IN THE UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

In re: WELLMADE FLOOR COVERINGS INTERNATIONAL, INC., *et al.*,[1] Debtors.	Chapter 11 Case No. 25-58764 (Jointly Administered) **Re Docket No. 383**

DEBTORS' RESPONSE TO CREDITOR
ANTHONY DAVIS' MOTION FOR RELIEF FROM STAY

The above-captioned debtors and debtors in possession (collectively, the "Debtors"), by and through undersigned counsel, hereby respond and object (the "Response") to *Creditor Anthony Davis's Motion for Relief from Stay* [Docket No. 383] (the "Motion") filed by Anthony Davis ("Movant") in the above-styled cases (the "Cases"), showing the Court as follows:

PRELIMINARY STATEMENT

1. The Motion should be denied as it ignores the bankruptcy claims allowance process. Granting the Motion would improperly divert the Debtors' limited resources to litigating a disputed unsecured claim in a separate venue, rather than preserving resources for plan confirmation and the orderly administration of the claims allowance process. The automatic stay is designed to avoid interference from continued prepetition litigation. Indeed, the automatic stay allows debtors to address all claims in an orderly manner pursuant to a plan of liquidation or reorganization, rather than in a piecemeal fashion. Here, Movant has not established cause to deviate from these

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, include: Wellmade Industries MFR. N.A LLC (1058) and Wellmade Floor Coverings International, Inc. (8425). The mailing address for the Debtors for purposes of these chapter 11 cases is: 1 Wellmade Drive, Cartersville, GA 30121.

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fundamental principles.

2. Indeed, as explained below, Movant asserts claims that, even if valid, are prepetition general unsecured claims in these Cases. The Debtors recently filed a chapter 11 plan. Under that plan, a plan administrator would be responsible for resolving disputed claims and distributing money to creditors. It is, therefore, premature to spend material time and resources litigating prepetition claims like the claim asserted by Movant. This is particularly true given the timing of Movant's lawsuit, which is in its early stages and no meaningful discovery has occurred. There is, therefore, no reason the lawsuit must proceed now or that it should be liquidated in another court. Simply put, nothing about Movant's Claim warrants special treatment from all other unsecured claims. The Motion should be denied.

BACKGROUND

3. On August 4, 2025 (the "Petition Date"), the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code. The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

4. On August 14, 2025, the United States Trustee for Region 21 (the "U.S. Trustee") appointed an official committee of unsecured creditors (the "Committee") in these Cases. No request has been made for the appointment of a trustee or an examiner.

5. On September 3, 2025, Movant filed a proof of claim, Claim No. 4, that was later amended by Claim No. 32 filed on October 22, 2025 (as amended, the "Claim"). The Claim seeks payment of $3,000,000 based on the "employment related lawsuit". Attached to the Claim is a copy of the *Amended Complaint for Damages* (the "Complaint") that Movant filed against Debtor Wellmade Industries MFR. N.A LLC and Zhu Chen prior to the Petition Date in the U.S. District

Court for the Northern District of Georgia. *See Davis v. Wellmade Industries MFR. N.A LLC,* Case No. 4:25-CV-00030-WMR-WEJ (N.D. Ga. Apr. 28, 2025) (the "Lawsuit"). In the Complaint, Movant asserted one cause of action against the Debtors – Retaliation in Violation of 42 U.S.C. § 1981.

6. On March 5, 2025, the Debtors' insurance carrier advised the Debtors that it was denying coverage for the claims contained in the Lawsuit and would not pay for the Debtors' defense of the claims.

7. The Lawsuit was in the early stages of discovery when the Debtors initiated these Cases.

8. Shortly after the Petition Date, on August 8, 2025, the Debtors filed a *Suggestion of Bankruptcy* in the Lawsuit, and following a subsequent motion filed by co-defendant Zhu Chen, the Lawsuit was stayed against both defendants.[2]

9. On May 28, 2026, Movant filed the Motion.

10. Shortly thereafter, on June 1, 2026, the Debtors filed their *Chapter 11 Plan* [Docket No. 385] (the "Plan") and *Disclosure Statement* [Docket No. 386] (the "Disclosure Statement"). Conditional approval of the Disclosure Statement is set for hearing on July 21, 2026. Either shortly before or after confirmation of the Plan, the Debtors intend to file an objection to the Claim and proceed with the resolution of this disputed claim pursuant to the Plan and the Bankruptcy Rules.

[2] Despite statements in the Motion to the contrary, the Debtors have not filed nor made any representations in the Lawsuit since filing the Suggestion of Bankruptcy. Movant's reference to a Status Report filed in the Lawsuit on April 30, 2026, was filed solely by Movant and non-debtor, co-defendant Zhu Chen. *See* Motion p. 4.

ARGUMENT

A. Legal Standard

11. A creditor seeking stay relief bears the burden of establishing a prima facie case of "cause" for relief. *See* 11 U.S.C. § 362(d)(1). "Absent such showing, relief from the effect of the stay will be denied." *In re 412 Boardwalk, Inc.*, 520 B.R. 126, 132 (Bankr. M.D. Fla. 2014).

12. "Cause" is not defined in the Bankruptcy Code. *Groover v. R.J. Groover Constr., (In re R.J. Groover Constr., LLC),* 411 B.R. 473, 477 (Bankr. S.D. Ga. 2008). As such, courts evaluate the totality of the circumstances, weighing (1) whether any great prejudice to either the bankruptcy estate or the debtor will result from prosecution of the lawsuit; (2) whether the hardship to the non-debtor party by continuation of the automatic stay considerably outweighs the hardship to the debtor, and (3) whether the creditor has a probability of success on the merits of his case. *See In re Aloisi,* 261 B.R. 504, 508 (Bankr. M.D. Fla. 2001).

13. Courts are reluctant to grant relief where the creditor seeks to prosecute an unsecured claim outside of the claims reconciliation process. *In re Transfix Prods.*, No. 23-11283 (JLG), 2024 Bankr. LEXIS 2200, at *13 (Bankr. S.D.N.Y. Sep. 21, 2024) ("The movant's burden is 'especially heavy' where the motion seeks to adjudicate an unsecured claim against the estate.").

B. Movant Has Not Met His Burden to Show Cause Under Section 362(d)(1)

14. The prejudice to the Debtors is great given the timing of this Motion. The Debtors are focused on confirming a chapter 11 plan for the benefit of all creditors. These critical efforts demand the full attention of the Debtors and their professionals. Diverting that attention to respond to or participate in separate litigation initiated by a single unsecured creditor—especially where the claim is disputed—would inject unnecessary administrative burden and expense at a critical juncture in these Cases.

15. Movant argues that modifying the stay would not prejudice the estates because Movant "seeks only to liquidate the claim in the appropriate forum." Motion p. 7. First, as explained in more detail below, the Debtors do not believe that the Bankruptcy Court is an inappropriate forum to resolve this Claim.

16. Second, Movant ignores that liquidating a claim through the claims allowance process is quite different for the Debtors than liquidating a claim through a separate lawsuit outside of the Cases, especially where that lawsuit was filed just before the Petition Date and insurance will not cover the costs of defense. Lack of insurance coverage for defense costs is itself sufficient grounds to deny a stay relief motion to pursue a prepetition action. *See, e.g.*, *In re Carraway Methodist Health Sys.*, 355 B.R. 853, 855–56 (Bankr. N.D. Ala. 2006). Here, there is no available insurance coverage and the Debtors' estates will have to bear the costs of defending the Lawsuit. As such, liquidating Movant's Claim through the Lawsuit is bound to be far more expensive for the Debtors and their estates, to the detriment of all creditors, than reaching the same result through the claims allowance process.

17. In fact, the Plan proposes a specific mechanism to deal with disputed claims – like Movant's Claim – after the Plan is confirmed and other allowed claims have been paid. *See* Plan Art. VI.D ("Disputed Unsecured Claims Reserve") & Art. VII ("Procedures for Resolving, Contingent, Unliquidated, and Disputed Claims"). The procedure set out in the Plan is designed to avoid wasting estate resources on disputed claims to the detriment of other creditors. Therefore, the Motion should, at a minimum, be denied until after the Plan is confirmed. *See In re W.R. Grace & Co.*, Case No. 01-01139 (JKF), 2007 Bankr. LEXIS 1214, at *10 (Bankr. D. Del. Apr. 13, 2007) (denying stay relief where litigation would distract from the reorganization process, especially while plan formulation was underway, and would "require the time and commitment of a number

of Debtors' key personnel, most of whom are crucial to the reorganization process"); *see also A.H. Robins Co. v. Piccinin*, 788 F.2d 994, 998 (4th Cir.), *cert. denied*, 479 U.S. 876, 107 S. Ct. 251, 93 L. Ed. 2d 177 (1986) (holding that the automatic stay is designed to "protect the debtor from an uncontrollable scramble for its assets in a number of uncoordinated proceedings in different courts, to preclude one creditor from pursuing a remedy to the disadvantage of other creditors, and to provide the debtor and its executives with a reasonable respite from protracted litigation, during which they may have an opportunity to formulate a plan of reorganization for the debtor").

18. There is little prejudice to Movant in waiting until after Plan confirmation to resolve his claim. Movant has made no showing of hardship beyond his desire to advance his litigation now and, under the terms of any chapter 11 plan, the Movant would not get paid any sooner if he is able to prove up his claim. Movant has filed a proof of claim and may have his claim adjudicated through the chapter 11 claims process at the appropriate time. That time, however, is not now while the Debtors' efforts are focused on issues central to the success of these Cases. Courts have held that "even slight interference with the administration [of the estate] may be enough to preclude relief in the absence of a commensurate benefit." *In re W.R. Grace & Co.*, 2007 Bankr. LEXIS 1214, at *9 n.7.

19. While the Debtors and their estates will face significant cost and distraction in defending the Lawsuit, Movant will not suffer any hardship or prejudice by having to liquidate his claims in these Cases. Far from being on the eve of trial, the Lawsuit had barely progressed past the pleadings phase. As such, there will be no added efficiencies to liquidating Movant's Claim in the Lawsuit as opposed to in these Cases. Even in contrasting situations where stay relief is granted as to a prepetition action on the eve of trial when the petition was filed, courts are careful not to lift the stay to allow a movant to proceed with claims against a debtor personally, especially

where, as here, the debtor and the estate will bear the costs of defense. *See, e.g.*, *In re Desoto*, Case No. 05-29744, 2006 Bankr. LEXIS 4115, at *16–17 (Bankr. D.N.J. Apr. 20, 2006).

20. With respect to Movant's concerns of "potential loss of evidence, and continued delay in the liquidation of the claim,"[3] given the early stage of discovery when the Lawsuit was stayed, it is unlikely that evidence will materially deteriorate in the next few months while the Debtors pursue confirmation of their Plan.

21. Finally, the merits of Movant's proposed action are unclear. The Lawsuit had been pending only a few months and discovery was in the early stages as of the Petition Date. There are certain factual issues and affirmative defenses that the Debtors believe prevent Movant from successfully proving his retaliation claim in the Lawsuit. Accordingly, there is no reason why Movant should be allowed to liquidate his claims in the Lawsuit before the claims allowance process in these Cases.

22. At its core, a finding of cause under section 362(d)(1) of the Bankruptcy Code requires a balancing of the interests of debtors, their estates and all creditors against those of an individual party in interest seeking relief from the stay. In this instance, Movant seeks stay relief to pursue a lawsuit in its preliminary phase. No meaningful discovery has occurred. Here, the prejudice and hardships the Debtors and their estates will bear if forced to defend the lawsuit outweigh the hardships Movant will face.

C. Movant's Claim Can Be Adjudicated through the Claims Allowance Process in these Cases.

23. Movant argues that stay relief must be granted because the claim asserted in the Complaint is a "personal injury tort claim." Motion pp. 4-5. Movant, however, misses a key distinction between bankruptcy proceedings involving the "allowance or disallowance of claims,

[3] Motion p. 7.

including personal injury and wrongful death claims, versus the liquidation or estimation thereof for the purpose of distributions." *Flake v. Alper Holdings USA, Inc. (In re Alper Holdings USA, Inc.),* 398 B.R. 736, 749 (S.D.N.Y. 2008). As stated above, the Debtors intend to file an objection to Movant's Claim seeking disallowance of the Claim. "The bankruptcy court clearly ha[s] jurisdiction to disallow the personal injury claim." *Id.*

24. Moreover, Movant has consented to this Court's jurisdiction by filing a proof of claim in these Cases. "28 U.S.C. § 157(b)(5) is not jurisdictional; parties can consent to the bankruptcy court, rather than the district court, hearing personal injury torts." *Byrnes v. Byrnes (In re Byrnes),* 639 B.R. 239, 247 (Bankr. D.N.M. 2022); *In re Promise Healthcare Grp., LLC*, 2023 Bankr. LEXIS 1085, *36 (Bankr. D. Del. Apr. 20, 2023) ("While either party has the right to have a personal injury tort claim heard in the district court, that right is fully waivable."). Additionally, parties' consent need not be affirmative but can be implied. For example, courts have held that a party "filing a 'formal proof of claim' with the bankruptcy court consents to that court's jurisdiction." *In re Queyrouze,* 2015 U.S. Dist. LEXIS 122802, *14 (E.D. La. Sept. 15, 2015); *In re Sea Island Cotton Trading, Inc.,* 2000 Bankr. LEXIS 2207, *3 (Bankr. S.D. Ga. July 25, 2000) ("The Supreme Court's holdings in *Granfinanciera* and *Langenkamp* leave no doubt that the equitable jurisdiction of the bankruptcy court is exclusive when its jurisdiction has been invoked by the filing of a claim.").

25. Additionally, even if the Court determines that the Claim does need to be liquidated and Movant has not consented to jurisdiction, the Claim does not constitute a "personal injury tort" as defined in 28 U.S.C. § 157(b)(5). Courts have adopted three approaches in determining whether a dispute involves a "personal injury tort:"

> a "narrow view" that would find a personal injury only with the occurrence of trauma or bodily harm; a "broader view" which would define personal injury tort to include any

> invasion of personal rights; and a middle view that weighs the personal nature of the injury against characteristics involving financial, business, property or contract rights.

In re Sheehan Mem. Hosp., 377 B.R. 63, 68 (Bankr. W.D.N.Y. 2007) (citing 1 COLLIER ON BANKRUPTCY, ¶ 3.06 (Alan N. Resnick & Henry J. Sommer, eds.-in-chief, 15th ed. rev 2007)). The Eleventh Circuit has not expressly adopted one of these positions. *See In re BFW Liquidation, LLC,* 2009 Bankr. LEXIS 5528, fn. 5 (Bankr. N.D. Ala. 2009) (noting the conflicting authority in other courts on the issue.).

26. In *In re Sheehan Mem. Hosp.*, the bankruptcy court considered several different factors in determining that the bankruptcy court had jurisdiction over employee discrimination claims. 377 B.R. at 68. Among the factors in favor of retaining jurisdiction, the bankruptcy court noted that (i) the claims involved no unsettled or unusual issues of law, (ii) the present dispute involved a core matter, specifically the allowance or disallowance of claims, and (iii) prompt resolution of the dispute was important. *Id.* Each of these factors is applicable in this instance. First, the underlying claim in the Complaint is a standard retaliation claim that simply requires applying settled law to these facts. Following the Debtors' filing of an objection to the Claim, this dispute will involve a core bankruptcy proceeding. Finally, prompt and efficient resolution of this Claim in accordance with the Plan provisions is especially important to ensure timely and complete payment to all creditors.

27. Therefore, the Debtors maintain that the law and facts support adopting the narrow interpretation and retaining jurisdiction over this claim dispute. *See Siewert v. Christy* (*In re Finley, Kumble, Wagner, Heine, Underberg, Manley, Myerson, & Casey*), 194 B.R. 728, 734 (S.D.N.Y. 1995) (finding incidental claims of emotional damages insufficient to transform a business tort into a personal injury tort) (citing *Bertholet v. Harman*, 126 B.R. 413, 415 (Bankr. D.N.H. 1991)); *In re Atron Inc. of Michigan*, 172 B.R. 541, 544 (Bankr. W.D. Mich. 1994) (stating

that Congress did not intend to allow creditors to divest bankruptcy courts of ability to liquidate claims "by merely alleging a questionable, ambiguous emotional injury in the context of a nontraditional personal injury tort claim"); *In re Interco, Inc.,* 135 B.R. 359, 362 (Bankr. E.D. Mo. 1991) (finding that an age discrimination claim does not constitute a personal injury); *Vinci v. Town of Carmel* (*In re Vinci*), 108 B.R. 439, 440, 442 (Bankr. S.D.N.Y. 1989) (holding that claims under 42 U.S.C. § 1983 based on alleged constitutional violations arising from government agency's directive to remove tires from business site were not "personal injury torts" under 28 U.S.C. § 157(b)(5) as claims did not involve bodily injury).

CONCLUSION

WHEREFORE, the Debtors respectfully request that the Court deny the Motion and provide such other relief as is just and proper.

Dated: July 19, 2026
Atlanta, Georgia

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on July 19, 2026, all ECF participants registered in this case were served electronically with the foregoing Response through the Court's ECF system at their respective email addresses registered with this Court. The Debtors' claims and noticing agent, Kurtzman Carson Consultants LLC d/b/a Verita Global, will be filing a supplemental certificate of service on the docket to reflect any additional service of the foregoing Response, including on Movant and Movant's counsel.

Dated: July 19, 2026
Atlanta, Georgia

Respectfully submitted,

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