1160 (N.Y. 1993) (piercing "the corporate veil does not constitute a cause of action independent of that against the corporation" but a means "to impose the corporate obligation on its owners"). Exacerbating the error, some courts use "claim" to refer to rights to payment under the Bankruptcy Code. See, *e.g.*, *Nordlicht*, 115 F.4th at 110-111 (citing *Morris* to hold that "an alter-ego theory of liability is a claim" under 11 U.S.C. § 101(5)).

law governs property rights in bankruptcy. *Raleigh* v. *Ill. Dep't of Revenue*, 530 U.S. 15, 20 (2000); see *Butner*, 440 U.S. at 55.

The Third Circuit brushed off that "basic" rule. Respecting § 541's textual focus on the *debtor's* interests, the court announced, "would subvert the goals that Congress sought to advance through the Bankruptcy Code." Pet. App. 39a (citing *In re Emoral*, 740 F.3d 875, 879-881 (3d Cir. 2014)). But that improperly substitutes a (misguided) view of statutory "purpose" for the text of the statute Congress enacted into law. "[N]othing in the generalized statutory purpose" of the Code "can overcome" the text. *RadLAX Gateway Hotel, LLC* v. *Amalgamated Bank*, 566 U.S. 639, 649 (2012). Here, both text and structure cut decisively against the Third Circuit's conclusion. Section 541 by its terms confines "property of the estate" to claims that belong to the debtor outside bankruptcy. *Purdue*, 603 U.S. at 219. And another provision of the Code, 11 U.S.C. § 524(g), expressly addresses talc victims' claims against non-debtor third parties, imposing specific and calibrated requirements for absolving third parties of liability. See p. 15, *supra*. That the Code provides a finely reticulated procedure to release successor-liability claims against non-debtors "makes it all the more unlikely that" other provisions of the Code are "best read to afford courts that same authority" without comparable procedures. *Purdue*, 603 U.S. at 222.

B. The decision at issue in *Guo*, No. 26-194, suffers from the same defects, just under § 544, rather than § 541. Nothing in § 544(a) suggests Congress intended to give trustees plenary authority to litigate or settle claims seeking redress against third parties for injuries *the debtor* itself inflicted *on creditors*. To the contrary, by its own terms, § 544(a) vests a trustee with the "rights and

powers" of a hypothetical creditor that "extend[ed] credit to the debtor" and thereby obtained a priority interest in the debtor's property. 11 U.S.C. §544(a)(1)-(2); see *Merit Mgmt. Grp., LP* v. *FTI Consulting, Inc.*, 583 U.S. 366, 371 (2018) (§544(a) "set[s] out circumstances under which a trustee can avoid unrecorded liens and conveyances"). The provision's purpose is to "cut off unperfected security interests, secret liens[,] and undisclosed prepetition claims against *the debtor's property* as of the commencement of the case." 5 Collier on Bankruptcy ¶544.02[2] (16th ed.) (emphasis added). It does not grant debtors license to cut off their non-bankrupt affiliates' liability to *creditors*.

It is no answer to say that handing over veil-piercing claims to the debtor would "enlarge the size of the bankruptcy estate for all creditors." *Kwok*, 172 F.4th at 156. As the Seventh Circuit observed in *Steinberg*, that reasoning is "perfectly circular." 40 F.3d at 892. That all creditors may *benefit* from making a third party's assets available to satisfy claims against the bankruptcy estate does not mean those assets *belong* to the estate, rather than to the tort claimants whose injuries those assets are supposed to compensate.

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As this Court recognized just two Terms ago in *Purdue*, whether trustees or debtors-in-possession may use the Bankruptcy Code to resolve tort claims without the injured claimants' consent is an issue of surpassing importance. The decision below, and the parallel decision under §544(a) at issue in *Guo*, No. 26-194, threaten to end-run this Court's decision. Indeed, the Third Circuit's decision effectively hands personal-injury claims over to the claimants' litigation adversary, who can then promptly resolve those claims in favor of its own affiliates, over the claimants' objections. It does so in contravention of the

statute Congress enacted and with no indication Congress intended to depart from previously settled principles.

As *amicus* explained in *Guo*, No. 26-194 (at 19-21), this case presents an opportunity to address the end-runs under § 541(a)(1) and § 544(a) at once. Although the Third Circuit's decision rested on § 541(a)(1), the bankruptcy court in this case expressly held that § 544(a) provided an independent, alternative source of authority for the debtor's release of the claimants' causes of action. Pet. App. 211a-226a. The parties briefed that issue extensively on appeal. Pet. App. 14a-15a & n.5. While the Third Circuit found it unnecessary to reach the issue given its ruling under § 541(a)(1), § 544 was clearly pressed and is properly presented for this Court's review.[6] And both petitioner and respondents in this case are represented by able counsel capable of ensuring the issues will be fully fleshed out and presented in a way most likely to assist the Court.

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[6] Even if the Court addressed only the scope of § 541(a)(1), its reasoning may dispose of the petition in *Guo* as well. Both the decision below and the decision at issue in *Guo* held that claims invoking theories of liability generally available to all creditors implicate estate property—regardless of whether the debtor could have brought the underlying claims outside of bankruptcy. Compare Pet. App. 35a-36a (claims are "property of the estate" under § 541 where they do not involve "fact[s] . . . unique to" individual creditors), with *Kwok*, 172 F.4th at 155 (claims that "'could be brought by any creditor'" implicate "'corporate assets'" recoverable under § 544). If the Court, for example, held that a cause of action cannot be "property of the estate" under § 541(a)(1) unless, outside bankruptcy, it could be brought by the debtor on its own behalf under state law, that would necessarily undermine the Second Circuit's construction of § 544.

CONCLUSION

The petition should be granted.

Respectfully submitted.

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