***Taggart v. Lorenzen*, No. 18-489**

Today, the Supreme Court held 9-0 that a creditor cannot be held in contempt of court for violating a bankruptcy discharge order if there is a “fair ground of doubt” as to whether the order barred the creditor’s conduct.

Background: Under the Bankruptcy Code, a bankruptcy discharge order bars creditors from collecting on discharged debts. In this case, the debtor and the creditors were in litigation in state court when the debtor declared bankruptcy. The bankruptcy court entered a discharge order, and the state-court proceeding resumed. The creditors prevailed on the merits and sought attorneys’ fees. The state court awarded attorneys’ fees to the creditors. It explained that the discharge order did not bar the attorneys’ fees award because the debtor actively participated in the ongoing litigation post-bankruptcy.

The debtor then went to the bankruptcy court and asked it to hold the creditors in contempt of court, because (in his view) the creditors violated the discharge order by seeking attorneys’ fees in the state case. The Ninth Circuit ultimately held that the creditors could not be held in contempt, because they had a “good faith belief”—based on the state-court decision—that the discharge order did not bar their request for attorneys’ fees.

Issue: Whether a creditor can be held in contempt for violating a bankruptcy discharge order when he has a good-faith belief that the discharge order does not apply to his conduct.

Court’s Holding: In an opinion authored by Justice Breyer, the Court unanimously held that a creditor may not be held in contempt of court for violating a discharge order if there is a “fair ground of doubt” as to whether the order barred the creditor’s conduct. This is primarily an objective standard, which depends on whether the creditor had a reasonable basis for his position. But subjective intent is still relevant; a creditor who acted in bad faith may deserve to be held in contempt, and a creditor who acted in good faith may not deserve a significant contempt sanction. The Court rejected the near-strict-liability rule urged by the debtor, explaining that such a rule would be bad for the bankruptcy system because it would make bankruptcy proceedings longer and more expensive.

Mayer Brown represented the respondents before the Supreme Court.