



PRESS RELEASE

For Immediate Release

Director
312-240-1400; dawn.federico@ccla.org

Reps. Zoe Lofgren (D-CA) and Ken Buck (R-CO) Introduce H.R. 4193, the Bankruptcy Venue Reform Act

Rolling Meadows, IL, July 13, 2021 – Recently, Reps. Zoe Lofgren (D-CA) and Ken Buck (R-CO), introduced H.R. 4193, the Bankruptcy Venue Reform Act, to reform the venue provisions of the U.S. Bankruptcy Code.

This bipartisan legislation seeks to insert a common-sense requirement into the Bankruptcy Code that companies which elect to file Chapter 11 bankruptcy do so where their principal place of business is located, or where they have their principal assets. Currently, companies are allowed to flee their communities, employees, and local creditors to reorganize in another state or jurisdiction that might be more sympathetic to their interests. Retired Bankruptcy Judge Steven Rhodes (Bankr. E. D. Michigan) commented in the Wall Street Journal (2015) that the current venue law is “the single most significant source of injustice in chapter 11 bankruptcy cases.”

“Under current U.S. law, corporations filing Chapter 11 bankruptcy have the ability to ‘venue shop’ and potentially choose a court that has issued lenient rulings in similar cases. Our bill will require corporations filing Chapter 11 bankruptcy to go through those proceedings in the forum they are primarily located rather than running off to a court across the country. This will eliminate companies’ ability to tilt the scale of justice and ensure the case is heard in a court familiar with all the affected stakeholders,” said Rep. Buck.

The interests of local economies, creditors, employees, and retirees are often ignored when a corporation flees to initiate a proceeding in a remote state. Allowing troubled companies to file in other jurisdictions far from home to achieve desired outcomes directly threatens the integrity of the bankruptcy system by eroding public confidence and calling into question the fairness of a system that can be so easily manipulated.

“The outcome of a Chapter 11 bankruptcy proceeding can have a profound impact on the local community where a corporation is based. It is simply unfair that corporations can game the bankruptcy system by choosing a distant court where there is a cottage industry to advantage their interests. Justice is best served when corporate bankruptcies are adjudicated locally, with convenient court access for employees, retirees, and local creditors and a judge who knows the affected community,” said Rep. Lofgren.

“The introduction of a bankruptcy venue reform bill for the third consecutive legislative session reflects the increasing momentum for passage of this valuable bill,” said Christopher Young, President of the Commercial Law League. *“Last session’s House bill garnered the most co-sponsors ever, along with support from the National Association of Attorneys’ General and 163 current and former bankruptcy judges. Long overdue, venue reform will level the playing field for American business in debt collection and bankruptcy enforcement actions. Small business and entrepreneurs, the life blood of the American*



economy, will no longer be subject to the gamesmanship of forum shopping and the burden of foreign litigation. The League is proud to champion this bill.”

Amending the bankruptcy venue statute has been endorsed by several bar associations from around the country, state legislatures, law school professors, the Iowa Bankers Association, the National Association of Credit Management, the Texas Hotel & Lodging Association, the National Association of Attorneys’ General, and the United Mine Workers of America.

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Since 1895, the not-for-profit Commercial Law League of America has connected experienced attorneys with credit grantors, lending institutions and other commercial credit, bankruptcy and general finance industry members through networking, education, legislative advocacy and specialized legal services. The association’s members include attorneys, collection agencies, judges, accountants, trustees, turnaround managers and other credit and finance experts. For more information on the CLLA, please visit www.CLLA.org.

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For additional information about the Commercial Law League of America, contact Dawn Federico at dawn.federico@ccla.org or by calling 312-240-1400.