

**SOME OBSERVATIONS ON THE U.S. SUPREME COURT’S
APPROACH TO RESOLVING BANKRUPTCY CASES**

By: Chazz Coleman & Colin Meehan*
Ngozichukwuka Obi & Mark D’Ostilio**

I. Introduction

Bankruptcy courts are sometimes referred to as “courts of equity”¹ and bankruptcy cases can invoke both legal and equitable principles. Indeed, a typical bankruptcy case involves an honest but unfortunate debtor that has experienced some degree of financial failure and is looking for a fresh start, while the debtor’s creditors want a recovery on their claims. A bankruptcy court must balance these competing and important interests while operating within the parameters of the U.S. Bankruptcy Code.² When and whether a bankruptcy court should invoke equitable principles is subject to debate, and the tension can be seen in many bankruptcy-related decisions.

This paper offers a high-level review of the United States Supreme Court’s approach to bankruptcy cases. Delving into the nuanced interplay between technical statutory interpretation and broader legal principles, this review unveils the judiciary’s commitment to equitable resolution, informed by a meticulous consideration of precedent, fairness, and public policy imperatives. Through this lens, we navigate the philosophical underpinnings guiding the Supreme Court’s jurisprudence in the realm of bankruptcy law, elucidating its intricate balance of legal doctrines with a profound dedication to justice.

The first part of the paper discusses the Court’s general approach to resolving bankruptcy cases. The second part examines the role of statutory interpretation in these decisions, providing several case examples from the past sixty years. The final part offers an in-depth analysis of nine decisions that reflect the Court’s careful balancing of the various issues, legal principles, and policy considerations at play in many bankruptcy cases.³

II. General Approaches of the Court

The Supreme Court invokes several different methodologies and analytical approaches to resolve the bankruptcy cases on its docket. Not surprisingly, the facts of the particular case matter,

* Mr. Coleman earned his juris doctorate from St. John’s University School of Law, and Mr. Meehan earned his juris doctorate from Temple University Beasley School of Law. Both Mr. Coleman and Mr. Meehan serve as judicial law clerks to the Hon. Thomas M. Horan (Bankr. D. Del.).

** Ms. Obi is a 2L at the University of Baltimore School of Law, and Mr. D’Ostilio is a 2L at the University of Maryland Francis King Carey School of Law. Both Ms. Obi and Mr. D’Ostilio served as judicial externs to the Hon. Michelle M. Harner (Bankr. D. Md.) during the Spring 2024 semester.

¹ See generally Michelle M. Harner & Emily A. Bryant-Álvarez, *The Equitable Powers of the Bankruptcy Court*, 94 AM. BANKR. L.J. 189, 189 (2020) (this article served as the Preface for a Symposium on this precise issue and each of the Symposium articles follow this Preface in Volume 94 of the American Bankruptcy Law Journal).

² 11 U.S.C. §§ 101 et seq. (the “Bankruptcy Code” or the “Code”).

³ For example, for a thoughtful exploration of traditional textualism and a dynamic approach to statutory interpretation, see Robert K. Rasmussen, *A Study of the Costs and Benefits of Textualism: The Supreme Court’s Bankruptcy Cases*, 71 WASH. U.L.Q. 535 (1993). In that article, “[t]he textualist nature of the Supreme Court’s opinion [in *Farrey v. Sanderfoot*, 500 U.S. 291 (1991)] is highlighted by comparing it to Judge Posner’s dissent in the court of appeals.” *Id.* at 545. The article discusses the different approaches to reading and applying section 522 of the Bankruptcy Code in the *Farrey* case.

as do the Justices serving the Court at the time of the decision. Although, as Justice Sotomayor has observed, “[the Justices] are all textualists now,”⁴ the Justices do not always take the same approach to textualism, statutory interpretation, or the relevance of policy considerations. Both where the Court starts and ends its analysis, as discussed below, can make a difference.

A. Statutory Interpretation and Bankruptcy Exceptionalism

The Supreme Court generally treats bankruptcy cases as ordinary statutory cases that should be resolved using well-established principles of statutory interpretation. This approach emphasizes the importance of clear and predictable rules that can be applied consistently across cases. The Court’s reluctance to treat bankruptcy as an exceptional area of law is evident in its decisions, which often resist expansive interpretations of bankruptcy judges’ equitable powers.

B. Equity in Bankruptcy

Despite this general trend towards normal statutory interpretation, the language of equity is pervasive in bankruptcy law. Bankruptcy courts are often described as courts of equity, and there is a tradition of bankruptcy judges exercising equitable powers. However, the scope of these equitable powers is a subject of debate. While some commentators argue for expansive equitable powers to address the unique circumstances of bankruptcy cases, others suggest that such powers should be constrained to ensure consistency with the Bankruptcy Code.

C. Supreme Court’s Constrained View of Equitable Powers

The Supreme Court has endorsed a more constrained view of the use of equitable powers in bankruptcy, suggesting that the special needs of bankruptcy do not justify a different approach to cases in this field. This perspective is supported by the Court’s decisions, which have limited the discretion of bankruptcy courts to the terms of the operative statute, ensuring that equitable doctrines and principles guide the bankruptcy court only insofar as they are consistent with the Bankruptcy Act.

D. Public Policy and Precedent

In adjudicating bankruptcy cases, the Supreme Court also considers public policy and precedent. The Court has recognized that bankruptcy law implements social policy and that the function of bankruptcy courts is to implement this policy as set forth in the Bankruptcy Code. This involves a careful consideration of the social policy underlying the Code, which may benefit some segments of society at the expense of others. The Court’s decisions reflect an effort to apply

⁴ Remarks of Judge Diarmuid F. O’Scannlain, *“We Are All Textualists Now”*: *The Legacy of Justice Antonin Scalia*, 91 ST. JOHN’S L. REV. 303, 304 (2017). Judge O’Scannlain explains,

Two years ago, during the Antonin Scalia Lecture series at Harvard, Justice Elena Kagan declared “we’re all textualists now.” To the more recent members of the bar, Justice Kagan’s words may not seem terribly profound--of course any competent lawyer knows that when construing a statute one begins with the text. I can assure you, however, that this was not always the case. For those of us who remember a time before Scalia, Justice Kagan’s statement is a testament to the sea change the law has undergone in recent decades.

Id.

statutory law in a way that aligns with these broader policy goals, even if the outcomes may not always be perceived as “fair” or “equitable” by individual litigants.

E. Justice Scalia’s Influence on Bankruptcy Jurisprudence

Justice Scalia’s approach to bankruptcy law, characterized by rule-based textualism, has been influential in shaping the Court’s approach to bankruptcy cases. His philosophy emphasized the need for clear rules to delineate bankruptcy judges’ powers and advocated for a holistic approach to the Bankruptcy Code that promotes predictability and clarity. This approach often benefited individual debtors over larger creditors by providing clear and predictable answers to statutory interpretation questions.

In summary, the Supreme Court balances the technical aspects of bankruptcy law with broader legal principles by adhering to principles of statutory interpretation, while also recognizing the equitable nature of bankruptcy proceedings. The Court’s decisions reflect a commitment to applying the Bankruptcy Code in a manner that is consistent with both the technical requirements of the law and the broader social policies it is intended to serve. The next part focuses primarily on the former, namely, the Court’s use of the text of the Code and various statutory interpretation canons to resolve bankruptcy disputes.

III. Statutory Interpretation and the Bankruptcy Code

Bankruptcy practice is a statutory practice. Most aspects of a bankruptcy case are governed by the Bankruptcy Code, even though state or other nonbankruptcy law may be relevant to the ultimate decision. Perhaps it is not surprising then that the Supreme Court generally takes a plain meaning approach to decide bankruptcy disputes. This approach certainly started with pre-Code⁵ cases but has become a more consistent and pronounced trend in more recent cases under the Bankruptcy Code.

In some cases, the language of the Bankruptcy Code suffices, and the Court looks no further. In other cases, Congressional intent or perhaps other factors are considered. Although different Justices take different approaches to statutory interpretation, particularly in the latter scenario, the Justices in most every case begin with the language of the Bankruptcy Code itself.

A. Early Supreme Court Cases Under the Code

Starting with a pre-Code case, *Reading Co. v. Brown* demonstrates an instance in which the Court “look[ed] to the general purposes of § 64a, Chapter XI, and the Bankruptcy Act as a whole” to interpret the relevant statutory language and resolve the dispute. *Reading Co. v. Brown*, 391 U.S. 471, 476 (1968). In *Reading*, the negligence of a receiver, in a Chapter XI case under the Bankruptcy Act, “who was authorized to conduct the debtor’s business,” led to the destruction of the petitioner’s property. *Id.* at 474. The issue before the Court concerned “whether the negligence of a receiver administering an estate under a Chapter XI arrangement [gave] rise to an ‘actual and necessary’ cost of operating the debtor’s business.” *Id.* at 476.

Acknowledging that the Bankruptcy Act did not define the term “actual and necessary,” the Court considered the general purposes of the law. *Id.* When looking at section 64a, Chapter XI,

⁵ Immediately prior to the Code’s enactment in 1978, the Bankruptcy Act of 1898 governed bankruptcy cases filed in the United States.

and the Bankruptcy Act together, the Court found that “there [was] nothing ‘impossible’ about construing the sections here involved to mean what they say.”⁶ *Id.* at 481. There was “no reason to indulge in a strained construction of the relevant provisions, for we are persuaded that it is theoretically sounder, as well as linguistically more comfortable, to treat tort claims arising during an arrangement as actual and necessary expenses of the arrangement rather than debts of the bankrupt.” *Id.* at 482. The Court further justified this interpretation by stating that “in considering whether those injured by the operation of the business during an arrangement should share equally with, or recover ahead of, those for whose benefit the business is carried on, the latter seems more natural and just.” *Id.*

As in *Reading*, the Court tends to begin its analysis in cases under the Bankruptcy Code by looking at the language of the statute. The Court has, however, articulated on several occasions that “[t]he text is only the starting point.” *Kelly v. Robinson*, 479 U.S. 36, 43 (1986). “Justice O’Connor explained last Term: ‘In expounding a statute, we must not be guided by a single sentence or member of a sentence, but look to the provisions of the whole law, and to its object and policy.’”⁷ *Id.*

In *Kelly*, the Court examined “whether restitution obligations, imposed as conditions of probation in state criminal proceedings, are dischargeable in proceedings under Chapter 7.” *Id.* at 38. The Court started its analysis with the relevant statutory language and analyzed section 17 of the Bankruptcy Act. *Id.* at 43. However, unlike *Ron Pair* (discussed below), the Court’s interpretation did not stop at the plain reading of the statute. The Court heavily “considered both legislative history and pre-Code practice in aid of [its] interpretation.” *United States v. Ron Pair Enterprises, Inc.*, 489 U.S. 235, 241 (1989) (discussing the Court’s opinion in *Kelly*).⁸

The Court then looked at section 523(a)(7) to determine whether that subsection protects restitution from discharge in a chapter 7 case. *Id.* at 50. “The relevant portion of § 523(a)(7) protects from discharge any debt ‘to the extent such debt is for a fine, penalty, or forfeiture payable to and for the benefit of a governmental unit, and is not compensation for actual pecuniary loss.’” *Id.* Specifically, “Congress included two qualifying phrases; the fines must be both ‘to and for the benefit of a governmental unit,’ and ‘not compensation for actual pecuniary loss.’” *Id.* at 51. The Court determined that “neither of the qualifying clauses of § 523(a)(7) allows the discharge of a criminal judgment that takes the form of restitution.” *Id.* at 52. Additionally, because “the decision to impose restitution generally does not turn on the victim’s injury, but on the penal goals of the State and the situation of the defendant,” the Court concluded that “restitution orders imposed in

⁶ Similarly to other bankruptcy cases, the Court in *Reading* applied the “Ordinary-Meaning Canon” of statutory interpretation to their analysis. Antonin Scalia & Bryan A. Garner, *A Dozen Canons of Statutory and Constitutional Text Construction*, 99 *Judicature* 2 (2015), <https://judicature.duke.edu/articles/a-dozen-canons-of-statutory-and-constitutional-text-construction/>.

⁷ The Court used a “Whole-Text Canon” of statutory interpretation. The Court construed “the text as a whole.” Antonin Scalia & Bryan A. Garner, *A Dozen Canons of Statutory and Constitutional Text Construction*, 99 *Judicature* 2 (2015), <https://judicature.duke.edu/articles/a-dozen-canons-of-statutory-and-constitutional-text-construction/>.

⁸ The Court in *Kelly* notes that, although section 17 of the Bankruptcy Act likely allowed criminal penalties to be discharged in bankruptcy, “most courts refused to allow a discharge in bankruptcy to affect the judgment of a state criminal court.” *Kelly*, 479 U.S. at 45. Additionally, “Congress enacted the Code in 1978 against the background of an established judicial exception to discharge for criminal sentences, including restitution orders.” *Id.* at 46.

such proceedings operate ‘for the benefit of’ the State.” *Id.* at 52, 53. The Court thus held that the debtor’s restitution obligations were not dischargeable in a chapter 7 case.⁹ *Id.*

The Court took a slightly different approach in *United States v. Ron Pair Enterprises, Inc.* The issue in *Ron Pair* was “whether § 506(b) of the Bankruptcy Code entitles a creditor to receive postpetition interest on a nonconsensual oversecured claim allowed in a bankruptcy proceeding.” *Ron Pair*, 489 U.S. at 237. The Court started its analysis “where all such inquiries must begin: with the language of the statute itself.” *Id.* at 241. It also noted that where the language of the statute is plain, “the sole function of the courts is to enforce it according to its terms.” *Id.*

From this premise, the Court explained that “[t]he relevant phrase in § 506(b) is: ‘[T]here shall be allowed to the holder of such claim, interest on such claim, and any reasonable fees, costs, or charges provided for under the agreement under which such claim arose.’” *Id.* The term “such claim ... refers to an oversecured claim.” *Id.* The Court found that the language of section 506(b) was clear. *Id.* “The natural reading of the phrase entitles the holder of an oversecured claim to postpetition interest.” *Id.* The Court stated that “as written it directs that postpetition interest be paid on all oversecured claims. In addition, this natural interpretation of the statutory language does not conflict with any significant state or federal interest, nor with any other aspect of the Code.”¹⁰ *Id.* at 245.

In *Dewsnup v. Timm*, a chapter 7 debtor contended “that the debt ... that she owed to respondents exceeded the fair market value of the land securing the debt and that, therefore, the Bankruptcy Court should reduce respondents’ lien on the land to the land’s fair market value pursuant to 11 U.S.C. § 506(d).” 502 U.S. 410, 410 (1992). Section 506(d) “provides that a lien is void ‘[t]o the extent that [it] secures a claim against the debtor that is not an allowed secured claim.’” *Id.* The Supreme Court considered whether “a debtor [may] ‘strip down’ a creditor’s lien on real property...when that value is less than the amount of the claim secured by the lien?” *Id.* at 411–12. Due to the ambiguity of the statute, the Court found that evaluating the pre-Code practice and legislative history was the best approach to address this issue. *Id.* at 417.

The Court found the respondents’ argument that “pre-Code bankruptcy law preserved liens like respondents’ and that there is nothing in the Code’s legislative history that reflects any intent

⁹ The Court reached a different result concerning restitution obligations in chapter 13 cases in *Pennsylvania Dep’t of Pub. Welfare v. Davenport*, 495 U.S. 552, 553–54 (1990). The Court’s interpretation in that case was guided by the notion that “the Code will not be read to erode past bankruptcy practice absent a clear indication that Congress intended such a departure. However, where, as here, congressional intent is clear, the Court’s function is to enforce the statute according to its terms, even where this means concluding that Congress intended to interfere with States’ administration of their criminal justice systems.” *Id.* The Court discussed some policy justifications as to why this case was decided differently from *Kelly*. *Id.* at 563. “[T]he dischargeability of debts in chapter 13 that are not dischargeable in chapter 7 represents a policy judgment that [it] is preferable for debtors to attempt to pay such debts to the best of their abilities over three years rather than for those debtors to have those debts hanging over their heads indefinitely, perhaps for the rest of their lives.” *Id.* at 563.

¹⁰ In *Ron Pair*, the Court looked at the punctuation of the text as well. *Id.* at 241–42. The Court’s interpretation is “also mandated by the grammatical structure of the statute.” *Id.* “The phrase ‘interest on such claim’ is set aside by commas, and separated from the reference to fees, costs, and charges by the conjunctive words ‘and any.’ As a result, the phrase ‘interest on such claim’ stands independent of the language that follows. ‘[I]nterest on such claim’ is not part of the list made up of ‘fees, costs, or charges,’ nor is it joined to the following clause so that the final ‘provided for under the agreement’ modifies it as well.” *Id.* Here, the Court used the “Grammar Canon” and “Punctuation Canon” in their analysis. D. Stevenson, *CANONS OF CONSTRUCTION (adapted from Scalia & Garner)*, Univ. of Houston L. Ctr., <https://www.law.uh.edu/faculty/adjunct/dstevenson/2018Spring/CANONS%20OF%20CONSTRUCTION.pdf>.

to alter that law” to be persuasive. *Id.* at 416. The Court reasoned that they have often “been reluctant to accept arguments that would interpret the Code, however vague the particular language under consideration might be, to effect a major change in pre-Code practice that is not the subject of at least some discussion in the legislative history.” *Id.* at 419. “Given the ambiguity here, to attribute to Congress the intention to grant a debtor the broad new remedy against allowed claims to the extent that they become ‘unsecured’ for purposes of § 506(a) without the new remedy’s being mentioned somewhere in the Code itself or in the annals of Congress is not plausible, in our view, and is contrary to basic bankruptcy principles.”¹¹ *Id.* at 419–20. Therefore, the Court held that “§ 506(d) does not allow petitioner to ‘strip down’ respondents’ lien, because respondents’ claim is secured by a lien and has been fully allowed pursuant to § 502.” *Id.* at 417.

If legislative intent is ambiguous, the Supreme Court may choose to exercise deference to a state law over a federal statute, such as the Code.¹² In *BFP v. Resolution Trust Corp.*, a chapter 11 debtor sought to avoid a prepetition transfer in connection with a mortgage foreclosure sale on the grounds that the sale price was less than “reasonably equivalent value.” 511 U.S. 531 (1994). Section 548 of the Bankruptcy Code “permits avoidance if the trustee can establish... (4) that the debtor received ‘less than a reasonably equivalent value in exchange for such transfer.’” *Id.* at 535. The Court looked at “whether the consideration received from a noncollusive, real estate mortgage foreclosure sale conducted in conformance with applicable state law conclusively satisfies the Bankruptcy Code’s requirement that transfers of property by insolvent debtors within one year prior to the filing of a bankruptcy petition be in exchange for ‘a reasonably equivalent value.’” *Id.* at 533.

The Court held that “a ‘reasonably equivalent value’ for foreclosed real property is the price in fact received at the foreclosure sale, so long as all the requirements of the state’s foreclosure law have been complied with.” *Id.* at 531. In its analysis, the Court determined that “the Bankruptcy Code can of course override by implication when the implication is unambiguous. But where the intent to override is doubtful, our federal system demands deference to long-established traditions of state regulation.” *Id.* at 546. The Court stated that “federal statutes impinging upon important state interests ‘cannot ... be construed without regard to the implications of our dual system of government.’” *Id.* at 544.

B. More Recent Cases Under the Code

Since the cases discussed above, the Supreme Court has continued to show respect for statutory text by giving force to the unambiguous provisions of the Bankruptcy Code.¹³ For

¹¹ Here, the Court utilized the “Omitted Case Canon” of statutory interpretation. Under this canon, “nothing is to be added to what the text states or reasonably implies. That is, a matter not covered is to be treated as not covered.” Antonin Scalia & Bryan A. Garner, *A Dozen Canons of Statutory and Constitutional Text Construction*, 99 *Judicature* 2 (2015), <https://judicature.duke.edu/articles/a-dozen-canons-of-statutory-and-constitutional-text-construction/>.

¹² In *BFP v. Resolution Trust Corp.*, the Court employed the “Presumption Against Federal Preemption” canon of interpretation. Under this canon, “A federal statute is presumed to supplement rather than displace state law.” D. Stevenson, CANONS OF CONSTRUCTION (adapted from Scalia & Garner), Univ. of Houston L. Ctr., <https://www.law.uh.edu/faculty/adjunct/dstevenson/2018Spring/CANONS%20OF%20CONSTRUCTION.pdf>.

¹³ In applying a plain meaning approach, the Court will often refer to dictionaries or common usage to determine the plain meaning of the words in the statute. *See, e.g., Lamie v. U.S. Trustee*, 540 U.S. 526, 537 (2004) (stating that “under the plain meaning approach, petitioner’s arguments become unconvincing.”); *Clark v. Rameker*, 573 U.S. 122 (2014) (giving the term “retirement funds” its ordinary meaning); *Lamar, Archer & Cofrin, LLP, v. Appling*, 584 U.S. 709 (2018) (reviewing the ordinary meanings of the words “statement,” “financial condition,” and “respecting.”); *City*

example, in *Lamie v. U.S. Trustee*, 540 U.S. 526 (2004), the dispute revolved around the interpretation of section 330(a), which contained a grammatical error. Despite this flaw in the statute, the Court explained that the error “does not make [the provision] ambiguous on the point at issue.”¹⁴ *Id.* at 534.

Lamie involved a debtor’s attorney who filed an application for attorney’s fees. By reviewing the neighboring provision,¹⁵ section 327, the Court explained that it was clear that Congress did not intend for the debtor’s attorney to be eligible for attorney’s fees. *Id.* Section 327 lists several parties that may receive compensation, but the debtor’s attorney is not included. *Id.* Since the grammatical error “neither alters the text’s substance nor obscures its meaning[,]” the Court determined that debtor’s attorneys are not eligible to receive fees from the estate. *Id.* at 535.

The Court’s holding in *Lamie* also demonstrates that the Supreme Court is unwilling to interpret the Bankruptcy Code in a way that is at odds with Congressional intent. *Id.* at 534. In *Lamie*, the Court further explained that its unwillingness to soften the words of the statute “results from deference to the supremacy of the Legislature as well as recognition that Congressmen typically vote on the language of a bill.”¹⁶ *Id.* at 538 (internal citations omitted).

Not only does the Court respect the statutory text of the Code, but it also considers the specific words used in that text. Indeed, the Court strives to avoid reading words in or out of the statute in a way that Congress did not intend. For example, in *Lamar, Archer & Cofrin, LLP. v. Appling*, the Court considered the language of section 523 (a)(2)(A) of the Code to determine if a statement about a single asset qualified as a statement about the debtor’s financial condition. 584 U.S. 709 (2018). The Court refused to adopt the petitioner’s view that “a statement ‘respecting the debtor’s financial condition’ means only a statement that captures the debtor’s overall financial status[.]” *Id.* at 719. The Court explained that adopting this interpretation would read the word “respecting” out of the statute. *Id.* The Court in *Lamar* and in *Lamie* refused to read words out of the statute as it would result “not [in] a construction of [the] statute, but, in effect, an enlargement

of Chicago v. Fulton, 592 U.S. 154, 158 (2021) (considering the ordinary meaning of the terms “stay,” “act,” and “exercise control”). The Court has explained, however, that while “we may look to dictionaries and the Bankruptcy Rules to determine the meaning of words the Code does not define[,]” courts may not use a dictionary to construct an alternative meaning when the statutory definition is clear. *Schwab v. Reilly*, 560 U.S. 770, 783 (2010). Furthermore, the Court will apply the interpretation that “is clearly the more natural[,]” and places less strain on the statutory text. *Florida Dept. Of Revenue v. Piccadilly Cafeterias, Inc.*, 554 U.S. 33, 41 (2008).

¹⁴ Under the Grammar Canon, “[w]ords are to be given the meaning that proper grammar and usage would assign them.” D. Stevenson, *CANONS OF CONSTRUCTION (adapted from Scalia & Garner)*, U. OF HOUSTON L. CTR, <https://www.law.uh.edu/faculty/adjunct/dstevenson/2018Spring/CANONS%20OF%20CONSTRUCTION.pdf>.

¹⁵ This is an example of the Court applying the Whole-Text Canon of interpretation. See Antonin Scalia & Bryan A. Garner, *A Dozen Canons of Statutory and Constitutional Text Construction*, 99 *Judicature* 2 (2015), <https://judicature.duke.edu/articles/a-dozen-canons-of-statutory-and-constitutional-text-construction/>.

¹⁶ *Lamie* also highlights the use of the Ordinary-Meaning Canon, which runs through many the Court’s recent Bankruptcy opinions. Often, the Court interprets the statute using the ordinary meaning of the words, and then applies that meaning in conjunction with the methods of interpretation described throughout this article. The Ordinary-Meaning Canon demands that “words are to be understood in their ordinary, everyday meanings – unless the context indicates that they bear a technical sense.” Antonin Scalia & Bryan A. Garner, *A Dozen Canons of Statutory and Constitutional Text Construction*, 99 *Judicature* 2 (2015), <https://judicature.duke.edu/articles/a-dozen-canons-of-statutory-and-constitutional-text-construction/>.

of it by the court[.]”¹⁷ *Lamie*, 540 U.S. at 538 (quoting *Iselin v. United States*, 270 U.S. 245, 251 (1926)).

Along similar lines, the Court adheres to the rule that “a statute should be construed so that effect is given to all its provisions so that no part will be inoperative or superfluous.” *Clark v. Rameker*, 573 U.S. 122, 131 (2014) (quoting *Corley v. United States*, 556 U.S. 303, 314 (2009)). In *Clark*, the petitioner sought to exclude roughly \$300,000 in an inherited IRA using the retirement fund exemption. The Court held that “[t]he text and purpose of the Bankruptcy Code make clear that funds held in inherited IRAs are not ‘retirement funds’ within the meaning of § 522(b)(3)(C)’s bankruptcy exemption.” *Clark*, 573 U.S. at 127. Since the Code does not define “retirement funds,” the Court primarily reached this conclusion by explaining that the “ordinary meaning of ‘fund[s]’ is sum[s] of money...set aside for a specific purpose...[a]nd ‘retirement’ means ‘[w]ithdrawal from one’s occupation, business, or office.’” *Id.* (internal citations omitted). Given the ordinary meaning of “retirement funds,” the Court finds that “[s]ection 522(b)(3)(C)’s reference to ‘retirement funds’ is therefore properly understood to mean sums of money set aside for the day an individual stops working.” *Id.*

The Court refused to accept the petitioner’s backward-looking reading of section 522(b)(3)(c) because it would “render a substantial portion of [the statute’s] text superfluous.”¹⁸ *Id.* at 130. The Court’s rationale stems from the notion that “funds contained in every individual-held account exempt from taxation...have been, at some point in time, ‘retirement funds.’” *Id.* at 130. The Court is unwilling to upend the legislature’s writing of the statute, especially when “Congress could have achieved the exact same result through a provision covering any ‘fund or account that is exempt from taxation....’” *Id.* at 131.

Similarly, the Court uses the context of neighboring provisions to analyze any ambiguities in the statute. In *City of Chicago v. Fulton*, the Court considered if an entity violates the automatic stay by retaining possession of a debtor’s property after the debtor files the bankruptcy petition. The decision came down to the Court’s interpretation of section 362(a)(3)’s language, which “suggests that merely retaining possession of estate property does not violate the automatic stay.” 592 U.S. 154, 158 (2021). In particular, the provision “operates as a ‘stay’ of ‘any act’ to ‘exercise control’ over the property of the estate.” *Id.* The decision turned on the use of the words “stay,” “an act,” and “exercise control.” *Id.*

In *Fulton*, the Court acknowledged ambiguity in the statutory text. The Court resolved that ambiguity, however, by looking to section 542(a), which governs the turnover of estate property.¹⁹

¹⁷ In *Lamie* and *Lamar*, the Court applied elements of the Surplusage Canon by rejecting to read terms in or out of the statute. The Surplusage Canon requires that “every word and every provision is...given effect.... None should be ignored. None should needlessly be given an interpretation that causes it to duplicate another provision or to have no consequence.” See Antonin Scalia & Bryan A. Garner, *A Dozen Canons of Statutory and Constitutional Text Construction*, 99 *Judicature* 2 (2015), <https://judicature.duke.edu/articles/a-dozen-canons-of-statutory-and-constitutional-text-construction/>.

¹⁸ Here, the Court applied the Superfluous Canon, which holds that words, phrases, or provisions that appear in different parts of the section or code cannot have the same meaning. “In other words, one word is not duplicative or redundant of another word found in the statute.” Chris Micheli, *Canon of Statutory Construction – Rule Against Surplusage*, CAL. GLOBE, (Oct. 24, 2022, 6:55 AM), <https://californiaglobe.com/articles/canon-of-statutory-construction-rule-against-surplusage/>.

¹⁹ *Fulton* provides an example of the Court using the Whole-Text Canon which requires that the text be construed as a whole, in conjunction with the Superfluous Canon. See Antonin Scalia & Bryan A. Garner, *A Dozen Canons of*

If section 362(a)(3) covered mere retention as the respondent requested, it would “render the central command of § 542 largely superfluous.” *Id.* at 159. The Court denied the respondent’s request on that basis, noting that such a reading would contradict the plain meaning of the text and Congressional intent.

Overall, the Supreme Court’s decisions in bankruptcy cases focus, for the most part, on the language of the Bankruptcy Code. Although the Court is willing, in certain instances, to look beyond the words of the statute—perhaps to legislative intent or purpose—the Court rarely disregards or ignores the statutory text. As with many things in law, however, there are notable exceptions to, or expansions of, this general statement, a few of which are discussed below.

IV. Case Studies of the Court’s Often Nuanced Approach to Bankruptcy Cases

A. Siegel v. Fitzgerald, 596 U.S. 464 (2022)

In the Supreme Court case *Siegel v. Fitzgerald*, the justices unanimously ruled that a statute imposing higher fees on bankruptcy filers in 48 states compared to the other two states (Alabama and North Carolina) violates the Constitution’s requirement for Congress to provide “uniform Laws on the subject of Bankruptcies throughout the United States.”

The case involved the administrative costs of bankruptcy proceedings, which are substantial in large business cases. The United States Trustee Program in the Department of Justice administers cases in all states except Alabama and North Carolina, charging fees to defray the costs. In contrast, Alabama and North Carolina cases are administered by judicially appointed trustees, who have charged much lower fees at various times.

Justice Sonia Sotomayor, writing for the court, rejected the government’s argument that the relevant law is an administrative law not subject to the Bankruptcy Clause.²⁰ She emphasized that the clause has a broad reach and that increasing mandatory fees paid out of the debtor’s estate affects the central substance of the bankruptcy case.

The court also rejected the idea that local variation should permit different fees in different parts of the country, distinguishing between uniform laws allowing for local determination of governing rules and the statute in question, which arbitrarily exempted debtors in only two states from a fee that applied to debtors in 48 states.

In conclusion, the Supreme Court ruled that while the Bankruptcy Clause offers Congress flexibility, it does not permit arbitrary geographically disparate treatment of debtors. The Court found that subjecting similarly situated debtors in different states to different fees is impermissible under the Bankruptcy Clause. This ruling emphasizes the importance of maintaining uniformity in bankruptcy laws across the United States, preventing preferential treatment for businesses in certain districts.

Statutory and Constitutional Text Construction, 99 *Judicature* 2 (2015), <https://judicature.duke.edu/articles/a-dozen-canon-of-statutory-and-constitutional-text-construction/>; Chris Micheli, *Canon of Statutory Construction – Rule Against Surplusage*, CAL. GLOBE, (Oct. 24, 2022, 6:55 AM), <https://californiaglobe.com/articles/canon-of-statutory-construction-rule-against-surplusage/>.

²⁰ U.S. Const. art. I, § 8, cl. 9.

B. *Czyzewski v. Jevic Holding Corp.*, 580 U.S. 451 (2017)

In the Supreme Court case *Czyzewski v. Jevic Holding Corp.*, the Supreme Court addressed the issue of whether a bankruptcy court can approve a structured dismissal that deviates from the Bankruptcy Code's ordinary priority rules without the consent of affected creditors.

The case involved Jevic Transportation, a trucking company that filed for chapter 11 bankruptcy. During the bankruptcy case, a group of former Jevic truck drivers (the petitioners) were awarded a judgment against the company for violating state and federal laws regarding termination notices. The truck drivers' claim was considered a priority wage claim. Simultaneously, a committee of Jevic's unsecured creditors brought a fraudulent-conveyance claim against Jevic's acquirer and lender.

The parties reached a settlement that resolved the fraudulent conveyance claim and required the dismissal of Jevic's chapter 11 case. However, the settlement provided no recovery for the truck drivers while offering payment to lower priority general unsecured creditors. The truck drivers objected to the settlement, but the bankruptcy court, district court, and United States Court of Appeals for the Third Circuit approved the structured dismissal.

The Supreme Court reversed the lower courts' decisions, holding that bankruptcy courts cannot approve structured dismissals that deviate from the Bankruptcy Code's ordinary priority rules without the consent of affected creditors. The Court emphasized that the Bankruptcy Code's priority system is fundamental to the Code's operation and that deviations from this system would undermine its purpose.

The Court acknowledged that while the Bankruptcy Code allows for some flexibility in dismissals, this flexibility is intended to protect reliance interests acquired during the bankruptcy process, not to make general end-of-case distributions that would be prohibited under chapter 11 plans or chapter 7 liquidations. The Court also noted that allowing deviations from the priority rules, even in rare cases, would create uncertainty and negatively impact the bargaining power of different creditor classes.

In its ruling, the Supreme Court emphasized the importance of adhering to the fundamental principles of fairness embedded in the bankruptcy laws. The decision focused on the broader implications of allowing deviations from the priority rules, rather than on the specific language of the Bankruptcy Code. By prioritizing the fair treatment of creditors over technical interpretations of the Code, the Court upheld the core principles underlying the bankruptcy system.

The *Jevic* decision has had a significant impact on subsequent bankruptcy cases, with many courts refusing to approve structured dismissals, settlements, or transactions that appear to violate the Bankruptcy Code's distribution scheme without the consent of affected creditors. However, some courts have distinguished their cases from *Jevic* based on the specific facts or by finding that the relief sought fell within the permitted exceptions articulated by the *Jevic* Court.

C. *Marrama v. Citizens Bank of Massachusetts*, 549 U.S. 365 (2007)

In the Supreme Court case *Marrama v. Citizens Bank of Massachusetts*, the Court addressed whether a debtor's right to convert a chapter 7 bankruptcy case to another chapter under section 706(a) of the Bankruptcy Code can be denied due to the debtor's bad faith conduct.

Robert Marrama, the debtor, filed for chapter 7 bankruptcy and failed to disclose the transfer of a house into a trust to protect it from creditors. When the bankruptcy trustee discovered this omission and intended to recover the house for the bankruptcy estate, Marrama sought to convert his case to chapter 13. The trustee and Citizens Bank of Massachusetts objected, arguing that Marrama's request was made in bad faith and would abuse the bankruptcy process.

The bankruptcy court denied Marrama's request for conversion, and both the bankruptcy appellate panel and the United States Court of Appeals for the First Circuit upheld this decision, concluding that a bad-faith debtor does not have an absolute right to convert a chapter 7 case to chapter 13.

The Supreme Court, in a 5-4 decision, agreed with the lower courts and ruled that there is a "bad faith" exception to the right of conversion under section 706(a). The majority opinion, authored by Justice John Paul Stevens, held that although most chapter 7 debtors can convert to chapter 13, a debtor who engages in bad faith conduct does not qualify as a "debtor" under chapter 13 and, therefore, cannot convert their petition. The Court also emphasized that courts have the inherent power to deny the motions of litigants who act in bad faith.

In its ruling, the Supreme Court focused on the broader principles of fairness and the integrity of the bankruptcy process, rather than conducting a detailed analysis of the Bankruptcy Code's text. The Court found that a debtor who has acted in bad faith is not entitled to convert the case, underscoring the principle that the bankruptcy process should not be abused. This decision was grounded in the idea that the bankruptcy system is designed to provide relief to honest debtors, and those who attempt to manipulate the process should not be allowed to benefit from its protections.

The *Marrama* decision highlights the Supreme Court's commitment to maintaining the integrity of the bankruptcy system and preventing its abuse by dishonest debtors. By recognizing a "bad faith" exception to the right of conversion, the Court ensured that the bankruptcy process remains fair and equitable for all parties involved, including creditors who may be harmed by a debtor's fraudulent conduct.

D. *Nobelman v. Am. Sav. Bank*, 508 U.S. 324 (1993)

In the Supreme Court case *Nobelman v. American Savings Bank*, the Court addressed the issue of whether a chapter 13 bankruptcy plan could bifurcate an undersecured homestead mortgage into a secured claim and an unsecured claim, effectively "stripping down" the mortgage to the fair market value of the residence.

Leonard and Harriet Nobelman, the debtors, sought to modify their mortgage under chapter 13 by proposing a plan that would reduce the mortgage principal to the fair market value of their home, relying on section 506(a) of the Bankruptcy Code. American Savings Bank, the

mortgage lender, and the chapter 13 trustee objected to the plan, arguing that it violated section 1322(b)(2), which prohibits the modification of rights of holders of claims secured only by a debtor's principal residence.

The bankruptcy court, district court, and court of appeals all sided with the lender and trustee, denying confirmation of the Nobelmans' proposed plan. The Supreme Court granted certiorari to resolve the issue.

In its decision, the Supreme Court held that section 1322(b)(2) prohibits a chapter 13 debtor from relying on section 506(a) to reduce an undersecured first mortgage to the fair market value of the mortgaged residence. The Court reasoned that while section 506(a) provides for a judicial valuation of the residence to determine the status of the lender's secured claim, that valuation does not necessarily limit the lender's rights as a claim holder, which are protected by section 1322(b)(2).

The Court emphasized that in the absence of a controlling Bankruptcy Code definition, the determination of property rights in estate assets is left to state law. Under Texas law, the mortgagee's rights include the right to repayment of the principal in monthly installments over a fixed term at specified adjustable interest rates, and these rights are protected from modification by section 1322(b)(2). The Court rejected the debtors' interpretation of the "other than" exception in section 1322(b)(2), finding that it refers to the lienholder's entire claim, including both its secured and unsecured components.

In its ruling, the Supreme Court balanced the interests of homeowners and the mortgage lending system. The decision was influenced by considerations of protecting the rights of mortgage lenders and maintaining the stability of the mortgage market, while also acknowledging the Bankruptcy Code's goal of providing relief to debtors. By prohibiting the stripping down of undersecured homestead mortgages, the Court sought to strike a balance between these competing interests.

The Nobelman decision has had significant implications for chapter 13 debtors seeking to modify their mortgage obligations. It has effectively precluded the use of section 506(a) to bifurcate undersecured homestead mortgages and has reinforced the protections afforded to mortgage lenders under section 1322(b)(2). The ruling reflects the Court's attempt to balance the rights of debtors and creditors while considering the broader public policy implications for the housing market and the economy as a whole.

E. *Grogan v. Garner*, 498 U.S. 279 (1991)

In the Supreme Court case *Grogan v. Garner*, the Court addressed the question of what standard of proof should be applied in bankruptcy proceedings when determining whether a debt is dischargeable under section 523(a) of the Bankruptcy Code, which exempts debts obtained by "actual fraud" from discharge.

The case involved Frank Garner, who had been convicted of defrauding Coy Grogan. In that action, the court ordered Garner to repay Grogan. Garner filed for chapter 11 bankruptcy and sought to have the debt to Grogan discharged. Grogan argued that the debt should not be discharged due to the fraud exception under section 523(a). The lower courts disagreed on the appropriate standard of proof for determining whether the debt was the result of "actual fraud."

The Supreme Court, in a unanimous decision authored by Justice John Paul Stevens, held that the preponderance of the evidence standard should be applied in determining the dischargeability of debts under section 523(a). The Court reasoned that the preponderance standard is typically used in civil actions between private parties unless particularly important interests are at stake, and that a debtor's interest in a complete fresh start does not outweigh the creditor's interest in recovering debts resulting from fraud.

The Court also noted that the structure of section 523(a), which groups together various exceptions to discharge without specifying different standards of proof, implies that Congress intended the preponderance standard to apply to all exceptions. Furthermore, the Court pointed out that Congress has consistently chosen the preponderance standard when creating substantive causes of action for fraud in other contexts.

In its ruling, the Supreme Court sought to balance the competing interests of providing a fresh start for honest debtors and protecting the rights of creditors who have been victims of fraud. The decision was not solely based on an interpretation of bankruptcy law but also considered the broader legal landscape and congressional intent in establishing the fraud exception to discharge.

By applying the preponderance of the evidence standard, the Court aimed to ensure that creditors who have successfully proven fraud claims in other proceedings would not face additional hurdles in bankruptcy court. This approach aligns with the historical development of the fraud exception, which has gradually expanded to cover more types of debts obtained through fraudulent means.

Overall, the *Grogan v. Garner* decision demonstrates the Supreme Court's commitment to maintaining a fair and balanced approach to bankruptcy proceedings, one that takes into account the interests of both debtors and creditors while upholding the integrity of the legal system. The Court's ruling was influenced by considerations beyond the specific provisions of the Bankruptcy Code, reflecting a holistic view of the law and the principles of justice that underpin it.

F. *Bartenwerfer v. Buckley*, 598 U.S. 69 (2023)

In the Supreme Court case *Bartenwerfer v. Buckley*, the Court addressed whether a debtor can be held liable for another person's fraud and prevented from discharging that debt in bankruptcy, even when the debtor was unaware of the fraud.

Kate and David Bartenwerfer, a married couple, renovated a house in San Francisco and sold it to Kieran Buckley. After the sale, Buckley discovered defects that the Bartenwerfers had failed to disclose. Buckley sued and won, leaving the Bartenwerfers jointly responsible for over \$200,000 in damages. The Bartenwerfers filed for chapter 7 bankruptcy, and Buckley initiated an adversary proceeding arguing that the state-court judgment could not be discharged because the debt was obtained through fraud.

The bankruptcy court found that David had committed fraud and imputed his fraudulent intent to Kate due to their legal partnership. The Bankruptcy Appellate Panel and the Ninth Circuit Court of Appeals disagreed on the proper standard for imputing fraud liability to Kate.

The Supreme Court, in a unanimous decision authored by Justice Amy Coney Barrett, held that a debtor who is liable for their partner’s fraud cannot discharge that debt in bankruptcy, regardless of the debtor’s own culpability. The Court based its decision on the plain language of section 523(a)(2)(A) of the Bankruptcy Code, which provides an exception to discharge for debts obtained by “false pretenses, a false representation, or actual fraud.”

The Court emphasized that the passive voice used in the statute focuses on how the debt was obtained rather than who committed the fraud. The Court also noted that the common law of fraud, which serves as the relevant legal context for interpreting the statute, has long held that fraud liability is not limited to the wrongdoer alone.

In its ruling, the Supreme Court sought to maintain a balance between the interests of debtors and creditors in bankruptcy proceedings. The Court’s decision was primarily based on the plain meaning of the statutory text and did not involve an extensive analysis of the broader statutory scheme or policy considerations.

By holding that debts obtained through fraud are not dischargeable, regardless of who committed the fraud, the Court prioritized the rights of creditors who have been victims of fraudulent conduct over the interests of debtors seeking a fresh start. The decision emphasizes the importance of the plain language of the Bankruptcy Code and suggests that the Court will not read additional limitations into the fraud discharge exception based on policy concerns or equitable considerations.

In summary, the *Bartenwerfer v. Buckley* decision demonstrates the Supreme Court’s commitment to a textual approach in interpreting the Bankruptcy Code, focusing on the plain meaning of the statutory language rather than engaging in a broader analysis of the Code’s objectives or the implications of its ruling for debtors and creditors.

G. Exec. Benefits Ins. Agency v. Arkison, 573 U.S. 25 (2014)

In *Executive Benefits Insurance Agency v. Arkison*, the Supreme Court addressed the issue of a bankruptcy judge’s authority to hear and determine certain claims following the Court’s previous decision in *Stern v. Marshall*. The case involved a bankruptcy trustee’s claim against Executive Benefits Insurance Agency (EBIA) for fraudulent conveyance.

The Court unanimously held that when a bankruptcy court is presented with a claim that is designated as “core” under the bankruptcy statute but cannot be adjudicated by a bankruptcy judge under Article III of the Constitution (a “Stern claim”), the bankruptcy court should treat the claim as a non-core “related to” matter. In such cases, the bankruptcy judge should submit proposed findings of fact and conclusions of law to the district court for de novo review.

The Court’s decision aimed to clarify the procedural path for handling Stern claims and to address the potential statutory gap created by the *Stern v. Marshall* ruling. By allowing bankruptcy judges to treat Stern claims as non-core matters, the Court sought to maintain the division of labor between bankruptcy judges and district court judges as outlined in the bankruptcy statute.

The Court’s reasoning in *Arkison* was primarily based on the severability provision in the Federal Judgeship Act of 1984, which allows for the remainder of the Act to remain in effect even

if a specific provision is held invalid. The Court interpreted this provision to mean that when a claim is identified as a Stern claim, the “core” label and associated procedures are invalidated, leaving the claim to be treated as a non-core “related to” matter.

While the *Arkison* decision provided some clarity on the handling of Stern claims, it did not address the broader constitutional and jurisdictional questions surrounding bankruptcy judges’ authority. The Court explicitly reserved judgment on whether parties can consent to a bankruptcy court entering a final judgment on a Stern claim, leaving this issue unresolved.

In conclusion, the Supreme Court’s ruling in *Executive Benefits Insurance Agency v. Arkison* focused on providing a procedural solution for handling Stern claims within the existing bankruptcy statutory framework. The decision was based on a close reading of the relevant statutes and did not delve into a broader interpretation of bankruptcy law or constitutional principles. The Court’s approach aimed to maintain the division of labor between bankruptcy judges and district court judges while leaving some significant questions, such as the issue of consent, open for future consideration.

H. *Law v. Siegel*, 571 U.S. 415 (2014)

In the Supreme Court case *Law v. Siegel*, the Court addressed the question of whether a bankruptcy court can surcharge a debtor’s statutory homestead exemption when the debtor has engaged in fraudulent conduct.

Stephen Law, the debtor, filed for chapter 7 bankruptcy and claimed a homestead exemption for his house in California. Law asserted that the house was subject to two liens that exceeded the house’s nonexempt value, leaving no equity for other creditors. However, the bankruptcy trustee, Alfred H. Siegel, discovered that one of the liens was fraudulent and initiated an adversary proceeding to avoid the lien and sell the house. After extensive litigation, the bankruptcy court determined that Law had made fraudulent misrepresentations about the lien. Siegel requested that the court use Law’s \$75,000 homestead exemption to pay the attorney’s fees incurred during the litigation, and the bankruptcy court granted the motion.

The Supreme Court, in a unanimous opinion authored by Justice Antonin Scalia, held that while a bankruptcy court has broad authority to issue orders necessary to carry out the provisions of the Bankruptcy Code, it cannot contravene specific statutory provisions.

In this case, the Court found that the bankruptcy court exceeded its authority by awarding Law’s homestead exemption to Siegel. The Court emphasized that once a debtor establishes a homestead exemption, the bankruptcy court must honor that exemption, even if the debtor has engaged in dishonest conduct. The Court reasoned that the Bankruptcy Code does not provide for a general equitable override of statutory provisions, and sanctions for a debtor’s misconduct must not violate the terms of the Code.

The Court’s ruling in *Law v. Siegel* was primarily based on a strict interpretation of the Bankruptcy Code and the specific provisions governing homestead exemptions. The decision sought to uphold the integrity of the statutory scheme and limit the bankruptcy courts’ ability to deviate from the Code’s explicit provisions, even in cases of debtor misconduct.

The overall goal of the Court’s ruling was to maintain the balance struck by Congress in the Bankruptcy Code between the rights of debtors and creditors. By prohibiting bankruptcy courts from using their equitable powers to override statutory exemptions, the Court aimed to ensure that the Code’s provisions are applied consistently and predictably.

While the decision in *Law v. Siegel* was grounded in the text of the Bankruptcy Code, it also has implications for the broader functioning of the bankruptcy system. The ruling may force trustees and creditors to be more proactive in objecting to exemptions early in the bankruptcy process and may limit the flexibility and discretion of bankruptcy courts in addressing debtor misconduct.

In conclusion, the Supreme Court’s decision in *Law v. Siegel* focused on a strict interpretation of the Bankruptcy Code’s provisions and sought to maintain the integrity of the statutory scheme. The Court’s ruling prioritized adherence to the Code’s explicit provisions over the bankruptcy courts’ equitable powers, even in cases of debtor fraud. This approach reflects the Court’s view that the proper functioning of the bankruptcy system depends on the consistent application of the Code’s provisions, as enacted by Congress, rather than on a case-by-case exercise of judicial discretion.

I. *Johnson v. Home State Bank*, 501 U.S. 78 (1991)

In the Supreme Court case *Johnson v. Home State Bank*, the Court addressed the question of whether a debtor can include a mortgage lien in a chapter 13 bankruptcy reorganization plan after the debtor’s personal liability on the debt secured by the property has been discharged in a chapter 7 proceeding.

The case involved petitioner Johnson, who had defaulted on promissory notes secured by a mortgage on his farm property. After Johnson filed for chapter 7 bankruptcy and was discharged from personal liability on the notes, the respondent, Home State Bank, reinitiated foreclosure proceedings. Before the foreclosure sale, Johnson filed for chapter 13 bankruptcy, listing the mortgage as a claim against his estate and proposing to pay the bank’s judgment in installments.

The Supreme Court unanimously held that a mortgage lien securing an obligation for which a debtor’s personal liability has been discharged in a chapter 7 liquidation is a “claim” within the meaning of the Bankruptcy Code and can be included in an approved chapter 13 reorganization plan. The Court based its decision on a broad interpretation of the term “claim” in the Bankruptcy Code, which includes any right to payment or any right to an equitable remedy for breach of performance, regardless of whether the right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured.

The Court emphasized that Congress intended to adopt the broadest available definition of “claim” in the Bankruptcy Code. It reasoned that a mortgage interest that survives the discharge of a debtor’s personal liability is still an enforceable obligation against the debtor’s property, and therefore constitutes a “claim” that can be included in a chapter 13 plan.

In its ruling, the Supreme Court sought to provide a comprehensive solution for debtors who have undergone a chapter 7 liquidation but still face the prospect of losing their property to

foreclosure. By allowing debtors to include surviving mortgage liens in a chapter 13 plan, the Court aimed to facilitate the rehabilitation of debtors and provide them with a fresh start while also ensuring that creditors receive fair treatment.

The Court's decision was primarily based on a textual interpretation of the Bankruptcy Code and an examination of the legislative history surrounding the definition of "claim." However, the Court also considered the broader policy goals of the bankruptcy system, such as providing debtors with a fresh start and balancing the interests of debtors and creditors.

The *Johnson v. Home State Bank* ruling demonstrates the Supreme Court's commitment to interpreting the Bankruptcy Code in a manner that promotes its underlying objectives, even if this requires a broad reading of key statutory terms. The decision also highlights the Court's willingness to consider the practical implications of its rulings on the functioning of the bankruptcy system and the ability of debtors to obtain meaningful relief.

In conclusion, the Supreme Court's decision in *Johnson v. Home State Bank* was driven by a close reading of the Bankruptcy Code's text and legislative history, but it also reflected a broader concern for ensuring that the bankruptcy system operates in a fair and effective manner. By allowing debtors to address surviving mortgage liens in a chapter 13 plan, the Court sought to provide a more comprehensive solution to the financial difficulties faced by debtors, while still respecting the rights of creditors.