

Bankruptcy Group Of The Year: Pachulski Stang

By **Emily Enfinger**

Law360 (February 8, 2023, 2:02 PM EST) -- Pachulski Stang Ziehl & Jones LLP spent another busy year involved in both big and small bankruptcy cases, such as the Chapter 11 cases of Johnson & Johnson's talc unit and the operator of a California community hospital, earning the firm a spot on Law360's 2022 Bankruptcy Groups of the Year.

Pachulski Stang's bankruptcy practice consists of more than 70 attorneys in offices in Wilmington, Delaware; Los Angeles; San Francisco; New York; and Houston. Its clients range from large public corporations to small businesses and individuals.

In the Chapter 11 case of J&J unit LTL Management that used a controversial "Texas two-step" maneuver, Pachulski Stang represented law firm Arnold & Itkin LLP, which is counsel to thousands of talc injury claimants and is one of the movants who sought to dismiss the case.

The Third Circuit threw out the case last month, reversing a ruling from a New Jersey bankruptcy court that allowed the case to proceed as LTL Management tried to deal with billions of dollars in liability related to its talc products.

Laura Davis Jones, managing partner at Pachulski Stang's Delaware office, said the circuit court issued a "comprehensive, thoughtful opinion."

In California, Pachulski Stang served as counsel to Watsonville Hospital Corp. in a Chapter 11 case that was initiated in late 2021. The corporation operated the Watsonville Community Hospital, a 106-bed facility with more than 600 employees that serve patients in a tri-county area along California's central coast.

Debra Grassgreen, a senior partner based in the firm's San Francisco office, said the Watsonville case was very successful, with almost no disputes. However, what was most significant about the case, she said, was working with the local communities and governments to form a health care district that placed the hospital in public stewardship.

The hospital now operates as a nonprofit that is supported by community funds and government funds from the city, county and state.



Cases such as this, although small compared to some of the firm's other cases, are just as important because of their effects on the local level, Grassgreen said.

"They really make a difference in the local communities, so it's nice to weave that in with all the big-ticket stuff that we do," Grassgreen said.

Pachulski Stang is also representing the tort claimants' committee for the Boy Scouts of America, which has faced accusations of sexual abuse from men across the country. In September, a Delaware bankruptcy judge confirmed the scouting organization's Chapter 11 plan, establishing the framework for a \$2.5 billion settlement trust that will evaluate and pay claims.

While mass torts cases are generally difficult, Grassgreen said the Boy Scouts matter was "a very intense case" given the nature of the allegations of child sex abuse, the volume of claims and their complexity because of how far they date back.

Of major importance in this case, Grassgreen said, was that "town hall meetings" were regularly held to give survivors the ability to ask questions and get answers.

"It took a while to get the confirmation. Being able to communicate with the survivors and give them a platform where they felt like they were being heard was important," Grassgreen said.

Among its other cases, the firm also represented Alfred Siegel, the liquidating trustee of former electronics retailer Circuit City, in the U.S. Supreme Court case *Alfred Siegel v. John Fitzgerald III*, which challenged the 2017 increase in fees owed by Chapter 11 debtors to the U.S. Trustee's Office. Siegel had argued that on top of the significant increase in fees owed by Chapter 11 debtors, the new fee structure was not applied in a uniform way because it did not apply to all debtors in all judicial districts.

In June, the U.S. Supreme Court struck down the fee increase, saying the law violated the clause of the U.S. Constitution that requires bankruptcy laws to be applied uniformly.

--Additional reporting by Vince Sullivan. Editing by Steven Edelstone.