



WEIL'S SCOTUS TERM IN REVIEW

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Supreme Court Denies Refunds to Debtors Who Paid Excess Fees to U.S. Trustee

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Today, in *Office of the United States Trustee v. John Q Hammons Fall 2006, LLC*, the Supreme Court held that debtors who paid fees in bankruptcy cases administered by the U.S. Trustee Program are not entitled to any relief, even though the Court previously ruled that those debtors had been unconstitutionally overcharged. This decision is the culmination of several years of litigation concerning differential fee structures across judicial districts.

Two terms ago, in *Siegel v. Fitzgerald*, the Court held that a statute permitting different fees for chapter 11 debtors depending on the district where the case was filed violated the Bankruptcy Clause's uniformity requirement. 596 U.S. 464, 479–80 (2022). In most of the country, the U.S. Trustee Program oversees the administration of bankruptcy cases. However, six judicial districts in North Carolina and Alabama have opted out of the U.S. Trustee Program, and bankruptcy cases in those districts are overseen by court-appointed bankruptcy administrators. All debtors, regardless of the district in which the debtor filed its chapter 11 case, must pay a quarterly fee while its chapter 11 case is open. In 2017, Congress increased the quarterly fee rates to be paid by certain debtors—the largest corporate debtors—with chapter 11 cases pending in U.S. Trustee districts. Because the six judicial districts that have opted out of the U.S. Trustee Program did not immediately adopt this fee increase, the Supreme Court held in *Siegel* that the fee increases were unequally applied to the States and therefore unconstitutional. The Court left open whether debtors who had paid the increased fees would be entitled to relief.

Following the Court's decision in *Siegel*, chapter 11 debtors across the country sought (in some cases, successfully) relief from bankruptcy courts in the form of refunds for the difference in quarterly fee paid under the increased fee regime and fees such debtors would have paid under the prior, pre-increase regime. In some cases, such refunds totaled millions of dollars.

Today, the Court held that the debtors could not obtain a refund. Writing for the Court, Justice Jackson reasoned that Congress “would have wanted to impose equal fees in all districts going forward,” and not to provide a refund. Congress was committed to higher fees, already remedied the wrong going

forward, and a refund of \$326 million in potential fees would cause an extreme disruption to the bankruptcy system. Going forward, debtors around the country thus will pay equivalent fees, no matter which judicial district they file chapter 11 cases in, but the previous lack of uniformity held unconstitutional in *Siegel* will not be redressed through refunds.

Justice Gorsuch, joined by Justice Thomas and Justice Barrett in dissent, would have granted the refunds, reasoning that it is the plaintiff, not the government, who chooses what form of legally permissible relief to seek.

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