No. _____

In the Supreme Court of the United States

GOLDMAN SACHS BANK USA, d/b/a Marcus by Goldman Sachs,
Petitioner,
v.
RHEA ANN BROWN; GREGORY KEVIN MAZE,
Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

The Federal Arbitration Act (FAA) commands that arbitration agreements "shall be valid, irrevocable, and enforceable, save upon such grounds as exist at law or in equity for the revocation of any contract." 9 U.S.C. § 2. That command extends to federal statutory claims—and may be displaced only by a "clear and manifest" congressional command to the contrary. *Epic Sys. Corp. v. Lewis*, 584 U.S. 497, 510-11 (2018). For decades, this Court has "rejected every . . . effort" to conjure such a conflict, across statutes ranging from the Sherman Act to the Age Discrimination in Employment Act (ADEA) to the Racketeer Influenced and Corrupt Organizations Act (RICO). *Id.* at 510, 516 (emphasis omitted). Yet the decision below held that Congress intended to displace the FAA with respect to claims seeking money damages for alleged violations of the Bankruptcy Code's automatic stay, reasoning that arbitration would "interfere and conflict with the strong and established policies and purposes of the Bankruptcy Code." App.2a. That holding "creates a clear circuit split" with the Second Circuit's decision in *MBNA America Bank, N.A. v. Hill*, 436 F.3d 104 (2d Cir. 2006). *Id.* at 28a (King, J., dissenting). It also deepens broader confusion over how this Court's arbitration precedents apply in bankruptcy.

The question presented is:

Whether, and under what circumstances, a bankruptcy court may override the FAA and refuse to honor a valid arbitration agreement with respect to Section 362(k) claims.

PARTIES TO THE PROCEEDINGS BELOW

Petitioner Goldman Sachs Bank USA, d/b/a Marcus by Goldman Sachs (GS: NYSE—Goldman Sachs Group, Inc.) was the defendant in the bankruptcy court and the appellant in the district court and court of appeals.

Respondents Rhea Ann Brown and Gregory Kevin Maze were the plaintiffs in the bankruptcy court and the appellees in the district court and court of appeals.

RULE 29.6 STATEMENT

Petitioner Goldman Sachs Bank USA (Goldman Sachs) is a wholly owned, indirect subsidiary of the Goldman Sachs Group, Inc. (GS: NYSE).

RELATED PROCEEDINGS

Goldman Sachs Bank USA, d/b/a Marcus by Goldman Sachs v. Rhea Ann Brown; Gregory Kevin Maze, No. 25-1439, U.S. Court of Appeals for the Fourth Circuit. Order affirming denial of motion to compel arbitration entered March 18, 2026.

Goldman Sachs Bank USA v. Rhea Ann Brown and Gregory Kevin Maze, No. 7:24-cv-00490-RSB-CKM, U.S. District Court for the Western District of Virginia. Order affirming denial of motion to compel arbitration entered March 17, 2025.

Rhea Ann Brown and Gregory Kevin Maze v. Goldman Sachs USA d/b/a Marcus by Goldman Sachs (In re Rhea Ann Brown), No. 24-ap-07009, U.S. Bankruptcy Court for the Western District of Virginia. Order denying motion to compel arbitration entered July 15, 2024.

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PETITION FOR A WRIT OF CERTIORARI

Petitioner Goldman Sachs Bank USA (GS Bank) respectfully petitions this Court for a writ of certiorari to review the order of the United States Court of Appeals for the Fourth Circuit.

OPINIONS BELOW

The Fourth Circuit's opinion (App.1a-25a) is reported at 170 F.4th 249. The district court's unreported opinion (App.44a-52a) can be found at 2025 WL 837338. The bankruptcy court's opinion (App.30a-43a) is reported at 663 B.R. 449.

JURISDICTION

The court of appeals entered judgment on March 18, 2026. This Court's jurisdiction is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

The relevant statutory provisions are set forth in the appendix. App.53a-57a.

INTRODUCTION

This case presents a fundamental question about the applicability of the Federal Arbitration Act (FAA) in bankruptcy. The Fourth Circuit held that private damages claims brought by debtors against creditors under 11 U.S.C. § 362(k)—the Bankruptcy Code's private cause of action for willful violations of the automatic stay—may *never* be sent to arbitration, regardless of the terms of the parties' arbitration agreement and the posture of the bankruptcy, and notwithstanding that the Code says nothing about displacing arbitration. App.1a-22a. As Judge King wrote in dissent, that ruling "flout[s]" this Court's arbitration precedents and "creates a clear circuit split." *Id.* at 24a, 28a. This Court should grant certiorari to resolve the split, clarify the relationship between bankruptcy and arbitration law, and enforce the FAA's plain terms.

Across "many cases over many years"—spanning the Sherman Act to RICO to the ADEA—this Court has "rejected *every* . . . effort" to wall off federal statutory claims from the FAA, holding parties to arbitration agreements even when the relevant statutes are of great public importance. *Epic Sys. Corp. v. Lewis*, 584 U.S. 497, 516 (2018). As the Court has explained, Congress's intent to override the FAA with respect to statutory claims must be "clear and manifest." *Id.* at 510. To displace the Act, an "inherent conflict" must be truly "irreconcilable"—not just some purported tension between arbitration and a statute's broader purposes. *Shearson/American Express, Inc. v. McMahon*, 482 U.S. 220, 227, 239 (1987).

The Fourth Circuit's decision contravenes that framework. Even while acknowledging the "substantial arguments on both sides of the issue," the majority declared Section 362(k) damages claims categorically non-arbitrable—no matter the facts of the bankruptcy or the impact (if any) on estate administration. App.2a. And it rested that holding not on anything resembling a "clear and manifest" command from Congress, but on a grab bag of amorphous "policies and purposes," most of which have no connection to the claims in this case. *Id.* That is precisely the type of free-floating policy balancing that *Epic Systems* forbids, *see* 584 U.S. at 524, and which this Court has repeatedly rejected, *see, e.g.*, *Mitsubishi Motors Corp. v. Soler Chrysler-Plymouth, Inc.*, 473 U.S. 614, 633-35 (1985).

Making matters worse, the Fourth Circuit created a "clear circuit split" with the Second Circuit. App.28a (King, J., dissenting). In *MBNA America Bank, N.A. v. Hill*, that court ordered arbitration of a Section 362(k) claim, holding that arbitration of such claims "would not necessarily jeopardize or inherently conflict with the Bankruptcy Code" and that there is "no indication from the statute" supporting a categorical ban on arbitration. 436 F.3d 104, 108, 110 (2d Cir. 2006). As respondents acknowledged below, they would lose this case under the Second Circuit's rule.

The Second Circuit's approach is right—and the Fourth Circuit's contrary rule is wrong—under this Court's precedent and basic textualism. As Judge King emphasized in dissent, the panel applied the wrong test and reached the wrong result, leaving "a very solid chance that the Supreme Court reverses if certiorari is granted." App.28a.

This Court's guidance on the applicability of the FAA in bankruptcy is long overdue. The Section 362(k) issue frequently arises in bankruptcy and district courts across the country, and the circuit split reflects deeper lower-court confusion about the FAA's intersection with the Bankruptcy Code. This case is an ideal vehicle for providing the necessary guidance. The petition should be granted.

STATEMENT OF THE CASE

A. Factual Background

1. Petitioner GS Bank is a New York-chartered bank. CA4 Appendix (JA) 91 ¶ 4. In 2019, GS Bank partnered with Apple Inc. to launch the Apple Card, with GS Bank issuing and operating Apple Card credit card accounts. *Id*.

In late 2020, Respondents Rhea Ann Brown and Gregory Kevin Maze were approved for Apple Card credit card accounts. JA92 ¶¶ 6, 8. Each agreed to the Apple Customer Agreement, which included a clearly marked arbitration provision covering any claim arising from or relating to the Agreement or the parties' relationship. JA91-92 ¶ 5; JA110. Respondents acknowledge they validly consented to the arbitration provision and that it encompasses their claims here. *See* JA115 & n.3.

2. In June 2023, Brown filed for Chapter 13 bankruptcy. *In re Brown*, No. 23-70426 (Bankr. W.D. Va. filed June 14, 2023). Chapter 13 "provides . . . protection to 'individual[s] with regular income' whose debts fall within statutory limits." *Hamilton v. Lanning*, 560 U.S. 505, 508 (2010) (alteration in original) (quoting 11 U.S.C. §§ 101(30), 109(e)). Chapter 13 debtors are "permitted to keep their property, but they must agree to a court-approved

plan under which they pay creditors out of their future income." *Id.*

Two weeks after filing for bankruptcy, Brown proposed a repayment plan that did not contemplate recovery from any lawsuit. *In re Brown*, Dkt. No. 11. The bankruptcy court approved that plan on September 1, 2023 and a slightly amended one (to account for Brown's tenant moving out) on September 4, 2024. *Id.*, Dkt. Nos. 20, 40.

With approval of the plan, distributions from the bankruptcy estate to creditors have been settled, allowing Brown to regain full ownership and control of "the property of the [bankruptcy] estate" except as provided in the plan. 11 U.S.C. § 1327(b). Once Brown completes her plan, she will receive a discharge, and her bankruptcy case will be closed. *See id.* § 1328.

In November 2023, Maze filed for Chapter 7 bankruptcy. *In re Maze*, No. 23-70735 (Bankr. W.D. Va. filed Nov. 9, 2023). Chapter 7 effects the "discharge of prepetition debts following the liquidation of the debtor's [non-exempt] assets by a bankruptcy trustee, who then distributes the proceeds to creditors." *Marrama v. Citizens Bank of Mass.*, 549 U.S. 365, 367 (2007). Maze received a discharge of his pre-petition debt on February 21, 2024, and his bankruptcy case was then officially closed. *In re Maze*, Dkt. Nos. 18, 19.

GS Bank was listed as a creditor in both cases, *see id.*, Dkt. No. 1 at PDF 29, 62; *In re Brown*, Dkt. No. 1 at PDF 26, 55, but filed a proof of claim in neither.

B. Procedural Background

1. On March 12, 2024—after Brown's repayment plan was approved and Maze's Chapter 7 case was

closed—respondents filed an adversary proceeding in the United States Bankruptcy Court for the Western District of Virginia. JA12-30. They alleged that GS Bank had willfully violated the Bankruptcy Code's automatic stay provision, 11 U.S.C. § 362(a), which forbids "efforts to collect from the debtor outside the bankruptcy forum," *City of Chicago v. Fulton*, 592 U.S. 154, 156 (2021). Specifically, respondents alleged that GS Bank willfully violated Section 362 over a period of several months when it sent them "written demands for payment of pre-petition credit card debt" and made "collection telephone calls" seeking to collect that debt. JA13 ¶ 1; *see also* JA26-27 ¶¶ 2, 64-71. The alleged violations against Brown stopped around two months before the adversary complaint was filed, JA18 ¶ 30; those against Maze stopped around a month before, JA20 ¶ 43.

Respondents sued on behalf of themselves and a putative class of "all individuals in the United States[] who currently are in a consumer bankruptcy case or were formerly in a consumer bankruptcy case . . . from whom [GS Bank] made a post-petition demand for pre-petition debt." JA24 ¶ 57. The complaint sought, among other things, "actual damages, punitive damages, and reasonable attorney's fees." JA27, JA29 ¶¶ 71, 73, 85.

In seeking damages and attorney's fees, respondents invoked Section 362(k). Added to the Bankruptcy Code in 1984, that provision "created a private cause of action for the willful violation of a stay." *Houck v. Substitute Tr. Servs., Inc.*, 791 F.3d 473, 481 (4th Cir. 2015). Before 1984, a party had no "independent right of action for damages" flowing from an automatic-stay violation. *Id.* Section 362(k)(1) provides that "an individual injured by any

willful violation of a stay . . . shall recover actual damages, including costs and attorneys' fees, and, in appropriate circumstances, may recover punitive damages."

2. Because respondents' claims indisputably fall within the scope of the arbitration agreement—which even respondents concede—GS Bank moved to compel arbitration and stay the bankruptcy court proceedings. *Brown v. Goldman Sachs Bank USA,* Adv. Proc. No. 24-7009 (Bankr. W.D. Va. May 3, 2024), Dkt. No. 15 (Mot. to Compel). GS Bank first pointed out that under this Court's decision in *Shearson/American Exp., Inc. v. McMahon*, 482 U.S. 220, 227 (1987), the bankruptcy court was required to uphold the FAA and honor the parties' arbitration agreement unless Congress had "'evinced an intention'" to preclude the arbitration of their Section 362(k) claims. Mot. to Compel 10-11.

GS Bank then explained why respondents' claims failed that test. To begin, nothing in the Bankruptcy Code's text or legislative history evinces an intent to preclude arbitration. *Id.* at 11. Nor would arbitrating respondents' particular claims inherently conflict with the underlying purposes of the Bankruptcy Code, especially given the status of respondents' respective bankruptcies. *Id.* at 11-13. Maze had already received a discharge, and his Chapter 7 bankruptcy case was closed. *Id.* at 11-12. And Brown's Chapter 13 repayment plan had already been approved by the bankruptcy court—without contemplating receipt of any Section 362(k) damages—and she was set to emerge from bankruptcy after completing that plan. *Id.* Because both bankruptcy estates were effectively settled or closed, arbitration would have no impact on the

administration and settlement of respondents' estates, nor would it interfere with their ability to reorganize. *Id.* at 11-14.

On July 15, 2024, the bankruptcy court denied GS Bank's motion. App.30a-43a. The court first concluded that it "ha[d] the discretion to retain the proceeding" because a Section 362(k) claim is a so-called "core" bankruptcy proceeding, such that arbitrating the claim would *automatically* conflict with the Code. *Id.* at 39a.[1]

The bankruptcy court then "exercise[d] [that] discretion and den[ied] the motion to compel arbitration" for several policy-based reasons. *Id.* at 40a. It pointed to the "financial reality" that "[t]he vast majority of consumer debtors coming into bankruptcy court" "have very limited resources," and reasoned that forcing them "to resolve their disputes" "in multiple forums" would prevent them from "preserv[ing] those limited resources" and gaining a "'fresh start.'" *Id.* at 40a-41a. The court never examined whether arbitration would actually have an effect on the administration of respondents' specific estates.

3. The district court affirmed in a seven-page opinion. App.44a-52a. It first rejected the bankruptcy court's premise that "core" status *alone* confers discretion to deny arbitration. *Id.* at 48a-49a. But the court still refused to enforce the agreement, concluding that "arbitrating Plaintiffs' claims would inherently conflict with the Bankruptcy Code's

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[1] "[C]ore" proceedings are those over which a bankruptcy court is authorized to enter final "orders and judgments," as opposed to merely submitting proposed findings of fact and conclusions of law to the district court. 28 U.S.C. § 157(b)-(c).

objectives." *Id.* at 51a. The court explained that arbitration "*could* undermine the Bankruptcy Court's authority (1) to enforce the automatic stay to protect debtors['] and creditors' rights and (2) to provide a single centralized forum for resolving disputes related to the Plaintiffs' bankruptcy proceedings." *Id.* (emphasis added). Like the bankruptcy court, it never examined whether arbitration would actually impact the administration of respondents' estates.

4. The Fourth Circuit affirmed in a split decision. The majority began by acknowledging that the FAA "mandate[s]" that courts "rigorously enforce[]" arbitration agreements. *Id.* at 10a. And it recognized that, under *McMahon*, that command yields only when the party resisting arbitration shows that "the statute *precludes* waiver of judicial remedies, as evidenced by (1) its text, (2) its legislative history, or (3) an 'inherent conflict between arbitration and the statute's underlying purposes.'" *Id.* (quoting *McMahon*, 482 U.S. at 227).

Focusing on the third prong, the court first held that because Section 362(k) claims are "core," petitioner faced a "high bar" to showing they are arbitrable. *Id.* at 11a. Applying that standard, it then concluded that arbitration of Section 362(k) claims would "conflict with the strong and established policies and purposes of the Bankruptcy Code." *Id.* at 2a. It offered five rationales, each applicable to Section 362(k) claims as a class:

- Arbitration "would . . . undermine the needed centralization of claims" because Section 362(k) claims have "no independent grounding outside of the Bankruptcy Code," *id.* at 12a;

- Arbitration would "undermine the 'shield' created by the automatic stay," *id.* at 14a;
- Because arbitration is individualized and "'judicial review of an arbitration award is severely circumscribed,'" arbitration undermines the "fundamental purpose of the Bankruptcy Code . . . to assure that bankruptcy laws be uniform and be uniformly enforced," *id.* at 14a-15a;
- "[A]rbitration would . . . bypass the expertise of bankruptcy judges in favor of private arbitrators," *id.* at 15a; and
- "[A]rbitration would constrict the remedies that Congress authorized" for Section 362(k) claims because the "prophylactic purpose" of punitive damages "'cannot function in the dark,'" *id.* at 17a.

The court never examined the facts of respondents' bankruptcies—or the impact, if any, that arbitration would have on the administration of their specific estates.

The panel majority acknowledged that the Second Circuit came out the other way in *Hill*, which compelled arbitration of a Section 362(k) damages claim. *Id.* at 20a. But it sought to distinguish *Hill* as involving the "peculiar circumstance[]" of a closed Chapter 7 case. *Id.* In doing so, the majority ignored that Maze's case involves a closed Chapter 7 case too. *Supra* 5, 7.

The panel majority also acknowledged the "recent trend in which the Supreme Court has consistently declined to hold that federal statutory claims are unsuited for arbitration." App.20a; *see Epic Sys.*, 584 U.S. at 516 (listing cases). But the majority held that

it was not constrained by that trend because "the Bankruptcy Code presents a unique statutory context," which "the Supreme Court has not addressed." App.21a.

Judge King dissented. *Id.* at 23a-25a. In his view, *McMahon* "readily compelled" the opposite result because "arbitrating the plaintiffs' § 362 automatic bankruptcy stay claims . . . does not create an 'inherent [i.e. "irreconcilable"] conflict' with the Bankruptcy Code." *Id.* at 23a. "In fact," he explained, "there is no conflict at all": The success (or failure) of these claims "would neither add nor subtract a new creditor to these bankruptcies, nor . . . serve to frustrate creditor distribution." *Id.*

Judge King also chided the majority for "needlessly creat[ing] a circuit split with the Second Circuit." *Id.* at 24a. As he explained, "the Second Circuit correctly ruled in *Hill* that arbitrating a § 362 automatic bankruptcy stay claim does 'not interfere with or affect the distribution of the estate'" where there is no "'ongoing reorganization'" to disturb. *Id.* at 24a-25a. And Judge King rejected the majority's effort to cabin *Hill* to its facts: *Hill* set forth a broader legal principle—that Section 362(k) does not displace the FAA unless resolution of the claim is "integral to [the] bankruptcy court's ability to preserve and equitably distribute assets of the estate," or "directly implicate[s] matters central to the purposes and policies of the Bankruptcy Code." *Id.* at 24a n.2 (first alteration in original).

5. The Fourth Circuit then denied GS Bank's motion to stay the mandate pending this petition. App.26a-29a. Judge King again dissented, reiterating that the panel majority had "create[d] a clear circuit split" with the Second Circuit. *Id.* at 28a.

Judge King added that "there is a very solid chance that the Supreme Court reverses if certiorari is granted." *Id.*

REASONS FOR GRANTING THE WRIT

The question presented readily satisfies this Court's criteria for certiorari. The Fourth Circuit's decision creates a clear circuit split with the Second Circuit over whether, and when, the FAA requires courts to enforce agreements to arbitrate Section 362(k) claims. And that split reflects deep lower-court confusion over the proper application of *McMahon*'s "inherent conflict" framework to bankruptcy disputes. The decision below is also wrong. It treats generalized bankruptcy "policies and purposes" as sufficient to disregard a valid arbitration agreement, when this Court's precedents demand a concrete showing of a "clear and manifest" conflict before doing so. Finally, these issues are undeniably important: Courts frequently address the intersection of the FAA and the Bankruptcy Code, including with respect to the specific Section 362(k) question presented here. Review is warranted.

I. THE DECISION BELOW CREATES A CIRCUIT SPLIT AND REFLECTS BROAD CONFUSION OVER THE INTERSECTION OF ARBITRATION AND BANKRUPTCY LAW

The decision below squarely conflicts with the Second Circuit's holding on the arbitrability of Section 362(k) claims in *MBNA America Bank, N.A. v. Hill*, 436 F.3d 104 (2d Cir. 2006). It also deepens broader lower-court splits over how *McMahon*'s "inherent conflict" test applies in the bankruptcy context. Unless and until this Court intervenes, these

disagreements over the intersection of arbitration and bankruptcy law will persist.

A. The Fourth Circuit's Decision Squarely Conflicts With The Second Circuit Over The Arbitrability Of Section 362(k) Claims

As Judge King correctly observed, the panel majority "needlessly created a circuit split with the Second Circuit" over "whether a § 362 automatic stay claim belongs in arbitration." App.24a. And the split extends beyond those circuits—district and bankruptcy courts nationwide are divided on this question. The split is undeniable and implicates a significant share of bankruptcy cases.

1. The Second Circuit in *Hill*—joined by other lower courts—has held that Section 362(k) claims can be sent to arbitration.

Hill confronted the same question presented here, in the same posture—and reached the opposite result. Kathleen Hill filed a Chapter 7 bankruptcy and eventually received a discharge—just like Maze in this case. 436 F.3d at 106. Hill then filed an adversary proceeding, alleging that her creditor, MBNA, had violated the automatic stay as to herself and a putative class—mirroring respondents' allegations about GS Bank here. *Id.* The bankruptcy court denied MBNA's motion to compel arbitration, and the district court affirmed. *Id.* at 106-07.

The Second Circuit reversed, applying the FAA and holding that Section 362(k) claims may be arbitrated. Even for "core" bankruptcy proceedings, it explained, a court may override an arbitration agreement only if it determines—based on "a particularized inquiry into the nature of the claim and

the facts of the specific bankruptcy"—that the relevant Bankruptcy Code provisions "'inherent[ly] conflict'" with the FAA or that arbitration would "'necessarily jeopardize'" the Code's objectives. *Id.* at 108.

Applying that case-specific test, the Second Circuit identified the "most important[]" question for Section 362(k) damages claims: Whether arbitration would "interfere with or affect the distribution of the estate." *Id.* at 109. Arbitrating Hill's claim posed no such disruption. She had already received a Chapter 7 discharge, so resolving her claim "[could not] affect an ongoing reorganization" and "would have no effect on her bankruptcy estate." *Id.* at 109-10. And her choice to sue on behalf of a putative class "further demonstrate[d] that the claim [wa]s not integral to her individual bankruptcy proceedings." *Id.* at 110. Finding "no indication from the statute" that Congress intended to preclude arbitration, the court held that the bankruptcy court "did not have discretion to deny the motion to stay or dismiss the proceeding in favor of arbitration" on these facts. *Id.*

Various lower courts—including district courts sitting in an appellate capacity—have followed *Hill*'s approach. *See, e.g.*, *In re Banks*, 549 B.R. 257, 268 (Bankr. D. Or. 2016) (compelling arbitration); *Campos v. Bluestem Brands, Inc.*, 2016 WL 297429, at *12 (D. Or. Jan. 22, 2016) (same); *Bigelow v. Green Tree Fin. Servicing Corp.*, 2000 WL 33596476, at *1, *6 (E.D. Cal. Nov. 30, 2000) (same); *In re Trevino*, 599 B.R. 526, 542, 551-52 (Bankr. S.D. Tex. 2019) (same).

In *In re Banks*, for example, the bankruptcy court relied on *Hill* to compel arbitration of a debtor's Section 362(k) claims. 549 B.R. at 268. Applying *Hill*'s "particularized inquiry into the nature of the

claim and the facts of the specific bankruptcy," the court found no inherent conflict where "[r]esolution of [the] claims [would] have no direct impact on performance of [the debtor's] chapter 13 Plan or estate administration in her bankruptcy case." *Id.* at 265, 268 (alterations in original).

2. The Fourth Circuit below took the opposite view, adopting precisely the categorical FAA exemption that *Hill* and the lower courts aligned with it rejected. Instead of asking whether arbitration of *these* Section 362(k) claims would interfere with administration of *these* particular estates, the panel asked only whether arbitration of Section 362(k) claims as a general matter would frustrate what it perceived to be the Code's broader "policies and purposes." App.2a. And it answered yes by invoking general policy concerns: Arbitrating Section 362(k) claims would (1) "undermine the needed centralization of claims" in bankruptcy; (2) "undermine the 'shield' created by the automatic stay"; (3) frustrate the Code's "fundamental purpose . . . to assure that bankruptcy laws be uniform and be uniformly enforced"; (4) "bypass the expertise of bankruptcy judges in favor of private arbitrators"; and (5) "constrict the remedies that Congress authorized" by removing the "prophylactic" function of punitive damages—which "'cannot function in the dark.'" *Id.* at 12a-15a, 17a; *supra* 9-10.

Each of those rationales applies equally to *all* Section 362(k) claims. The Fourth Circuit thus embraced the exact per se rule against arbitrating Section 362(k) claims that the Second Circuit rejected.

The Fourth Circuit is the only appellate court that has adopted this per se rule. But various bankruptcy

courts across the country have joined the Fourth Circuit in rejecting the Second Circuit's framework from *Hill*. *See, e.g.*, *In re Grant*, 281 B.R. 721, 724-26 (Bankr. S.D. Ala. 2000) (refusing to compel arbitration because bankruptcy courts must decide all "core" issues); *In re Merrill*, 343 B.R. 1, 9 (Bankr. D. Me. 2006) (similar); *In re Walker*, 551 B.R. 679, 693-95 (Bankr. M.D. Ga. 2016) (similar). In *In re Merrill*, for example, the court expressly "disagree[d]" with *Hill* and declared Section 362(k) claims "creatures of the Code" whose arbitration "would conflict with [the] court's duty to safeguard the automatic stay's fundamental protection for debtors." 343 B.R. at 8-9. The split of authority stretches across the country.

3. In its decision, the Fourth Circuit panel suggested that any disagreement with the Second Circuit may not be implicated because *Hill* involved the "peculiar circumstance[]" of a closed Chapter 7 case, and it is unclear whether the Second Circuit would have ruled the same way "had it been faced with an arbitration issue in an ongoing bankruptcy proceeding." App.20a. But that purported distinction fails on its own terms—and does nothing to resolve the broader lower-court divide.

Just like Hill, Maze *has* received a discharge and his Chapter 7 case is closed—meaning the circumstances in *Hill are* materially identical to those in Maze's case. *Supra* 5, 7. And Brown's Chapter 13 plan was confirmed and is being implemented without any reliance on a Section 362(k) recovery. *Id.* Under *Hill*'s core insight—that inherent conflict turns on impact to estate distribution—Brown's claim belongs in arbitration, too. *See, e.g.*, *In re TexStyle, LLC*, 2012 WL 1345646, at *8-9 (Bankr. S.D.N.Y. Apr.

17, 2012) (applying *Hill* to compel arbitration on similar facts to Brown's).

Judge King saw the split for what it was. As he explained, the Second Circuit compelled arbitration of a Section 362(k) claim because it was "neither 'integral to [the] bankruptcy court's ability to preserve and equitably distribute assets of the estate,' nor 'directly implicated matters central to the purposes and policies of the Bankruptcy Code.'" App.24a n.2 (King, J., dissenting) (alteration in original). That is as true here as it was in *Hill*. By adopting a per se rule against arbitrating any Section 362(k) claim, the Fourth Circuit "created a circuit split with the Second Circuit"—and "flout[ed]" this Court's precedent. *Id.* at 24a.

Below, both the bankruptcy court and respondents themselves recognized the conflict and saw a need to reject *Hill*. The bankruptcy court acknowledged that *Hill* reached the opposite conclusion on "similar facts" but held the Second Circuit "misapprehend[ed] the reality of consumer bankruptcies." *Id.* at 32a, 40a. And respondents urged the Fourth Circuit to reject *Hill* outright because the Second Circuit's rule "simply cannot be reconciled with" Fourth Circuit precedent. CA4 Resp. Br. 27-28; *see also id.* at 28 (arguing that the bankruptcy court "reject[ed] the Second Circuit's insistence in *Hill* that arbitration must be compelled whenever resolution of the plaintiffs' claim would not have an impact on estate administration"). The panel obliged. In doing so, it deepened not only the circuit split with *Hill*, but the broader divide among lower courts.

The untenable result of this undeniable split is that a creditor's ability to compel arbitration of an automatic-stay claim now turns on geographic

happenstance. This Court should grant certiorari to impose a uniform rule.

B. Lower Courts Are Also Split Over How The Core/Non-Core Distinction Affects The *McMahon* Analysis

Beyond the clear circuit split over the arbitrability of Section 362(k) claims, lower courts are more generally divided over what role, if any, the distinction between "core" and "non-core" claims plays in *McMahon*'s "inherent conflict" analysis. Below, the bankruptcy court treated "core" status as categorically rendering a claim non-arbitrable, and the Fourth Circuit panel viewed it as a heavy thumb on the scale against arbitration. By contrast, the Third and Fifth Circuits—along with many other courts—view the core/non-core distinction as irrelevant to the *McMahon* inquiry.

Section 157 of the Judicial Code authorizes bankruptcy judges to enter final judgments only in certain matters designated "core." 28 U.S.C. § 157(b)-(c). *Stern v. Marshall* added a constitutional overlay: Even for statutorily "core" claims, a bankruptcy court may enter final judgment only if the claim "stems from the bankruptcy itself or would necessarily be resolved in the claims allowance process." 564 U.S. 462, 499 (2011).

Nothing in Section 157 mentions arbitration or the FAA. Nonetheless a "massive body of case law" treats "core" status as *dispositive* of whether the FAA has been displaced. Robert M. Lawless, *Reframing Arbitration & Bankruptcy*, 96 Am. Bankr. L.J. 701, 707-11 (2022). This approach has been endorsed by numerous bankruptcy and district courts across the country. *See, e.g.*, *In re McPherson*, 630 B.R. 160, 168

(Bankr. D. Md. 2021); *In re Brown*, 354 B.R. 591, 602-03 & n.18 (D.R.I. 2006) ("core/non-core distinction is determinative"). The logic of these cases appears to be that there is necessarily an "inherent conflict in allowing an arbitrator to resolve proceedings that are grounded in the Code itself." *In re McPherson*, 630 B.R. at 169.

Below, the bankruptcy court adopted exactly this categorical view. At respondents' urging, the court applied a blanket rule that arbitrating *any* "core" claim—such as the Section 362(k) claims at issue here—automatically conflicts with the Code. App.39a-40a; Bankr. Resp. Br. 36 (arguing that there is always an "inherent conflict in allowing an arbitrator to resolve [core] proceedings"); *see also* CA4 Resp. Br. 36 (similar).

Other courts emphasize the core/non-core distinction as an important factor in the *McMahon* inquiry, but without treating it as dispositive. Below, for example, the Fourth Circuit stated that the "core" label created a "high bar" for GS Bank to surmount in requiring arbitration, App.11a, though it nonetheless went on to analyze whether enforcing a valid arbitration agreement conflicts with the Code. The Ninth Circuit likewise treats the core/non-core distinction as "relevant" though not "dispositive." *In re Thorpe Insulation Co.*, 671 F.3d 1011, 1021 (9th Cir. 2012); *see also, e.g.*, *In re Johnson*, 649 B.R. 735, 747 (Bankr. N.D. Ill. 2023) (treating core/non-core distinction as a "factor to consider when determining if there is an inherent conflict"); *In re Hagerstown Fiber Ltd. P'ship*, 277 B.R. 181, 202-03 (Bankr. S.D.N.Y. 2002) (similar).

Splitting sharply from all these courts, the Third and Fifth Circuits have held that the core/non-core

distinction is completely irrelevant to *McMahon*'s inherent-conflict inquiry. *In re Mintze*, 434 F.3d 222, 229 (3d Cir. 2006); *In re Nat'l Gypsum Co.*, 118 F.3d 1056, 1067 (5th Cir. 1997) (core/non-core distinction "conflate[s]" relevant inquiry). As one bankruptcy court has explained, the core/non-core distinction has "nothing at all to do" with arbitrability—it "affects only the allocation of decisional authority between the bankruptcy court and the district court," not whether arbitration would inherently conflict with the Code. *In re Yellow Corp.*, 2024 WL 1313308, at *9 (Bankr. D. Del. Mar. 27, 2024).

The lower-court division over the role of the core/non-core distinction in the *McMahon* analysis has been widely acknowledged. Professor Bruce's law review article catalogues the circuit split in detail, Kara J. Bruce, *Bankruptcy's Arbitration Countercurrent and the Future of the Debtor Class*, 96 Am. Bankr. L.J. 819, 840-41 (2022), and at least one court rejecting the distinction's relevance has acknowledged other courts reaching "the opposite conclusion," *In re Yellow Corp.*, 2024 WL 1313308, at *8 & n.52. The confusion is undeniable and can only be resolved by this Court.[2]

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[2] At oral argument, Judge Harris also highlighted an additional point of lower-court confusion in applying the *McMahon* test in bankruptcy cases—namely, the role of bankruptcy-court discretion. CA4 Oral Argument at 0:35-1:12; *see* Lawless, *supra*, at 715-19 (discussing same point). Many lower courts treat a finding of an "inherent conflict" as merely giving a court *discretion* to deny arbitration in the bankruptcy context. *See, e.g.*, App.18a; *In re Nat'l Gypsum Co.*, 118 F.3d at 1066; *In re Thorpe*, 671 F.3d at 1021; Lawless, *supra*, at 712-13, 716 nn.45, 48, 63 (listing cases). This focus on discretion is

II. THE DECISION BELOW IS WRONG

The Fourth Circuit's decision cannot be squared with this Court's arbitration jurisprudence. In refusing to compel arbitration of the Section 362(k) claims at issue here, the majority overrode the FAA without identifying any "irreconcilable" conflict with the underlying purposes of the Bankruptcy Code. Instead, it stitched together generalized and ill-defined policy arguments and treated them as sufficient to displace the FAA's command to enforce arbitration agreements as written. That textually unmoored, purpose-focused inquiry is foreclosed by this Court's precedents, which require a "clear and manifest" congressional command to displace the FAA. *Epic Sys.*, 584 U.S. at 510-11.

A. Section 362(k) Claims Are Arbitrable In Appropriate Circumstances

1. The FAA commands that arbitration agreements "shall be valid, irrevocable, and enforceable, save upon such grounds as exist at law or in equity for the revocation of any contract." 9 U.S.C. § 2. That directive requires courts to "rigorously enforce agreements to arbitrate," "leav[ing] no place for the exercise of discretion." *Dean Witter Reynolds, Inc. v. Byrd*, 470 U.S. 213, 218, 221 (1985). The FAA's

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clearly wrong: If a court identifies a conflict, it means "Congress intended to *preclude* a waiver of judicial remedies for the statutory rights at issue" and that there is a "congressional *command*" to "overrid[e]" the FAA. *McMahon*, 482 U.S. at 226-27 (emphasis added). Because the Fourth Circuit denied arbitration after (incorrectly) finding an inherent conflict, this petition does not directly implicate the discretion issue. But the lower-court confusion on this additional point underscores the need for this Court to clarify how arbitration and bankruptcy law intersect more generally.

mandate, "[l]ike any statutory directive," may be "overridden by a contrary congressional command"—but only where "the party opposing arbitration" demonstrates "that Congress intended to preclude a waiver of judicial remedies for the statutory rights at issue." *McMahon*, 482 U.S. at 226-27. This Court has held that such intent can be "'deduc[ed]'" from (1) the "'text'" of the statute; (2) its "'legislative history'"; or (3) "an inherent conflict between arbitration and the statute's underlying purposes." *Id.* at 227.

In *Epic Systems*, this Court emphasized that the inquiry is demanding: Any claim of an inherent conflict "faces a stout uphill climb," because Congress's intent to override the FAA must be "'clear and manifest.'" 584 U.S. at 510. Critically, "the absence of any specific statutory discussion of arbitration" is "an important and telling clue that Congress has not displaced the Arbitration Act." *Id.* at 517. And *Epic Systems* warned that "[a]llowing judges to pick and choose between statutes risks transforming them from expounders of what the law *is* into policymakers choosing what the law *should be*." *Id.* at 510.[3]

Applying that standard, the Court has "heard and rejected efforts to conjure conflicts between the [FAA]

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[3] *Epic Systems* casts serious doubt on whether legislative history can ever establish a conflict sufficient to displace the FAA, *see* 584 U.S. at 523 (refusing to use legislative history to establish inherent conflict), and whether statutory purpose—divorced from text or structure—can ever supply the necessary "clearly expressed" congressional intent, *id.* at 510. *See Robertson v. Intratek Comp., Inc.*, 976 F.3d 575, 579 n.1 (5th Cir. 2020) (questioning "whether statutory purpose"—prong three of *McMahon*'s test—"remains a part of the Court's prescribed inquiry").

and other federal statutes" in "many cases," including "statutes ranging from the Sherman and Clayton Acts to the [ADEA], the Credit Repair Organizations Act, the Securities Act of 1933, the Securities Exchange Act of 1934, and [RICO]." *Id.* at 516. Despite repeated efforts by creative litigants, the Supreme Court has *never* held that a federal statutory claim is categorically unsuited for arbitration. *See id.* As a whole, "[t]hese cases reflect [this] Court's dogged insistence that Congress speak with great clarity when overriding the FAA." *Robertson v. Intratek Comp., Inc.*, 976 F.3d 575, 582 (5th Cir. 2020).

2. This is not the exceptional situation where Congress has spoken with the requisite clarity. Section 362(k) nowhere mentions arbitration or the FAA. After *Epic Systems*, that "important and telling clue" should be the end of it. 584 U.S. at 517.

Even if the textual silence were not dispositive, the answer would be the same. Section 362's legislative history is also silent on this issue, so the only possible basis for displacing the FAA is *McMahon*'s third prong: an "inherent conflict between arbitration and the statute's underlying purposes." 482 U.S. at 227. And as *Epic Systems* makes clear, that prong does not license free-floating policy balancing. *See* 584 U.S. at 524-25. Rather, an "inherent conflict" must be truly "irreconcilable," *McMahon*, 482 U.S. at 227, 239.

There is no irreconcilable conflict here because there is no "important purpose[]" of the Bankruptcy Code that would be "jeopardize[d]" by adjudicating respondents' Section 362(k) claims in arbitration, as opposed to in bankruptcy court. *Hill*, 436 F.3d at 109-10. As the Second Circuit held in *Hill*, the only "important purposes" that could possibly require adjudication in bankruptcy court—as opposed to in

arbitration—are "providing debtors with a fresh start, protecting the assets of the estate, and allowing the bankruptcy court to centralize disputes concerning the estate." *Id.* at 109.

None of those purposes would be threatened by arbitrating respondents' Section 362(k) claims. Section 362(k) provides a private damages remedy for individual debtors; arbitrating Section 362(k) claims leaves every function of the bankruptcy court intact. *Id.* at 110. Most importantly, the administration of the estate would not be disrupted: As Judge King explained, "there is no conflict at all in arbitrating" respondents' claims because arbitration "would neither add nor subtract a new creditor to these bankruptcies" nor "'frustrate creditor distribution.'" App.23a.

The facts here underscore the point. Respondent Maze's Chapter 7 case was closed and his discharge entered before petitioner moved to compel arbitration. *Supra* 5, 7. There is simply no way for arbitration to interfere with his bankruptcy case because that case is *over*. And respondent Brown's Chapter 13 plan was already confirmed, without any contemplated recovery from her Section 362(k) claim, so arbitration would not impede administration of her bankruptcy estate either. *Id.* Any Section 362(k) recovery would flow to the debtors personally and implicate no creditor's rights. There is, in short, nothing for arbitration to conflict with.

B. The Fourth Circuit Failed To Correctly Apply The "Inherent Conflict" Test

Instead of faithfully applying the framework this Court's precedents prescribe, the Fourth Circuit catalogued a series of abstract policy objectives it

associated with the Bankruptcy Code and declared—as a categorical matter—that arbitrating any Section 362(k) claim would "frustrate" them. App.12a-18a. That analysis says nothing about whether arbitrating *these* claims would impact the administration of *these* estates, much less whether such arbitration is genuinely "irreconcilable" with the statutory scheme. *Epic Sys.*, 584 U.S. at 511. It is pure policy balancing—the very thing *Epic Systems* forecloses. *Id.* at 524-25. The panel's decision should not stand.

1. The Fourth Circuit majority first erred by treating the core/non-core distinction as an important factor in the *McMahon* analysis. It held that because the claims here are statutorily "core" under Section 157, petitioner faces a "high bar" to establish that they must be arbitrated. App.11a.

That approach is mistaken. As the Third Circuit has explained, the core/non-core distinction has no direct bearing on whether a claim is arbitrable. *See In re Mintze*, 434 F.3d at 230; *see also In re Yellow Corp.*, 2024 WL 1313308, at *9 & n.57; Lawless, *supra*, at 707-13. A core claim may be *more likely* to create an "inherent conflict," but applying that label to a claim does not relieve a court of conducting *McMahon*'s case-specific inquiry into whether such a conflict actually exists. Core status cannot create a presumption of conflict or impose a "high[er] bar" to enforcing an arbitration agreement. App.11a. The panel erred by loading the dice at the threshold.

2. Turning to *McMahon*'s inherent-conflict analysis, the panel declared that arbitration would "undermine the needed centralization of claims" in bankruptcy court. App.12a-13a. But nothing about arbitrating these claims is "irreconcilable"—or even in tension—with that principle. Centralization in

bankruptcy serves a precise and limited end: ensuring the "prompt and effectual administration and settlement of the [debtor's] estate" by preventing competing creditors from racing to dismember it. *Katchen v. Landy*, 382 U.S. 323, 328 (1966).

A Section 362(k) damages claim does not implicate these concerns. It is an affirmative suit by the debtor against a creditor—not a dispute among competing creditors fighting over limited assets. As the Second Circuit and Judge King correctly explained, arbitrating such claims "would not interfere with or affect" the bankruptcy estate, and keeping them in bankruptcy court is not "integral to [the] bankruptcy court's ability to preserve and equitably distribute assets of the estate." *Hill*, 436 F.3d at 109-10; *see* App.24a-25a (King, J., dissenting). That logic applies with even greater force here, where Maze's bankruptcy case is *closed* and Brown's is effectively over as her plan has been confirmed and estate property has revested in her. *Supra* 5, 7.

The Fourth Circuit's own opinion all but conceded the point. It acknowledged that "the plaintiffs' claim under § 362(k) is not directly implicated in harmonizing the interests of the debtors and their creditors." App.13a. That should have been dispositive. A claim that does "not directly implicat[e]" the harmonization of debtor and creditor interests cannot be "irreconcilabl[y]" at odds with the centralization principle.

Congress's own choices confirm that the centralization principle does not require adjudication of Section 362(k) claims in federal court. Congress gave state courts concurrent jurisdiction over Section 362(k) claims in Section 1334(b). *See City of New London v. Speer*, 322 A.3d 407, 425-27 (Conn. App. Ct.

2024) (Section 362(k) damages action is "within the original but not exclusive jurisdiction of the federal district courts" under Section 1334(b)). If Congress was willing to allow state courts—which have no specialized bankruptcy expertise—to adjudicate these claims, it is impossible to maintain that the Code requires centralized adjudication by a bankruptcy judge and forbids arbitration.

3. The Fourth Circuit's assertion that arbitration would "undermine the 'shield' created by the automatic stay" fares no better. App.14a. No one is asking to *violate* the automatic stay; GS Bank seeks only to arbitrate a private *damages claim* for its alleged *past* violation.

Moreover, arbitrating any Section 362(k) claim for money damages would not interfere—in the slightest—with the bankruptcy court's authority to police stay violations itself under Section 105(a) of the Bankruptcy Code. That provision empowers bankruptcy courts to "issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of" the Code. 11 U.S.C. § 105(a). Even before Congress created Section 362(k)'s private right of action in 1984, courts "routinely used" "contempt orders issued under [S]ection 105(a)" to "punish violations of the automatic stay." *In re Spookyworld, Inc.*, 346 F.3d 1, 8 (1st Cir. 2003); *see Jove Eng'g, Inc. v. IRS*, 92 F.3d 1539, 1552 (11th Cir. 1996).

Section 362(k)'s private cause of action does not eliminate this authority, and courts remain free to use Section 105(a) to enforce the stay even absent a Section 362(k) claim being filed by the debtor. *See, e.g.*, *In re Windstream Holdings, Inc.*, 105 F.4th 488, 494 (2d Cir. 2024); 3 *Collier on Bankruptcy* ¶ 362.12 (16th ed. 2026); *see also* 11 U.S.C. § 105(a) (court has

power to order relief even sua sponte). Even if private Section 362(k) claims are sent to arbitration, the bankruptcy court retains full authority to police—and punish—stay violations.

In any event, while the automatic stay is undoubtedly an important protection for debtors, significance alone cannot trump the FAA. This Court has squarely rejected the premise that the "fundamental importance" of a statutory provision empowers courts to override arbitration agreements on the assumption that arbitrators cannot vindicate the interests that provision furthers. *Mitsubishi Motors Corp. v. Soler Chrysler-Plymouth, Inc.*, 473 U.S. 614, 633-35 (1985). There is no FAA exception for "important" matters. Arbitrators are fully capable of assessing compensatory damages under Section 362(k), and they are fully empowered and capable of awarding equitable relief where warranted. *See Gilmer v. Interstate/Johnson Lane Corp.*, 500 U.S. 20, 32 (1991).

4. The Fourth Circuit next posited that arbitration would create an "'inherent conflict'" by "bypass[ing] the expertise of bankruptcy judges in favor of private arbitrators." App.11a, 15a. This Court's precedents foreclose that expertise-based theory. In *Mitsubishi*, the Court explained that the FAA prevents courts from "indulg[ing] the presumption" that arbitrators cannot—or will not—decide complex, important matters in a "competent," "conscientious," and "impartial" manner. 473 U.S. at 634; *see also Gilmer*, 500 U.S. at 28. The Fourth Circuit's contrary approach reflects a "subscri[ption] to a hierarchy of congressional concerns that places the bankruptcy law in a position of superiority over [the FAA]." *Hays & Co. v. Merrill Lynch, Pierce,*

Fenner & Smith, Inc., 885 F.2d 1149, 1161 (3d Cir. 1989). That is precisely the kind of anti-arbitrator sentiment the FAA aimed to eliminate—and it cannot be squared with the Code's grant of concurrent jurisdiction to state courts in any event. *Supra* 27.

The panel's expertise-based logic threatens to extend far beyond bankruptcy. After all, district courts have extensive experience with all types of statutory claims, from securities fraud to antitrust to RICO. If judicial expertise were enough to defeat arbitration, none of those claims would be arbitrable either. But they are—which means the expertise rationale fails.

5. The panel also asserted that arbitration "would constrict the remedies that Congress authorized in the Bankruptcy Code" because Section 362(k) makes punitive damages available for "willful" stay violations, and the "prophylactic purpose" of punitive damages "'cannot function in the dark'" of confidential arbitration. App.17a.

Yet again, the panel's reasoning is foreclosed by binding precedent. Taken seriously, it would bar arbitration of *any* statutory claim where punitive damages are available—a sweeping rule this Court has long rejected. In *Mitsubishi*, for example, the Court enforced an arbitration agreement covering Sherman Act claims seeking treble damages, *see* 473 U.S. at 636-37—even though such damages are "essentially punitive," *Vt. Agency of Nat. Res. v. United States ex rel. Stevens*, 529 U.S. 765, 784-86 (2000).

Arbitrators are fully empowered to award punitive damages under Section 362(k)—and this Court has further held that the FAA preempts state laws that

prevent arbitrators from awarding them. *See Mastrobuono v. Shearson Lehman Hutton, Inc.*, 514 U.S. 52, 58-60 (1995). Under the Court's precedent, arbitration is an "adequate mechanism" for fully vindicating both a statute's "remedial" and "deterrent" goals. *Mitsubishi*, 473 U.S. at 636-37.

6. Finally, the Fourth Circuit reasoned that arbitration would undermine the Bankruptcy Clause of the Constitution, which authorizes Congress to establish "uniform Laws on the subject of Bankruptcies." U.S. Const. art. I, § 8, cl. 4; App.14a-15a. That rationale fails too. The Bankruptcy Clause authorizes Congress to enact a uniform federal statutory framework; it says nothing about who must adjudicate claims arising under that framework. U.S. Const. art. I, § 8, cl. 4. The Framers' concern was the "wildly divergent schemes" States had adopted "for discharging debtors and their debts." *Cent. Va. Cmty. Coll. v. Katz*, 546 U.S. 356, 363, 365 (2006). Once a uniform federal statutory scheme displaced the pre-existing patchwork, the Clause's animating concern was satisfied. Nothing in the Clause demands that all bankruptcy-related matters be heard by a specialist court, and never by arbitrators.

Again, the Fourth Circuit's reasoning proves too much: If the Bankruptcy Clause's uniformity requirement forbids arbitration of Section 362(k) claims, then it should likewise forbid arbitration for *all* statutorily and constitutionally core bankruptcy claims—a position not even the Fourth Circuit endorses. *See* App.11a; *see also Moses v. CashCall, Inc.*, 781 F.3d 63, 83 (4th Cir. 2015) (Gregory, J., concurring in part, and concurring in the judgment) ("The core/non-core distinction . . . is not mechanically

dispositive in deciding whether a bankruptcy judge may refuse to send a claim to arbitration.").

7. In sum, none of the Fourth Circuit's policy rationales withstands scrutiny. They echo arguments litigants have pressed—and this Court has rejected—in "many cases over many years." *Epic Sys.*, 584 U.S. at 516. None establishes the kind of "irreconcilable" conflict this Court's precedents demand. *McMahon*, 482 U.S. at 239.

III. THIS COURT SHOULD RESOLVE HOW THE FAA APPLIES IN BANKRUPTCY CASES

1. In the decades since *McMahon*, this Court has applied its "inherent conflict" test to the securities laws, antitrust, RICO, employment discrimination, and more. But it has never addressed how the "inherent conflict" test applies to Section 362(k) claims, let alone to bankruptcy-related claims more generally. The result has been the massive confusion in the lower courts described above, as exemplified by the Fourth Circuit's splintered decision in this case.

Scholars and judges have sounded the alarm. Professor Kirgis laments the "morass" of conflicting decisions on "the enforceability of arbitration clauses in bankruptcy." Paul F. Kirgis, *Arbitration, Bankruptcy, and Public Policy: A Contractarian Analysis*, 17 Am. Bankr. Inst. L. Rev. 503, 517 (2009). Professor Lawless's exhaustive survey declares that lower courts' approach to arbitrability in bankruptcy has descended into a "thick haze" that "threatens to turn both statutes into mere caricatures of their original purposes." Lawless, *supra*, at 747.

Professor Resnick highlights the substantial "uncertainty and confusion" created by the "numerous approaches and analyses adopted by the various

federal courts of appeals" on these issues. Alan N. Resnick, *The Enforceability of Arbitration Clauses in Bankruptcy*, 15 Am. Bankr. Inst. L. Rev. 183, 185 (2007). Professor Bruce explains that *McMahon*'s "inherent conflict" standard "has proved to be difficult to apply" in bankruptcy and has spawned "a variety of approaches" across the lower courts. Bruce, *supra*, at 840, 863. And speaking from experience, Bankruptcy Judge Harner emphasizes that "[e]xisting case law" reflects "inconsistent results," creates "uncertainty in the law," and is "difficult to navigate." Hon. Michelle M. Harner, *Preface: The Uneasy Relationship Between Arbitration and Bankruptcy*, 96 Am. Bankr. L.J. 685, 700 (2022).

Too often, lower courts have seized on this Court's silence on the intersection between bankruptcy and arbitration as license to carve out bankruptcy exceptions to how the FAA applies in other contexts. Here, for example, the Fourth Circuit majority acknowledged the Court's "recent trend" of enforcing arbitration agreements but then refused to follow it on the ground that "the Bankruptcy Code presents a unique statutory context" that the Court has "not addressed." App.20a-21a. To justify that approach, the majority approvingly cited Professor Bruce's article praising bankruptcy as a "'countercurrent'" against this Court's "sweeping declarations supporting the FAA." App.21a-22a; Bruce, *supra*, at 834-35, 843.

As the decision below confirms, the lower courts are deeply confused—and that confusion is producing error and resistance to applying this Court's FAA jurisprudence. Only this Court can correct course. The Court should grant review to finally explain how the FAA interacts with bankruptcy.

2. The practical stakes of these issues are enormous. Arbitration clauses are commonplace in consumer credit agreements; nearly every major credit card issuer, auto lender, and consumer finance company includes an arbitration agreement in its standard contracts. And more than 530,000 nonbusiness bankruptcy petitions were filed in Fiscal Year 2025 alone, each one triggering the Bankruptcy Code's automatic stay.[4] The volume of potential Section 362(k) disputes is thus staggering, and the decision below imperils the enforceability of arbitration agreements in many of them.

Indeed, the decision below is likely to reverberate far beyond the specific Section 362(k) question presented because the Fourth Circuit's reasoning has no natural stopping point. The lower-court confusion affects motions to arbitrate a wide array of bankruptcy-related claims, including (1) claims related to violations of the discharge injunction; (2) state law claims (or counterclaims) seeking an affirmative recovery for the estate; and (3) avoidance actions. *See* Lawless, *supra*, at 719-46 (cataloguing relevant contexts).

If generalized "policies and purposes" of the Bankruptcy Code can override the FAA with respect to Section 362(k) damages claims, the same could be said of many other claims, which—at the same level of generality—could also be described as implicating the Code's interest in "centraliz[ation]," "uniformity," or "expertise." App.12a, 14a-18a. The Fourth

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[4] United States Courts, *Judicial Business 2025, U.S. Bankruptcy Courts* (fiscal year ending Sept. 30, 2025), https://www.uscourts.gov/data-news/reports/statistical-reports/judicial-business-united-states-courts/judicial-business-2025.

Circuit's approach thus provides a roadmap for removing a host of additional claims from the FAA's domain—a result Congress never contemplated, and this Court's precedents foreclose.

3. This case is an ideal vehicle to resolve the question presented. That question was pressed and fully briefed at every stage and passed on by three courts below. The relevant facts are undisputed and simple: Respondents concede they signed valid arbitration agreements that cover their Section 362(k) claims. *Supra* 4. And the fact that respondents' bankruptcies are at different stages provides an additional advantage—the Court can resolve the question presented across two distinct factual settings.

Nor is there any reason for this Court to wait. The unique structure of bankruptcy litigation makes questions like this one exceedingly difficult to bring to the Court. A bankruptcy court's order denying a motion to compel arbitration typically must clear *two* layers of appellate review—the district court and the court of appeals—before certiorari becomes an option. Outside the class-action context, most of these Section 362(k) disputes settle long before that point.

Nonetheless, the question has been sufficiently ventilated—by appellate courts, by district courts sitting in an appellate capacity, by bankruptcy courts, and in scholarly articles—including in a symposium devoted to the intersection of arbitration and bankruptcy. *See supra* 32. The courts of appeals and lower courts are intractably divided, and there is no other path to resolving the disagreement. This Court should settle these weighty issues now, in this case.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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June 16, 2026

APPENDIX

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PUBLISHED

UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

No. 25-1439

GOLDMAN SACHS BANK USA, d/b/a Marcus by Goldman Sachs,

Appellant,

v.

RHEA ANN BROWN; GREGORY KEVIN MAZE,

Appellees.

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NATIONAL ASSOCIATION OF CONSUMER BANKRUPTCY ATTORNEYS, NATIONAL CONSUMER BANKRUPTCY RIGHTS CENTER,

Amici Supporting Appellee.

Argued: January 29, 2026 Decided: March 18, 2026

Before: NIEMEYER, KING, and HARRIS, Circuit Judges.

Affirmed published opinion. Judge Niemeyer wrote the opinion, in which Judge Harris joined. Judge King wrote a dissenting opinion.

NIEMEYER, Circuit Judge:

This appeal requires us to resolve the tension between (1) having an adversary proceeding in bankruptcy resolved by arbitration, as mandated by

an applicable contract provision and the Federal Arbitration Act ("FAA"), and (2) having it resolved in bankruptcy, as constitutionally authorized and implemented by the Bankruptcy Code. In this case, the adversary proceeding is based on an alleged violation of the automatic stay imposed by § 362(a) of the Bankruptcy Code. *See* 11 U.S.C. § 362(a).

Two debtors in bankruptcy commenced this adversary proceeding in the bankruptcy court under § 362(k) against Goldman Sachs Bank USA, alleging that it continued to collect credit card debt after the debtors had filed for bankruptcy, in violation of the automatic stay imposed by § 362(a). Goldman Sachs, invoking the arbitration clause in the credit card agreements with the debtors, filed a motion in the bankruptcy court to compel arbitration of the debtors' claim and to stay the adversary proceeding. The bankruptcy court denied the motion, resolving the tension between arbitration under the FAA and an adversary proceeding in the bankruptcy court in favor of continuing the adversary proceeding in the bankruptcy court, and the district court affirmed this ruling on appeal.

While there are substantial arguments on both sides of the issue, in the circumstances of this case, we conclude that arbitration would interfere and conflict with the strong and established policies and purposes of the Bankruptcy Code and accordingly affirm.

I

Rhea Ann Brown filed a Chapter 13 proceeding in the bankruptcy court in June 2023, and she listed, among her debts, her credit card debt with Goldman Sachs. Gregory Kevin Maze filed a Chapter 7

proceeding in the bankruptcy court in November 2023, and he too listed among his debts his credit card debt with Goldman Sachs.

Within days of these filings, the Bankruptcy Noticing Center electronically transmitted notice of the filings to Goldman Sachs, warning it of the automatic stay imposed by the Bankruptcy Code. Nonetheless, Goldman Sachs continued efforts to collect the credit card debt from both Brown and Maze, repeatedly representing to them, "Your account may be reported as charged off to the credit reporting bureaus." Brown contends that Goldman Sachs representatives continued to contact her by email, writings, and telephone calls for more than six months, even though she had informed Goldman Sachs representatives by email, telephone, and her legal counsel that its collection efforts violated the bankruptcy court's automatic stay. Maze contends similarly that Goldman Sachs representatives continued to contact him by email and telephone for more than three months. When, during a telephone conversation on February 15, 2024, he gave the Goldman Sachs representative his legal counsel's contact information, the representative replied that it "was not her job to call [his] bankruptcy counsel, but it was [his] job to pay his bills."

Because of these continuing efforts to collect on their credit card debts, Brown and Maze commenced an adversary proceeding against Goldman Sachs in the bankruptcy court, alleging that Goldman Sachs' efforts constituted willful violations of the automatic stay, in violation of 11 U.S.C. § 362(a)(3) and (6). They also alleged that Goldman Sachs had similarly violated automatic stays in at least two other bankruptcy cases pending in the same bankruptcy

court. They sought injunctive relief, compensatory damages, punitive damages, and attorneys fees pursuant to § 362(k) and § 105. They also purported to represent a class pursuant to Federal Rule of Bankruptcy Procedure 7023, consisting of "all individuals in the United States . . . who currently are in a consumer bankruptcy case or were formerly in a consumer bankruptcy case . . . from whom [Goldman Sachs] made a post-petition demand for pre-petition debt."

Goldman Sachs filed a motion in the bankruptcy court to compel arbitration of the plaintiffs' claims and to stay the adversary proceeding pending there. It relied on the arbitration clause in the debtors' credit card agreements, which provided:

> **ARBITRATION.** You or we may elect, without the other's consent, to resolve any Claim by individual binding arbitration unless the Claim has been filed in court and trial has begun or final judgment has been entered. Even if a Claim is litigated in court, you or we may elect arbitration of any Claim made by a new party or any Claim later asserted by a party in that or any related or unrelated lawsuit. You or we may also elect arbitration of a Claim that the parties initially opted to litigate in court if that Claim is later modified (including to be asserted on a class, representative or multi-party basis or to seek different or additional relief).
>
> Notwithstanding the foregoing, only a court and not an arbitrator may decide any dispute or controversy about the validity, enforceability, coverage or scope of this arbitration provision, all of which are for a court and not an arbitrator to decide. However, disputes or controversies about the

> validity or enforceability of this Agreement as a whole are for the arbitrator and not a court to decide.

The agreements also provided that "[c]laims may be submitted to arbitration on an individual basis only. Claims subject to this arbitration provision may not be joined or consolidated in arbitration with any Claim of any other person or be arbitrated on a class basis." Finally, the agreements provided that the arbitrator "may award relief only in favor of [an] individual Claim [and] may not award relief for or against any other person, whether directly or indirectly."

The bankruptcy court denied Goldman Sachs' motion to compel arbitration and to stay the adversary proceeding before it. It reasoned that the adversary proceeding, "by its very nature," stems from the bankruptcy itself and is both statutorily and constitutionally core, such that it had discretion to deny the motion. Recognizing that the automatic stay is "one of the fundamental debtor protections provided by the bankruptcy laws," the bankruptcy court held that sending the debtors' claims to arbitration would irreconcilably conflict with the purposes of the Bankruptcy Code. (Quoting *Grady v. A.H. Robins Co.*, 839 F.2d 198, 200 (4th Cir. 1988)). The court added that because "[l]arger systemic issues . . . [that] implicate the foundational purposes of the Bankruptcy Code" are at play, the "specialized experiences" of the bankruptcy courts are "particularly suited to address [the issues] in a global manner."

On appeal, the district court affirmed, holding that the bankruptcy court had not abused its discretion. The district court explained that "arbitrating

Plaintiffs' claims would inherently conflict with the Bankruptcy Code's objectives, as it could undermine the Bankruptcy Court's authority (1) to enforce the automatic stay to protect debtors and creditors' rights and (2) to provide a single centralized forum for resolving disputes related to the Plaintiffs' bankruptcy proceedings."

From the district court's order dated March 17, 2025, Goldman Sachs filed this appeal.

II

Goldman Sachs contends that the plaintiffs agreed in their credit card agreements to arbitrate all claims and that their agreements must be enforced in compliance with the FAA's strong public policy favoring arbitration, even though their § 362(k) claim is a statutory claim. It argues that because the Bankruptcy Code "manifests [no] congressional intent to preclude arbitration" for a § 362(k) claim and arbitration would neither interfere with the bankruptcy proceedings nor "undermine the purposes of the Bankruptcy Code," the bankruptcy court was required to order arbitration. It points out that Maze's Chapter 7 proceeding was closed when the court ruled and that Brown's plan in her Chapter 13 proceeding had been approved and was successfully being implemented without consideration of her § 362(k) claim. Thus, it maintains that the district court erred in finding a conflict between arbitration and the adversary proceeding in bankruptcy and in giving precedence to adjudication of the adversary proceeding in the bankruptcy court.

The plaintiffs, on the other hand, contend that their § 362(k) claim is a "constitutionally and statutorily core" bankruptcy claim that Goldman

Sachs seeks to have resolved with a "case-by-case arbitration." Ordering arbitration, they argue, would create an "irreconcilabl[e] conflict with the purposes of the automatic stay in § 362 of the Bankruptcy Code, as well as with the principal 'fresh start' purpose of the Bankruptcy Code." They maintain that it would also undermine the constitutional purpose that the bankruptcy laws be uniformly enforced. Thus, they conclude that the bankruptcy court properly denied arbitration.

While the parties' arguments highlight a tension between ordering and denying arbitration, the parties do not dispute the validity of the arbitration clause in the plaintiffs' credit card agreements, and they agree that plaintiffs' § 362(k) claim is a constitutionally and statutorily core bankruptcy claim.*

Arbitration is a contractually grounded out-of-court procedure that can be more efficient in resolving a dispute than a court proceeding, which is draped with many more mandated and authorized procedures. While arbitration was earlier treated with hostility by the courts as an unwise bypass around the role of courts, Congress reversed that hostility as a matter of public policy with its enactment of the FAA. The Supreme Court has thus observed that the FAA establishes "a liberal federal policy *favoring* [the enforcement of] arbitration agreements." *Moses H. Cone Mem'l Hosp. v. Mercury Constr. Corp.*, 460 U.S. 1, 24, 103 S.Ct. 927, 74

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* We agree that the § 362(k) claim is constitutionally core because it "stems from the bankruptcy itself or would necessarily be resolved in the claims allowance process," *Stern v. Marshall*, 564 U.S. 462, 499 (2011), and that it is also statutorily core, *see* 28 U.S.C. § 157(b)(2).

L.Ed.2d 765 (1983). And as a consequence, it has held that the FAA requires courts to "rigorously enforce agreements to arbitrate." *Dean Witter Reynolds, Inc. v. Byrd*, 470 U.S. 213, 221 (1985). Moreover, the "duty to enforce arbitration agreements is not diminished when a party bound by an agreement raises a claim founded on statutory rights." *Shearson/Am. Express, Inc. v. McMahon*, 482 U.S. 220, 226 (1987); *see also Epic Sys. Corp. v. Lewis*, 584 U.S. 497, 516–17 (2018). As the *McMahon* Court explained, the FAA "provides no basis for disfavoring agreements to arbitrate statutory claims by skewing the otherwise hospitable inquiry into arbitrability." 482 U.S. at 226 (cleaned up).

While arbitration is thus favored as a matter of public policy, so too is the process and relief afforded by the Bankruptcy Code. Indeed, it is assured by the Constitution, *see* U.S. Const. art. I, § 8, cl. 4, and fully implemented by Congress with its enactment of the Bankruptcy Code, its creation of bankruptcy courts, and its provision for the appointment of bankruptcy judges. As the Supreme Court has observed, "Congress intended to grant *comprehensive* jurisdiction to bankruptcy courts so that they might deal efficiently and expeditiously *with all matters connected with the bankruptcy estate*." *Celotex Corp. v. Edwards*, 514 U.S. 300, 308 (1995) (emphasis added) (cleaned up). Thus, we have observed:

> Congress intended that all legal obligations of the debtor, no matter how remote or contingent, will be able to be dealt with in bankruptcy. The Code contemplates the broadest possible relief in the bankruptcy court. Also, that history tells us that *the automatic stay is one of the fundamental debtor protections provided by the*

> *bankruptcy laws.* It provides a breathing spell to the debtor to restructure his affairs, which could hardly be done with hundreds or thousands of creditors persevering in different courts all over the country for a first share of a debtor's assets. Absent a stay of litigation against the debtor, dismemberment rather than reorganization would, in many or even most cases, be the inevitable result.

Grady v. A.H. Robins Co., 839 F.2d 198, 202 (4th Cir. 1988) (emphasis added); *see also* H.R. Rep. No. 95-595, at 174 (1977), *reprinted in* 1978 U.S.C.C.A.N. 5963, 6135; S. Rep. No. 95-989, at 54-55 (1978), *reprinted in* 1978 U.S.C.C.A.N. 5787, 5840–41. The Bankruptcy Code implements the foundational purposes of bankruptcy, which include (1) giving the "honest but unfortunate debtor" a "fresh start," *Marrama v. Citizens Bank of Mass.*, 549 U.S. 365, 367 (2007) (cleaned up); (2) providing "[c]entralization of disputes concerning a debtor's legal obligations" to be able to preserve assets and provide a fair allocation of the debtor's obligations, *Phillips v. Congelton, L.L.C.* (*In re White Mountain Mining Co.*), 403 F.3d 164, 170 (4th Cir. 2005); *Grady*, 839 F.2d at 202; and (3) applying the bankruptcy law uniformly, U.S. Const. art. I, § 8, cl. 4; *Cent. Va. Cmty. Coll. v. Katz*, 546 U.S. 356, 376 n.13 (2006). And at the center of a bankruptcy court's facility is the automatic stay imposed by § 362(a).

The parties' competing claims in this case create a tension between the pursuit of these two well established and important public policies. And our steps for resolving it must begin with Goldman Sachs' motion to mandate arbitration.

While the FAA does indeed mandate that arbitration agreements be rigorously enforced, its mandate, "[l]ike any statutory directive, . . . may be overridden by a contrary congressional command." *McMahon*, 482 U.S. at 226. And the party seeking to demonstrate that command has the burden of showing that "Congress intended to preclude a waiver of judicial remedies for the statutory rights at issue." *Id.* at 227. As the *McMahon* Court explained, that intent "will be deducible from the statute's text or legislative history, or from an inherent conflict between arbitration and the statute's underlying purposes." *Id.* (cleaned up); *see also Green Tree Fin. Corp.-Ala. v. Randolph*, 531 U.S. 79, 90 (2000) (noting that the exception to arbitration must turn on "whether Congress has evinced an intention to preclude a waiver of judicial remedies for the statutory rights at issue"); *Dean Witter*, 470 U.S. at 221 (noting that courts are to follow the requirement of rigorous enforcement of arbitration agreements, "at least absent a countervailing policy manifested in another federal statute").

Thus, to resolve the tension presented here, we begin by applying the test set forth in *McMahon*. Under *McMahon*, courts must enforce the arbitration of statutory claims unless the statute *precludes* waiver of judicial remedies, as evidenced by (1) its text, (2) its legislative history, or (3) an "inherent conflict between arbitration and the statute's underlying purposes." 482 U.S. at 227. And they must apply this test as a matter of law. If a court concludes, after applying *McMahon*, that arbitration is not mandated, it may then exercise discretion in resolving the conflict between the forums. *Moses v. CashCall, Inc.*, 781 F.3d 63, 71 (4th Cir. 2015) (noting

that "the court of first impression has discretion to decide whether to withhold arbitration").

In this case, the parties make no argument that the text of the Bankruptcy Code precludes arbitration. Rather, they focus on whether there is an "inherent conflict" between arbitration and the Bankruptcy Code's "underlying purposes." *McMahon*, 482 U.S. at 227. Thus, to this we now turn.

First, we note that unlike actions that are independently grounded in tort, contract, or a statute other than the Bankruptcy Code and are therefore unlinked to a bankruptcy court's function and purpose, a § 362(k) claim arises from a violation of the bankruptcy court's stay, which falls within the authority of the bankruptcy court under the Bankruptcy Code's statutory framework. The bankruptcy stay, which a § 362(k) claim vindicates, is foundational to the successful function of the bankruptcy purpose to collect all assets and debts of the debtor and harmonize their disposition. *See Robbins v. Robbins* (*In re Robbins*), 964 F.2d 342, 345 (4th Cir. 1992); *Grady*, 839 F.2d at 202. Thus, a § 362(k) claim is "as core" as any claim that arises from bankruptcy proceedings.

While the categorization of a claim as "core" may not automatically render the claim non-arbitral, the categorization does present a high bar to deny the bankruptcy court's discretion. As the Fifth Circuit has explained, "There can be little dispute that where a core proceeding involves adjudication of federal bankruptcy rights wholly divorced from inherited contractual claims, the importance of the federal bankruptcy forum provided by the Code is *at its zenith*." *Ins. Co. of N. Am. v. NGC Settlement Trust of Asbestos Claims Mgmt. Corp.* (*In re National Gypsum*

Co.), 118 F.3d 1056, 1068 (5th Cir. 1997) (emphasis added). And as one bankruptcy court put it, "Stated simply, the more 'core' the proceeding, the more likely a conflict exists." *Huffman v. Legal Helpers Debt Resol., L.L.C.* (*In re Huffman*), 486 B.R. 343, 357 (Bankr. S.D. Miss. 2013).

A claim for violation of the stay is so critical because the automatic stay is the mechanism that enables the bankruptcy court "to harmonize the interests of both debtor and creditors while preserving the debtor's assets for repayment and reorganization of his or her obligations." *In re Robbins*, 964 F.2d at 345. It thus supports "a principal purpose of the Bankruptcy Code . . . to centralize disputes over the debtor's assets and obligations in one forum, thus protecting both debtors and creditors from piecemeal litigation and conflicting judgments." *CashCall*, 781 F.3d at 72. Moreover, it does not merely serve the "[e]ase and centrality of administration" of the bankruptcy, *French v. Liebmann (In re French)*, 440 F.3d 145, 155 (4th Cir. 2006) (Wilkinson, J., concurring), but, by applying to all parties to a bankruptcy—that is, debtor and creditors alike—the stay provides a fundamental bulwark against the collective action problems that a debtor's financial distress invites. *See* S. Rep. No. 95-989, at 49, *reprinted in* 1978 U.S.C.C.A.N. at 5835 ("Without [the automatic stay] . . . [t]hose who acted first would obtain payment of the claims in preference to and to the detriment of other creditors. Bankruptcy is designed to provide an orderly liquidation procedure under which all creditors are treated equally").

Granting Goldman Sachs' motion to arbitrate the plaintiffs' § 362(k) claim—a claim that has no

independent grounding outside of the Bankruptcy Code—would thus undermine the needed centralization of claims and effectively allow Goldman Sachs, after allegedly violating the stay, to assert the primacy of a private contractual right over the collective interests of all other creditors. This would, we conclude, fundamentally interfere with a core purpose of the Bankruptcy Code. *In re White Mountain Mining Co.*, 403 F.3d at 169 (holding that the "centralized decision-making" so crucial to a bankruptcy court's ability to balance these competing interests is inconsistent with arbitration "because permitting an arbitrator to decide a core [bankruptcy] issue would make debtor-creditor rights contingent upon an arbitrator's ruling rather than the ruling of the bankruptcy judge assigned to hear the debtor's case" (cleaned up)); *see also* Anthony J. Casey & Joshua C. Macey, *The Bankruptcy Tribunal*, 96 Am. Bankr. L.J. 749, 751 (Winter 2022) ("Any two parties could use a private arbitration provision to remove from the bankruptcy tribunal a dispute that affects the rights of other parties . . . [which] would be the equivalent of allowing those two parties to force all other claimants to waive their right to have their claims collectively resolved in the bankruptcy tribunal").

To be sure, we recognize that the plaintiffs' claim under § 362(k) is not directly implicated in harmonizing the interests of the debtors and their creditors, but it does enforce the bankruptcy court's ability to do so. The stay is an ongoing status that is monitored and enforced by the bankruptcy court such that the court can, as necessary, enjoin violations under 11 U.S.C. § 105 (authorizing the court to issue

injunctions). This could not be done in a private arbitral forum.

Beyond this degradation of a fundamental purpose of bankruptcy, arbitration of the plaintiffs' § 362(k) claim would, we conclude, also undermine the "shield" created by the automatic stay—a shield afforded to the debtor against the "financial pressure during the pendency of the bankruptcy proceeding." *Winters ex rel. McMahon v. George Mason Bank*, 94 F.3d 130, 133 (4th Cir. 1996). Such a shield bolsters the "principal purpose of the Bankruptcy Code" of granting "a 'fresh start' to the 'honest but unfortunate debtor.'" *Marrama*, 549 U.S. at 367 (quoting *Grogan v. Garner*, 498 U.S. 279, 286, 287 (1991)). Thus, as we have observed, the automatic stay is "one of the fundamental debtor protections provided by the bankruptcy laws, giving the debtor a *breathing spell* from his creditors." *Wood v. U.S. Dep't of Hous. & Urban Dev.* (*In re Wood*), 993 F.3d 245 (4th Cir. 2021) (emphasis added) (cleaned up). Arbitration beyond the walls of the bankruptcy court would diminish, if not eliminate, this breathing spell that the Code intended be enforced. Moreover, this diminishment could be multiplied for every claim made.

There are other underlying purposes that would also be diminished by arbitration. A fundamental purpose of the Bankruptcy Code is to assure that bankruptcy laws be uniform and be uniformly enforced. Not only is this expressly grounded in the text of the Constitution, which authorizes Congress "to establish . . . *uniform* Laws on the subject of Bankruptcies *throughout the United States*," U.S. Const. art. I, § 8, cl. 4 (emphasis added), but it also represents the earliest understandings of the Constitution. As Justice Joseph Story remarked in

the early years of the Republic, federal jurisdiction over bankruptcy matters "result[s] from the importance of preserving harmony, promoting justice, and *securing equality of rights and remedies among the citizens of all the states*." 3 Joseph Story, *Commentaries on the Constitution* § 1102 (1st ed. 1833) (emphasis added); *see also The Federalist No. 42*, at 221 (James Madison) (George W. Carey & James McClellan eds., 1990) ("The power of establishing uniform laws of bankruptcy, is so intimately connected with the regulation of commerce, and will prevent so many frauds where the parties or their property may lie or be removed into different States, that the expediency of it seems not likely to be drawn into question"). And the Supreme Court has readily acknowledged this, stating, "Congress has the power to enact bankruptcy laws the purpose and effect of which are *to ensure uniformity* in treatment of state and private creditors." *Katz*, 546 U.S. at 377 n.13 (emphasis added). Yet arbitration would clearly undermine this purpose. Arbitration *individualizes* the disposition of claims such that one arbitrator's judgment might differ from another's or from a court's. And there is no ability to assure their uniformity through appeal to the courts and ultimately the Supreme Court. As is well understood, "judicial review of an arbitration award is severely circumscribed, and is among the narrowest known at law." *Friedler v. Stifel, Nicolaus, & Co.*, 108 F.4th 241, 246 (4th Cir. 2024) (cleaned up).

For yet another compromised purpose, arbitration would also bypass the expertise of bankruptcy judges in favor of private arbitrators, who may not even be lawyers and who normally would not be versed in the complexities of the Bankruptcy Code. In that vein,

Congress created bankruptcy courts to implement the Bankruptcy Code and bring to the court's jurisdiction all property of a debtor, wherever located, as well as the claims of all creditors, to enable the court to harmonize the interests of both the debtors and the creditors. And Congress provided for the appointment of bankruptcy judges for terms of 14 years *specifically and exclusively* to preside over bankruptcy matters, *see* 28 U.S.C. §§ 151, 152, 157, surely in recognition that bankruptcy is a discrete and comprehensive process deserving dedicated and experienced judges. As Congress recognized when enacting the Bankruptcy Code, "[i]n bankruptcy, *specialization is necessary* to the functioning of the system." H.R. Rep. No. 95-595, at 19, *reprinted in* 1978 U.S.C.C.A.N. at 5980 (emphasis added). And the courts have routinely recognized this. *See Robbins*, 964 F.2d at 345 (recognizing that "*the expertise* of the bankruptcy court" is a factor to consider when reviewing the court's discretion (emphasis added)); *Ackerman v. Eber* (*In re Eber*), 687 F.3d 1123, 1131 (9th Cir. 2012) (recognizing that bankruptcy courts have "*special expertise* to decide" core matters (emphasis added)); *Holland v. Zimmerman* (*In re Zimmerman*), 341 B.R. 77, 80 (Bankr. N.D. Ga. 2006) (recognizing the debtor's interest in having dischargability and related issues "determined in one forum with *particularized expertise* to do so" (emphasis added)); *Huffman*, 486 B.R. at 364 (recognizing that a bankruptcy court can consider its own "*specialized expertise*" in exercising discretion to deny motion to compel arbitration of adversary proceeding (emphasis added)); *Merrill v. MBNA Am. Bank, N.A.* (*In re Merrill*), 343 B.R. 1, 9 n.10 (Bankr. D. Me. 2006) (recognizing that "applying

and enforcing the stay (and related provisions) is [not] a simple exercise where a bankruptcy judge's *experience and training* are not required" (emphasis added)). Mandating arbitration of adversary proceedings grounded in the Bankruptcy Code would deny the parties the bankruptcy judges' expertise and thus frustrate this underlying purpose of the Bankruptcy Code.

And specifically with respect to § 362(k) claims, arbitration would constrict the remedies that Congress authorized in the Bankruptcy Code. Section 362(k) authorizes not only an award of compensatory damages for a violation of § 362(a), but also, when the violation is willful, an award of punitive damages. *See* 11 U.S.C. § 362(k). Punitive damages, of course, impose punishment on the violator, but they also provide deterrence to discourage future violations. It has been observed, correctly, that the "primary purpose of punitive damages awarded for a willful violation of the automatic stay is to cause a change in the creditor's behavior." *In re Shade*, 261 B.R. 213, 216 (Bankr. C.D. Ill. 2001). This deterrence of punitive damages is a prophylactic purpose, and such purpose therefore "cannot function in the dark." *Richmond Newspapers, Inc. v. Virginia*, 448 U.S. 555, 571 (1980). Yet, relegating awards of punitive damages to the *private forum* of arbitration sends deterrence into "the dark" and therefore cannot serve the purpose underlying the Bankruptcy Code's authorization of punitive damages for § 362(a) violations.

Under the *McMahon* test, the determination of whether the Bankruptcy Code precludes waiver of judicial remedies so as to preclude arbitration may also be informed by the Code's "legislative history,"

McMahon, 482 U.S. at 227, and the legislative history, we conclude, also supports our conclusion in this case. In describing the adequate protection of property provided under the Bankruptcy Code, the Senate Report accompanying the Bankruptcy Reform Act of 1978 explained that the automatic stay provides creditor protection, and the scope of the stay is "broad." S. Rep. No. 95-989, at 50, *reprinted in* 1978 U.S.C.C.A.N. at 5836. More relevantly, the Report explains that under the automatic stay, "[a]ll proceedings are stayed, including *arbitration*, administrative, and judicial proceedings." *Id.* (emphasis added).

Thus, there are in this case several inherent conflicts between arbitration and adjudication of the § 362(k) claim in bankruptcy—the degradation of the bankruptcy court's core purpose of conducting comprehensive bankruptcy proceedings, the lack of centrality for dispositions, the erosion of the bankruptcy shield, the lack of uniformity, the lack of bankruptcy expertise, and the deterrent purposes of punitive damages—that, together with the legislative history, amply demonstrate that arbitration here would conflict with the underlying purposes of the Bankruptcy Code. They also amply support the district court's discretion in retaining the plaintiffs' adversary proceeding in the bankruptcy court.

Goldman Sachs nonetheless argues that arbitration of the plaintiffs' § 362(k) claim would have no impact on the administration and settlement of Maze's estate, since his Chapter 7 bankruptcy is closed, and that it would have only an ancillary effect on Brown's ongoing Chapter 13 bankruptcy, since her securing a damages award would only increase the value of her estate and the assets available to

creditors. In making this argument, it relies largely on *CashCall*, where we affirmed the preclusion of arbitration for a claim seeking a declaratory judgment about a loan's illegality but allowed arbitration of a state law damages claim. 781 F.3d at 66 (per curiam). As to the state law damages claim, we explained that retaining it in bankruptcy was not required because "enlargement of the underlying estate due to any damages received . . . [would be] simply too attenuated" from the bankruptcy. *Id.* at 82 (Gregory, J., concurring in the judgment); *see id.* at 93 (Davis, J., concurring in the judgment). Goldman Sachs would have us treat the plaintiffs' claim here as we treated the state law damages claim in *CashCall.* But the circumstances are materially distinct. Crucially, in *CashCall*, we held only that the plaintiff's *non-core* claim for damages *under state law* could be arbitrated, *id.* at 66 (per curiam), reasoning that "the success or failure of *the non-core claim* may have ancillary effects on [the debtor's] bankruptcy" but that such effects were "too attenuated, and indeed extrinsic to the bankruptcy, to constitute an 'inherent conflict' with the Bankruptcy Code's purpose of facilitating an efficient reorganization." *Id.* at 82 (Gregory, J., concurring in the judgment); *see id.* at 93 (Davis, J., concurring in the judgment). The same, however, cannot be said here where Brown's claim is statutorily and constitutionally core. And far from being "extrinsic to the bankruptcy," like a debtor's state law claim in *CashCall*, Brown's claim here is based entirely—from stem to stern—on the Bankruptcy Code and the bankruptcy court's continuing jurisdiction over her estate.

Goldman Sachs also relies on the Second Circuit's holding in *MBNA America Bank, N.A. v. Hill*, 436

F.3d 104 (2d Cir. 2006), to support its position. In *Hill*, the court held that the bankruptcy court, in the peculiar circumstances presented there, did not have discretion to deny a motion for arbitration of a claim that the creditor had violated the automatic stay. *Id.* at 110–11. There, the debtor had already received her discharge, and her Chapter 7 bankruptcy case had been closed. *Id.* at 110. Thus, the court reasoned that resolution of the debtor's claim "[could not] affect an ongoing reorganization, and arbitration would not conflict with the objectives of the automatic stay." *Id.* Moreover, the court distinguished its holding *on that basis* from cases where other appellate courts, including the Fourth Circuit, had held "that bankruptcy courts had discretion to refuse to stay proceedings pending arbitration." *Id.* (citing *In re White Mountain Mining Co.*, 403 F.3d at 170). Thus, *Hill*'s holding is inapposite, and we cannot determine whether the *Hill* court would have ruled the same way had it been faced with an arbitration issue in an ongoing bankruptcy proceeding, as we are here.

Finally, Goldman Sachs argues that our conclusion runs contrary to the recent trend in which the Supreme Court has consistently declined to hold that federal statutory claims are unsuited for arbitration. Indeed, the Court has observed, "[i]n many cases over many years, this Court has heard and rejected efforts to conjure conflicts between the Arbitration Act and other federal statutes," referring to "statutes ranging from the Sherman and Clayton Acts to the Age Discrimination in Employment Act, the Credit Repair Organizations Act, the Securities Act of 1933, the Securities Exchange Act of 1934, and the Racketeer Influence and Corrupt Organizations Act." *Epic Sys. Corp.*, 584 U.S. at 516.

Despite the Court's reference to those statutes, however, the Bankruptcy Code presents a unique statutory context, especially where, as here, the claim is both statutorily *and* constitutionally grounded. *See, e.g., CashCall*, 781 F.3d at 72 (recognizing that bankruptcy "represents a fundamental public policy . . . [g]rounded in the Constitution"); *see also Roth v. Butler Univ.* (*In re Roth*), 594 B.R. 672, 674–76 (Bankr. S.D. Ind. 2018) (distinguishing compelled arbitration in the bankruptcy context from the Supreme Court's general support for arbitration of other statutory claims, recognizing the constitutional basis of the Code and noting that the "very purpose of the Bankruptcy Code is to modify the rights—contractual and otherwise—of debtors and creditors"). And the Supreme Court has not addressed whether arbitration of bankruptcy claims is in conflict with the Bankruptcy Code, although it has twice in recent years denied petitions for certiorari of circuit court decisions that found no abuse of discretion where bankruptcy courts denied motions to compel arbitration of claims stemming from the Bankruptcy Code. *See Anderson v. Credit One Bank, N.A.* (*In re Anderson*), 884 F.3d 382, 391–92 (2d Cir. 2018) (concluding that the bankruptcy court did not abuse its discretion in retaining claim that credit card issuer had violated bankruptcy court's discharge injunction), *cert. denied*, 586 U.S. 823 (2018) (No. 17-1652); *Belton v. GE Cap. Retail Bank* (*In re Belton*), 961 F.3d 612, 616–18 (2d Cir. 2020) (similar), *cert. denied*, 141 S. Ct. 1513 (2021) (No. 20-481). Scholars too have recognized bankruptcy's unique position as a counterpoint to the Supreme Court's trend in favor of arbitration for statutory claims, referring to it as, for example,

"bankruptcy's arbitration countercurrent." Kara J. Bruce, *Bankruptcy's Arbitration Countercurrent and the Future of the Debtor Class*, 96 Am. Bankr. L.J. 819, 820 (Winter 2022) ("Despite the steady stream of Supreme Court decisions favoring arbitration in other contexts, bankruptcy courts have consistently refused to enforce pre-dispute arbitration clauses").

In short, although the Supreme Court has sided with arbitration in the context of many statutory frameworks, it has not done so in a bankruptcy context, and bankruptcy is unique, as we explain, raising important distinguishing factors.

* * *

For the reasons given, we therefore affirm the order of the district court dated March 17, 2025, denying Goldman Sachs' motion to compel arbitration.

AFFIRMED

KING, Circuit Judge, dissenting:

With great respect, I am constrained to dissent from the panel majority's erroneous affirmance of the ruling of the Western District of Virginia, which refused to compel arbitration of the putative class claims asserted by plaintiffs Rhea Brown and Gregory Maze (collectively "plaintiffs") against defendant Goldman Sachs. Parting ways with my good friends, I am of opinion that the outcome here is readily compelled by the Supreme Court's precedent of *Shearson/American Express, Inc. v. McMahon*, 482 U.S. 220 (1987), and our Court's 2015 decision in *Moses v. CashCall, Inc.*, 781 F.3d 63 (4th Cir. 2015). Put simply, the plaintiffs' claims—by which they seek to hold Goldman Sachs liable for allegedly violating the Bankruptcy Code's automatic stay provision, *see* 11 U.S.C. § 362—belong in arbitration, not an adversary proceeding before the bankruptcy court.

In these circumstances, arbitrating the plaintiffs' § 362 automatic bankruptcy stay claims—which, as the majority has recognized, are indubitably subject to the binding arbitration agreements between the plaintiffs and Goldman Sachs, *see ante* at 255 (recognizing that "the parties do not dispute the validity of the arbitration clause in the plaintiffs' credit card agreements")—does not create an "inherent [i.e., 'irreconcilable'] conflict" with the Bankruptcy Code, as my friends say that it does. *See McMahon*, 482 U.S. at 226; *CashCall*, 781 F.3d at 71. In fact, there is no conflict at all in arbitrating the plaintiffs' § 362 automatic bankruptcy stay claims because the success (or failure) thereof would neither add nor subtract a new creditor to these bankruptcies, nor would it serve to "frustrate creditor distribution."

See CashCall, 781 F.3d at 93 (Davis, J., concurring).[1] On that basis, I would send the plaintiffs' § 362 automatic stay claims to arbitration, despite the majority's unpersuasive musings about why an "inherent conflict" exists here.

Furthermore, in addition to flouting the *McMahon* and *CashCall* precedents, the panel majority has needlessly created a circuit split with the Second Circuit—that is, the only other court of appeals to address whether a § 362 automatic stay claim belongs in arbitration. *See MBNA America Bank, N.A. v. Hill*, 436 F.3d 104 (2d Cir. 2006).[2] Contrary to the majority's take, the Second Circuit correctly ruled in *Hill* that arbitrating a § 362 automatic bankruptcy stay claim does "not interfere with or affect the

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[1] To be sure, Ms. Brown's Chapter 13 bankruptcy was confirmed by the bankruptcy court in September 2023. And Mr. Maze received a discharge in his Chapter 7 bankruptcy in February 2024. It thus strains credulity for the plaintiffs to maintain—and for the panel majority to now accept—that the plaintiffs are being deprived of the "fresh start" available to debtors by way of the Bankruptcy Code. *See ante* at 7. And in Ms. Brown's case, it fully undermines the majority's assertion that arbitrating her § 362 automatic bankruptcy stay claim would "substantially interfere with . . . efforts to reorganize." *See Phillips v. Congelton, L.L.C.* (*In re White Mountain Mining Co.*), 403 F.3d 164, 170 (4th Cir. 2005).

[2] The panel majority waxes poetic that the Second Circuit's *Hill* decision was resolved in "peculiar circumstances," and therefore its reasoning is limited. *See ante* at 19. But I do not read *Hill* in the same manner as my friends in the majority—the Second Circuit was clear in ruling that arbitration of the *Hill* debtor's § 362 automatic bankruptcy stay claim was warranted because it was neither "integral to [the] bankruptcy court's ability to preserve and equitably distribute assets of the estate," nor "directly implicated matters central to the purposes and policies of the Bankruptcy Code." *See* 436 F.3d at 110.

distribution of the estate," since the debtor there had obtained a discharge of her debts and there was no "ongoing reorganization" left with respect to the bankruptcy. *Id.* at 108-10. Otherwise, the Second Circuit cogently and rather persuasively explained that resolution of a debtor's § 362 automatic bankruptcy stay claim is not "integral to [the] bankruptcy court's ability to preserve and equitably distribute assets of the estate," and does not "directly implicate[] matters central to the purposes and policies of the Bankruptcy Code." *Id.* at 110.[3]

Pursuant to the foregoing—and consistent with *McMahon, CashCall*, and the Second Circuit's *Hill* decision—I would reverse and remand for entry of a court order compelling arbitration of the plaintiffs' § 362 automatic bankruptcy stay claims against Goldman Sachs. Because the majority has ruled otherwise, I respectfully dissent.

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[3] The Second Circuit further recognized that sending the *Hill* debtor's § 362 automatic bankruptcy stay claim to arbitration was appropriate given "the fact that [she] filed her § 362[] claim as a putative class action." *See* 436 F.3d at 110. That rather notable fact, the court of appeals explained, highlighted a glaring lack of connection between the debtor's § 362 claim and her bankruptcy estate: "By tying her claim to a class of allegedly similarly situated individuals, many of whom [were] no longer in bankruptcy proceedings, [the debtor] demonstrates the *lack of close connection* between the claim and her own underlying bankruptcy case." *Id.* (emphasis added). And the very same can be said here of the plaintiffs' putative class claims asserted against Goldman Sachs—i.e., they also lack a "close connection" with the plaintiffs' respective bankruptcy estates. *Id.*

FILED: April 1, 2026

UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

No. 25-1439
(7:24-cv-00490-RSB-CKM)

GOLDMAN SACHS BANK USA, d/b/a Marcus by Goldman Sachs

Appellant

v.

RHEA ANN BROWN; GREGORY KEVIN MAZE

Appellees

NATIONAL ASSOCIATION OF CONSUMER BANKRUPTCY ATTORNEYS; NATIONAL CONSUMER BANKRUPTCY RIGHTS CENTER

Amici Supporting Appellee

ORDER

Upon consideration of appellant's unopposed motion to stay the mandate pending the filing of a petition for writ of certiorari, the court denies the motion.

Judge Niemeyer and Judge Harris voted to deny the motion. Judge King voted to grant the motion.

For the Court

/s/ Nwamaka Anowi, Clerk

KING, Circuit Judge, dissenting:

I dissent from the panel majority's erroneous and summary denial of Goldman Sachs Bank USA's unopposed motion for a stay of our Court's mandate, pending the filing of a petition for a writ of certiorari in the Supreme Court. *See Goldman Sachs Bank USA v. Brown*, No. 25-1439 (4th Cir. Mar. 30, 2026), ECF No. 60 (the "Unopposed Motion").

Pursuant to Federal Rule of Appellate Procedure 41(d), "[a] party may move to stay the mandate pending the filing of a petition for a writ of certiorari in the Supreme Court." *See* Fed. R. App. P. 41(d). To obtain such relief, the motion "must show that the petition would present a *substantial question* and that there is *good cause* for a stay." *Id.* (emphasis added). In the same way, our Court's Local Rules provide, in relevant part, as follows:

> Ordinarily the motion shall be denied *unless* there is a specific showing that it is not frivolous or filed merely for delay. A motion to stay the mandate pending the filing of a petition for certiorari must show that the certiorari petition would present a *substantial question* and set forth *good cause* for a stay.

See 4th Cir. L. R. 41 (emphasis added).*

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* As the Supreme Court has recognized, "[t]he reason for . . . Rule [41] is straightforward: The stay of mandate is entered solely to allow this Court time to consider a petition for certiorari." *See Ryan v. Schad*, 570 U.S. 521, 524 (2013) (citation modified). To that end, for a question to be deemed "substantial" under Rule 41(d), there must be "(1) 'a reasonable probability' that [the Supreme Court] will grant certiorari" and "(2) 'a fair prospect' that the Court will then reverse the decision below."

In these circumstances, I am of opinion that the Unopposed Motion satisfies the above-recited standard for obtaining a stay of our Court's mandate, pending the filing of a certiorari petition in the Supreme Court. That is so because the Unopposed Motion sets forth that a certiorari petition presents a "substantial question," and because there is ample "good cause" for a stay of our mandate. *See* Fed. R. App. P. 42(d); 4th Cir. L. R. 41.

As to the former prong, a "substantial question" will indisputably be presented by Goldman Sachs's certiorari petition, and there is a very solid chance that the Supreme Court reverses if certiorari is granted. As related more fully in my dissenting opinion, *see Goldman Sachs Bank USA v. Brown*, __ F.4th __, 2026 WL 758739, at *9-10 (4th Cir. Mar. 18, 2026) (King, J., dissenting), the panel majority's decision refusing arbitration creates a clear circuit split with the Second Circuit on the question of whether a § 362(k) automatic stay violation claim must be arbitrated under the Federal Arbitration Act. *See MBNA America Bank, N.A. v. Hill*, 436 F.3d 104 (2d Cir. 2006). Indeed, Judge Niemeyer's majority opinion readily acknowledged the "substantial arguments" on both sides of that important question. *See Goldman Sachs*, 2026 WL 758739, at *1. But regrettably, my colleagues now decline to afford the reasonable relief sought by the Unopposed Motion.

Meanwhile, as to the issue of "good cause," that the Unopposed Motion is, in fact, *unopposed* is enough — in my view — to satisfy the second Rule 41(d) prong.

See Maryland v. King, 567 U.S. 1301, 1302 (2012) (Roberts, C.J., in chambers) (citation modified).

Even so, the Unopposed Motion aptly explains why there is "good cause" for a stay of our mandate:

> Absent a stay, [Goldman Sachs] will be forced to defend these claims in bankruptcy court and incur discovery costs on claims that its arbitration agreement was intended to resolve through individualized arbitration, thereby losing the very benefits it contractually bargained for. Those benefits cannot be restored to [Goldman Sachs] even if the Supreme Court ultimately rules in its favor. Considerations of judicial economy clinch the case for a stay, as the time and resources spent litigating the case in bankruptcy court would be wasted if the Supreme Court grants certiorari and reverses. Importantly, [the plaintiffs] do not oppose [Goldman Sachs's] request for a stay.

See Unopposed Motion 2-3.

* * *

Put simply, I would readily grant Goldman Sachs's Unopposed Motion and enter an order staying our Court's mandate pending the filing of a certiorari petition in the Supreme Court. Because my good friends in the panel majority have ruled otherwise, I dissent.

[663 B.R. 449]

UNITED STATES BANKRUPTCY COURT,
W.D. VIRGINIA
Roanoke Division

IN RE: Rhea Ann BROWN, Debtor.

Rhea Ann Brown and Gregory Kevin Maze on behalf of themselves and all others similarly situated, Plaintiffs.

v.

Goldman Sachs Bank USA d/b/a Marcus by Goldman Sachs, Defendant.

Case No. 23-70426
Adversary Proceeding No. 24-07009

Signed: July 15, 2024

MEMORANDUM OPINION

Paul M. Black, UNITED STATES BANKRUPTCY JUDGE

This matter comes before the Court on a Motion to Compel Arbitration and Stay Action ("Motion to Compel") filed by the Defendant, Goldman Sachs Bank USA, by counsel. ECF No. 15. The Plaintiffs, by counsel, filed a Response to the Defendant's Motion to Compel Arbitration ("Response"). ECF No. 19. The Defendant then filed a Reply Brief in Further Support of Defendant Goldman Sachs Bank USA's Motion to Compel Arbitration and Stay Action ("Reply Brief"). ECF No. 20. A hearing was held on the Defendant's Motion to Compel on June 28, 2024, after which time the Court took the matter under advisement. Upon review of the Parties' filings and the arguments

advanced at the hearing, and for the reasons stated below, the Court will deny the Defendant's Motion to Compel.

STATEMENT OF THE CASE

Plaintiff Rhea Ann Brown ("Brown") filed for Chapter 13 bankruptcy in this Court on June 14, 2023; she filed a Chapter 13 plan on June 27, 2023 which was confirmed on September 1, 2023. Plaintiff Gregory Kevin Maze ("Maze") filed for Chapter 7 bankruptcy in this Court on November 9, 2023 and was granted a discharge on February 21, 2024. Before their bankruptcies, the Plaintiffs both opened Apple Card accounts with the Defendant and signed an Apple Card Agreement. *See* ECF No. 15 at 3-4. The Agreement contains an Arbitration Provision which potential Apple Card holders needed to affirmatively opt out of. *See id.* Exhibit A at 16-17.

The Plaintiffs filed this adversary proceeding on March 12, 2024 alleging that they were sent notices and communications from the Defendant regarding the balance due on their Apple Card accounts even after the Defendant was made aware of the Plaintiffs' being in bankruptcy, actions which the Plaintiffs allege violated the automatic stay under 11 U.S.C. §§ 362(a)(3) and (6). *See* ECF No. 1 ¶¶ 17-55.[1] The Complaint is styled as a class action seeking relief for a class of similarly situated present and former

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[1] 11 U.S.C. §§ 362(a)(3) and (6) state that filing a petition for relief "operates as a stay, applicable to all entities, of – . . . (3) any act to obtain possession of property of the estate or of property from the estate or to exercise control over property of the estate; . . . [and] (6) any act to collect, assess, or recover a claim against the debtor that arose before the commencement of the case under this title[.]" 11 U.S.C. §§ 362(a)(3), (6).

debtors in bankruptcy "from whom Defendant made a post-petition demand for pre-petition debt." *Id.* ¶ 57. The Plaintiffs seek, not without limitation: (1) declaratory relief for violation of 11 U.S.C. § 362; (2) injunctive relief under 11 U.S.C. § 105(a) for both a preliminary and permanent injunction preventing the Defendant from engaging in such conduct; and (3) actual, compensatory, exemplary and/or punitive damages, including attorneys' fees and costs, for the Defendant's alleged willful violation of the stay. *See id.* ¶¶ 65-71, 73, 75-83, 85.

The Defendant responded by filing the Motion to Compel asking the Court, pursuant to Federal Rule of Civil Procedure 12(b)(3) and the Federal Arbitration Act ("FAA"), to compel the Plaintiffs to arbitrate their claims and to stay the adversary proceeding pending arbitration. The Defendant alleges the Plaintiffs, having signed the Apple Card Agreement and not opted out of the Arbitration Provision, are bound by the Arbitration Provision and the Plaintiffs' claims fall within its broad scope. *See* ECF No. 15 at 3-4, 9-10. The Defendant further asserts that the Court should follow the U.S. Supreme Court's decisions favoring enforcing arbitration agreements as well as the Second Circuit's decision in *MBNA Am. Bank, N.A. v. Hill*, 436 F.3d 104, 108 (2d Cir. 2006), with similar facts to this case in which the Court granted a motion to compel. *See* ECF No. 15 at 12-14.[2]

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[2] The Defendant attached to the Motion to Compel: (1) a declaration from one of its Legal Operations Associates to explain how the Defendant issues Apple Cards and keeps track of customers' acceptances of the terms and conditions of the card agreements and (2) a copy of the Apple Card Agreement, including the arbitration provision. *See id.* Exhibit A.

In their Response, the Plaintiffs argue their automatic stay violation claims are "constitutionally core" claims that stem from their bankruptcies and the Fourth Circuit has determined that a bankruptcy court has the discretion to retain them in cases such as in *In re White Mountain Mining Co., L.L.C.*, 403 F.3d 164 (4th Cir. 2005), and *Moses v. CashCall, Inc.*, 781 F.3d 63 (4th Cir. 2015). *See* ECF No. 19 at 9-11, 19 fn.7.[3] The Plaintiffs also contend that section 105(a) gives the Court the power to issue contempt orders and injunctions to sanction automatic stay violations but that if the Plaintiffs' claims were sent to arbitration, the Court would not be able to exercise its contempt powers *sua sponte* in this case even if it determines that sanctions and injunctive relief would be appropriate. *See id.* at 11-13. The Plaintiffs further contend that having an arbitrator less experienced in bankruptcy law than this Court decide the Plaintiffs' claims could risk inconsistent judgments and does not promote the Constitution's mandate that Congress enact uniform bankruptcy laws. *See id.* at 18-20. Further, the Plaintiffs contend that *Hill* is not fully on-point with the facts of this case and is not binding precedent in this Circuit. *See id.* at 16-17.

In reply, the Defendant argues that under Fourth Circuit precedent in *CashCall* and *White Mountain*, the Court should not exercise its discretion to retain constitutionally core claims if it finds no inherent conflict with the Code's purposes. *See* ECF No. 20 at 1. The Defendant alleges that the Code's central purpose of "facilitating the efficient reorganization of

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[3] The Plaintiffs do not dispute the Apple Card Agreement was a valid agreement.

an estate through the centralization of disputes concerning a debtor's legal obligations," would not be hampered here because the Plaintiffs' cases have been fully administered. *See id.* at 3-4 (quoting *In re Geostellar, Inc.*, 614 B.R. 669, 674 (Bankr. N.D.W. Va. 2020) (internal quotation omitted)). The Defendant additionally contends that injunctive relief would not be meaningful in the Plaintiffs' cases and that their claims are principally about money damages.[4] *See id.* at 4.

At the June hearing, Counsel for the Defendant acknowledged that the Plaintiffs' stay violation claims were constitutionally core. Yet, it reiterated that this case was principally about damages, not injunctive relief, and that the facts of this case differed from *CashCall* and *White Mountain*, where the Fourth Circuit found inherent conflicts with the "animating purpose[s]" of the Code because arbitrating the plaintiffs' claims in those cases would affect the claims administration process and would jeopardize those plaintiffs' ability to reorganize their estates. *E.g.*, *CashCall*, 781 F.3d at 83 (Gregory, J., concurring). Counsel for the Defendant further contended that sending the claims to arbitration would not affect the Plaintiffs' fresh start or automatic stay's purpose of stopping creditor harassment. Counsel further argued that the Plaintiffs' fresh starts were not impaired since their estates had been fully administered prior to filing the

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[4] The Defendant further states that the Plaintiffs can also request and recover punitive damages in an arbitration and that the Arbitration Provision allows for an arbitrator to award declaratory and injunctive relief if it finds it appropriate. *See* ECF No 20 at 4-5.

adversary proceeding and that the cases the Plaintiffs cited as to creditor harassment did not apply here. These cases involved creditors threatening debtors or taking their physical property while the Defendant in this case sent balance notices without taking the additional step of charging off a customer's unsecured debt.

Counsel for the Plaintiffs, in turn, argued that arbitrating these agreements could result in inconsistent judgments for different plaintiffs and that the constitutional mandate that bankruptcy laws be uniformly applied outweighs the statutory presumption towards arbitration. Counsel for the Plaintiffs also reiterated the Court has the discretion to retain their constitutionally core claims under *CashCall* and *White Mountain*. Counsel further contended that discharged Chapter 7 debtors should not be treated differently than current Chapter 13 debtors since arbitrating the claims of both types of debtors would undermine the bankruptcy process's efficient administration and uniformity. In support, Counsel for the Plaintiffs cited *In re Anderson*, 884 F.3d 382 (2d Cir. 2018), in which the Second Circuit found that arbitrating a debtor's discharge violation claims would cause an inherent conflict with a bankruptcy court's ability to police violations of the discharge order because it extends forever. Counsel for the Plaintiffs asserted that this would be the same in the context of an automatic stay violation for a subsequently discharged debtor because the Court is still administering these cases, even if the automatic stay has become part of the discharge order.

JURISDICTION

This Court has jurisdiction of this matter by virtue of the provisions of 28 U.S.C. §§ 1334(a) and 157(a), the referral made to this Court by Order from the District Court on December 6, 1994, and Rule 3(a) of the Local Rules of the United States District Court for the Western District of Virginia. For the reasons stated below, this Court further concludes that this matter is a "core" bankruptcy proceeding within the meaning of 28 U.S.C. §§ 157(b)(1) and (2).[5]

CONCLUSIONS OF LAW

In *In re McPherson*, 630 B.R. 160 (Bankr. D. Md. 2021), Judge Harner succinctly described the competing interests between the FAA and the Bankruptcy Code, particularly as they pertain to efficiency and fairness. The FAA is rooted in the notion that arbitration agreements are private contracts affecting commerce, creating a strong

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[5] 28 U.S.C. § 157 is not jurisdictional, but simply allocates the statutory authority to enter final judgments between the bankruptcy court and the district court. *Stern v. Marshall*, 564 U.S. 462, 480, 131 S.Ct. 2594, 180 L.Ed.2d 475 (2011). The bankruptcy courts' constitutional powers, in turn, are governed by the scope of power conferred upon Congress under the Bankruptcy Clause of the United States Constitution, Article I, Section 8, Clause 4 ("The Congress shall have Power To . . . establish . . . uniform Laws on the subject of Bankruptcies throughout the United States. . ."), and the scope of authority allocated by and between tribunals created under Articles I and III of the United States Constitution, each as applied and interpreted by the opinions of the United States Supreme Court. Therefore, in order for a bankruptcy court to hear and determine any matter, it must have subject matter jurisdiction under 28 U.S.C. § 1334, statutory authority under 28 U.S.C. § 157, and constitutional authority. *See In re Dambowsky*, 526 B.R. 590, 595 (Bankr. M.D.N.C. 2015) (Kahn, J.).

presumption in favor of the parties' agreement to privately resolve disputes. *Id.* at 166-167. As stated in *Shearson/American Exp., Inc. v. McMahon*, 482 U.S. 220, 226, 107 S.Ct. 2332, 96 L.Ed.2d 185 (1987), the FAA "establishes a 'federal policy favoring arbitration.'" Further, agreements to arbitrate are to be rigorously enforced. *Dean Witter Reynolds, Inc. v. Byrd*, 470 U.S. 213, 221, 105 S.Ct. 1238, 84 L.Ed.2d 158 (1985). "This approach reflects the reality that, at least in contracts subject to negotiation, the arbitration clause may be a critical piece of the parties' bargain and integral to their cost-benefit analysis of the contract itself." *McPherson*, 630 B.R. at 167.

On the other hand, the Bankruptcy Code is not party or contract specific. Rather, it seeks to balance the rights of many parties with many different interests, contract and otherwise, that may affect a single debtor. Citing *CashCall* and *Celotex Corp., v. Edwards*, 514 U.S. 300, 308, 115 S.Ct. 1493, 131 L.Ed.2d 403 (1995), "Congress intended to grant comprehensive jurisdiction to bankruptcy courts so that they might deal efficiently and expeditiously with all matters connected with the bankruptcy estate." *McPherson*, at 167. The FAA and the Bankruptcy Code do not always compete, but when they do a bankruptcy court must consider their competing considerations.

McMahon sets the standard for resolving such competing interests. In *McMahon*, the Supreme Court stated that "[l]ike any statutory directive, the [FAA's] mandate may be overridden by a contrary congressional command." *McMahon*, 482 U.S. at 226, 107 S.Ct. 2332. The Fourth Circuit, considering *McMahon*, has stated that "the party seeking to

prevent enforcement of an applicable arbitration agreement must show that 'Congress has evinced an intention to preclude a waiver of judicial remedies for the statutory rights at issue.'" *CashCall*, 781 F.3d at 71 (quoting *Green Tree Fin. Corp. v. Randolph*, 531 U.S. 79, 90, 121 S.Ct. 513, 148 L.Ed.2d 373 (2000)). *CashCall* instructs lower courts to examine whether that intent can be gleaned from (1) the statute's text, (2) its legislative history, or (3) "an inherent conflict between arbitration and the statute's underlying purposes." *CashCall*, at 71, (quoting *McMahon*, 482 U.S. at 227, 107 S.Ct. 2332). Significantly, "[w]here such an intent can be deduced, the court of first impression has *discretion* to decide whether to withhold arbitration, a decision that is subject to review for abuse of that discretion." *Id.* (citations omitted). While a deeper dive into a statute's text and legislative history may be instructive, the Court in this case focuses on the third element, whether an inherent conflict exists between the FAA and the Bankruptcy Code provision at play here.

As the relevant court of first impression, a bankruptcy court, it makes a difference as to whether this Court is considering a constitutionally core claim or a constitutionally non-core claim. As the Fourth Circuit has stated, "forcing [a debtor] to arbitrate her constitutionally core claim would inherently conflict with the purposes of the Bankruptcy Code." *CashCall*, at 73.[6] Do we have a 'constitutionally core'

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[6] The Court finds persuasive Judge Gregory's concurrence in *CashCall* that "[t]he core/non-core distinction, however, is not mechanically dispositive in deciding whether a bankruptcy judge may refuse to send a claim to arbitration." *CashCall*, at 83. Here, the existence of constitutionally core claims unburdened by non-core claims makes that analysis less applicable.

claim at issue in this case? Yes, "[a] cause of action is constitutionally core when it stems from the bankruptcy itself or would necessarily be resolved in the claims allowance process . . . . If a claim is a constitutionally core proceeding, the bankruptcy court has the discretion to retain the proceeding and not enforce the terms of the parties' arbitration agreement." *McPherson*, 630 B.R. at 168 (internal citations omitted).

Bankruptcy courts have the statutory authority to resolve a claim arising from a violation of the automatic stay. Such a claim, by its very nature, "stems from the bankruptcy itself" and has no independent existence outside a bankruptcy case being filed. *Marshall*, 564 U.S. at 499, 131 S.Ct. 2594. Here, the Plaintiffs seek remedies for violations of the automatic stay and relief incidental thereto. 11 U.S.C. § 362(k)(1) provides, in pertinent part, that ". . . an individual injured by any willful violation of a stay . . . shall recover actual damages, including costs and attorneys' fees, and, in appropriate circumstances, may recover punitive damages." Resolution of the debtors' claims under this Code section is both constitutionally and statutorily based.

Budget Serv. Co. v. Better Homes, 804 F.2d 289, 291 (4th Cir. 1986), supports this conclusion. In *Budget Service Co.*, the debtor brought a claim alleging that the creditor's attempt to repossess vehicles was a violation of the automatic stay. *Id.* There, the Fourth Circuit held that a claim for violation of the automatic stay is a core proceeding under 11 U.S.C. §§ 157(b)(2)(A), (2)(E), and (2)(G) because it involves an "integral part of the federal rights created under the Bankruptcy Code" and that the bankruptcy court "clearly had the power" to hear

and issue a judgment. *Id.* at 292. These claims are constitutionally core as the logical outgrowth of the authority giving rise to the Bankruptcy Code itself, and the Court will exercise its discretion and deny the motion to compel arbitration.[7]

The Defendant relies on *Hill*, as authority for enforcing the arbitration clauses against these Plaintiffs in connection with their stay violation allegations. In *Hill*, the Second Circuit observed that "most importantly," the plaintiff's stay violation claim "would not jeopardize the important purposes that the automatic stay serves: providing debtors with a fresh start, protecting the assets of the estate, and allowing the bankruptcy court to centralize disputes concerning the estate." *Id.* at 109. *Hill* mentioned that as the plaintiff's case was a liquidating Chapter 7, there was no reorganization and any damages awarded would not be part of the estate. Not only is *Hill* at variance with Fourth Circuit precedent in *CashCall*, but its primary argument also misapprehends the reality of consumer bankruptcies in particular. The vast majority of debtors coming into the bankruptcy courts, especially consumer debtors like the ones here, have very limited resources. This Court sees it nearly every day. Centralizing the resolution of disputes before the bankruptcy court, whether the debtor is in a no-asset Chapter 7 liquidation or Chapter 13 repayment plan, enables to the debtors to preserve those limited resources, and gain the "fresh start" so often stated as the principal purpose of the Bankruptcy Code. As Justice Stevens stated in *Marrama v. Citizens Bank*

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[7] The Court also finds that the statutory core requirements of 28 U.S.C. §§ 157(b)(1) and (2) are satisfied.

of Massachusetts, 549 U.S. 365, 367, 127 S.Ct. 1105, 166 L.Ed.2d 956 (2007), "[t]he principal purpose of the Bankruptcy Code is to grant a 'fresh start' to the 'honest but unfortunate debtor.'" (citations and internal quotation marks omitted). Forcing debtors to resolve their disputes, particularly in the nature of post-filing collection actions, in multiple forums ignores a consumer debtor's financial reality and contravenes this central tenant.[8]

In addition to the constitutionally core considerations above, the Court believes maintaining the claims in this case before this Court is more consistent with the goals of the Bankruptcy Code than of the FAA. In that regard, the legislative history consideration of *CashCall* comes into play. As the Fourth Circuit observed in *Grady v. A.H. Robins Co., Inc.*, 839 F.2d 198, 200 (4th Cir. 1988), "[t]he legislative history of the Code reveals the importance of § 362 stay provision: The automatic stay is one of the fundamental debtor protections provided by the bankruptcy laws. It gives the debtor a breathing spell from his creditors. It stops all collection efforts, all harassment, and all foreclosure actions. It permits the debtor to attempt a repayment or reorganization plan, or simply to be relieved of the financial pressures that drove him into bankruptcy. House Report No. 95-595, 95th Cong. 1st Sess. 340-1 (1977); Senate Report No. 95-989, 95th Cong.2d Sess. 54-55 (1978); reprinted in 1978 U.S. Code Cong. & Adm. News 5787 at 5840 and 6296-97."

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[8] For this reason, the Court finds the arguments that a given plaintiff may have had a case fully administered, discharged, or in a post-confirmation Chapter 13 plan of little persuasion.

The well pleaded allegations of the Complaint, taken as true at this point in the proceedings, suggest a broader issue of multiple debtors being pursued for payment post-filing in violation of the automatic stay in each of their cases. Whereas in a single or few cases outside bankruptcy, an account dispute between two parties may well best be served by submitting the dispute to arbitration. But this is more than an account dispute. Larger systemic issues are alleged to be at play here, ones which implicate the foundational purposes of the Bankruptcy Code and which the Bankruptcy Code – and the specialized experiences of the bankruptcy courts – are particularly suited to address in a global manner.[9]

Moreover, as stated in *In re Grant*, 281 B.R. 721, 725 (Bankr. S.D. Ala. 2000), "[a]llowing arbitration of alleged violations of court authority would leave nonjudicial third parties to punish abuse of the judicial system." The power and authority of the judicial system and the fundamental protections afforded by Congress in the Bankruptcy Code, especially in connection with the automatic stay, would be diminished by such a delegation of power. "An arbitrator cannot be allowed to take the role of protector of the judicial process when he or she is outside the system and is an alternative to the system." *Id.* See also *In re Bauer*, No. AP 20-80012-DD, 2020 WL 3637902, at *6 (Bankr. D.S.C. June 8, 2020), where the Court stated "Congress has assigned to the bankruptcy court the duty to enforce its orders. 'To permit a party other than the bankruptcy court to make such determinations would undermine the

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[9] Whether or not a class can or should be certified is a question for another day. Fed. R. Bankr. P. 7023(a).

court's ability to enforce both its own orders and the Bankruptcy Code and would "strip the courts of their primary enforcement mechanism.'" *Little*, pg. 6 (quoting *Hooks v. Acceptance Loan Co., Inc.*, 2011 WL 2746238 (M.D. Ala. July 14, 2011))."

CONCLUSION

For all of the above reasons, the Defendant's Motion to Compel Arbitration and Stay Action will be denied. A separate order will follow.

[2025 WL 837338]

CLERK'S OFFICE
U.S. DISTRICT COURT
AT ROANOKE, VA
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MARCH 17, 2025
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Deputy Clerk

IN THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF VIRGINIA ROANOKE DIVISION

GOLDMAN SACHS BANK USA, **Appellant,**	)	
v.	)	**Case No. 7:24-cv-00490**
RHEA ANN BROWN and GREGORY KEVIN MAZE **Appellees.**	)	**Hon. Robert S. Ballou** **United States District Judge**

MEMORANDUM OPINION

Plaintiffs Rhea Ann Brown and Gregory Kevin Maze each filed for bankruptcy protection, triggering the automatic stay under 11 U.S.C. §§ 362(a)(3) and (6), which prohibits creditors from attempting to collect pre-petition debts. Despite having notice of

these bankruptcy filings, Defendant Goldman Sachs Bank USA allegedly violated the stay by continuing to send Plaintiffs communications regarding outstanding balances on their Apple Card accounts. In response, Plaintiffs initiated a consolidated adversary proceeding, asserting that Goldman Sachs' actions violated the automatic stay. Goldman Sachs, in turn, moved to compel arbitration and stay the proceedings. The Bankruptcy Court denied the motion. Goldman Sachs now appeals that decision, arguing that the Bankruptcy Court lacked discretionary authority to preclude enforcement of the arbitration provision in Plaintiffs' Apple Card Agreement. Finding that arbitrating enforcement of the automatic stay is contrary to the Bankruptcy Court's central aims, the Bankruptcy Court had discretion to deny arbitration of Plaintiffs' claims. The Bankruptcy Court order is thus **AFFIRMED**, and Goldman Sachs' appeal, Case No. 7:24-cv-490, is **DISMISSED**.

I. BACKGROUND

Brown filed for Chapter 13 bankruptcy on June 14, 2023, and submitted a Chapter 13 plan on June 27, 2023, which was confirmed on September 1, 2023, Case No. 7:23-bk-70426. On November 9, 2023, Maze filed for Chapter 7 bankruptcy and received a discharge on February 21, 2024, Case No. 7:23-bk-70735. Before their respective bankruptcies, both Plaintiffs opened Apple Card accounts with Goldman Sachs, agreeing to the terms of the Apple Card Agreement, which includes an arbitration provision requiring affirmative opt-out action by potential cardholders.

On March 12, 2024, Plaintiffs initiated this consolidated adversary proceeding, Case No. 7:24-ap-7009, alleging that Goldman Sachs violated the automatic stay under 11 U.S.C. §§ 362(a)(3) and (6) by continuing to send them notices and communications regarding balances on their Apple Card accounts despite knowledge of their bankruptcy filings. The Complaint is styled as a class action, seeking relief for similarly situated current and former bankruptcy debtors who received post-petition demands for pre-petition debts.

Goldman Sachs filed a motion to compel arbitration under Federal Rule of Civil Procedure 12(b)(3) and the Federal Arbitration Act, arguing that Plaintiffs are bound by the arbitration provision in the Apple Card Agreement and citing the general federal preference for arbitration. The Bankruptcy Court disagreed, concluding that under Fourth Circuit precedent it had discretion to retain jurisdiction over Plaintiffs' claims which were "constitutionally core" and stemmed directly from their bankruptcies. The issues on appeal are whether (1) the Bankruptcy Court had discretion to deny Goldman Sachs' motion to compel arbitration, and (2) whether the Bankruptcy Court abused that discretion.

II. STANDARD OF REVIEW

A district court "may affirm, modify, or reverse a bankruptcy judge's judgment, order, or decree or remand with instructions for further proceedings." Fed. R. Bankr. P. 8013. When reviewing a bankruptcy court's decision, "a district court functions as an appellate court and applies the standards of review in federal courts of appeal." *Patterson v.*

Mahwah Bergen Retail Grp., Inc., 636 B.R. 641, 662 (E.D. Va. 2022) (internal quotation marks and citation omitted). A district court "review[s] the bankruptcy court's legal conclusions *de novo* and its factual findings for clear error." *In re Harford Sands Inc.*, 372 F.3d 637, 639 (4th Cir. 2004)

The legal question of whether a bankruptcy court can exercise discretion in ruling on a motion to compel arbitration is reviewed *de novo*. *Midland Funding LLC v. Thomas*, 606 B.R. 687, 692 (W.D. Va. 2019). If such discretion exists, a bankruptcy court's exercise of that discretion is reviewed for abuse of discretion. *Moses v. CashCall, Inc.*, 781 F.3d 63, 71–72 (4th Cir. 2015). A bankruptcy court abuses its discretion when its "ruling is based on either an erroneous view of the law or on a clearly erroneous assessment of the evidence." *Steele v. Richland County Dep't of Social Servs.*, 25 F.3d 1041 (table), 1994 WL 200807, *2 (4th Cir. 1994). "The question is not how the reviewing court would have ruled, but rather whether a reasonable person could agree with the bankruptcy court's decision; if reasonable persons could differ as to the issue, then there is no abuse of discretion." *In re Massenburg*, 554 B.R. 769, 773 (D. Md. 2016) (quoting *In re M.J. Waterman & Assocs.*, 227 F.3d 604, 608 (6th Cir. 2000)). I find that the Bankruptcy Court had discretion to deny Goldman Sachs's motion to compel arbitration and did not abuse that discretion.

III. ANALYSIS

Federal law favors the enforcement of arbitration agreements. *See e.g. CompuCredit Corp. v. Greenwood*, 565 U.S. 95, 98 (2012). However, the preference for arbitration can be superseded

by a contrary congressional directive. *Shearson/American Exp., Inc. v. McMahon*, 482 U.S. 220, 226 (1987). "Congress intended to grant comprehensive jurisdiction to bankruptcy courts so that they might deal efficiently and expeditiously with all matters connected with the bankruptcy estates." *CashCall*, 781 F.3d at 71 (quoting *Celotex Corp. v. Edwards*, 514 U.S. 300, 308 (1995)) (internal quotation marks and citations omitted). Where "tension arises between the [Federal Arbitration Act] and another statute, the Supreme Court has provided a framework for resolving it, holding that the party seeking to prevent enforcement of an applicable arbitration agreement must show that 'Congress has evinced an intention to preclude a waiver of judicial remedies for the statutory rights at issue.'" *Id.* (quoting *Green Tree Fin. Corp. v. Randolph*, 531 U.S. 79, 90 (2000)). A court can determine such intent through the statute's text, legislative history, and any fundamental conflict between arbitration and the statute's purpose. *Id.* "Where such an intent can be deduced, the court of first impression has *discretion* to decide whether to withhold arbitration, a decision that is subject to review for abuse of that discretion." *Id.* at 71–72.

Claims before a bankruptcy court that may be subject to arbitration can be categorized as constitutionally core and or statutorily core. Constitutionally core claims include those that "stem[] from the bankruptcy itself." *Stern v. Marshall*, 564 U.S. 462, 499 (2011). A matter is statutorily core if it invokes a substantive right under federal bankruptcy law and exclusively arises within a bankruptcy context. *In re Marshall*, 600 F.3d 1037, 1067 (9th Cir. 2010), aff'd sub nom. *Stern*, 564 U.S.

462 (citing *In re Wood*, 825 F.2d 90, 97 (5th Cir. 1987)). The parties do not dispute that Plaintiffs' claims are both constitutionally and statutorily core. Rather, Goldman Sachs contests the effect this classification has on a bankruptcy court's exercise of discretion.

"The core/non-core distinction does not, however, affect whether a bankruptcy court has the discretion to deny enforcement of an arbitration agreement." *In re Mintze*, 434 F.3d 222, 229 (3d Cir. 2006) (citing *Ins. Co. of N. Am. v. NGC Settlement Trust & Asbestos Claims Mgmt. Corp. (In re Nat'l Gypsum),* 118 F.3d 1056, 1068 (5th Cir. 1997) and *In re Statewide Realty Co.*, 159 B.R. 719, 722 (Bankr. D.N.J. 1993)). For both core and non-core claims, courts examine the nature of the claim and the specific facts of the bankruptcy to determine whether enforcing arbitration would inherently conflict with the Bankruptcy Code's purposes. *See CashCall*, 781 F.3d at73–74. However, often, "[a]rbitration of constitutionally core claims "inherently conflict[s] with the purposes of the Bankruptcy Code," and therefore a bankruptcy court is generally well within its discretion to refuse arbitration of constitutionally core claims." *Allied Title Lending, LLC v. Taylor*, 420 F. Supp. 3d 436, 448 (E.D. Va. 2019) (citing *CashCall, Inc.*, 781 F.3d at 73).

Here, the Bankruptcy Court determined that the alleged violations of the automatic stay under the Bankruptcy Code are both constitutionally and statutorily core proceedings since they are "the logical outgrowth of the authority giving rise to the Bankruptcy Code itself." Dkt. 1-3 at 9. It emphasized that the stay is a key part of "[t]he principal purpose of the Bankruptcy Code . . . to grant a 'fresh start' to the 'honest but unfortunate debtor.'" *Id.* at 10 (citing

Marrama v. Citizens Bank of Massachusetts, 549 U.S. 365, 367 (2007)). The Bankruptcy Court concluded that compelling arbitration would inherently threaten its authority to enforce the Code and contradict Congress's intent to centralize bankruptcy-related disputes within bankruptcy courts. Based on these conclusions, the Bankruptcy Court exercised its discretion and denied the motion to compel arbitration. I now review *de novo* whether Plaintiffs' claims inherently conflict with the purpose of the Bankruptcy Code and thus give the Bankruptcy Court discretion to deny Goldman Sachs' motion to compel arbitration.

A core purpose of the Bankruptcy Code is to "centralize disputes over the debtor's assets and obligations in one forum [to] protect[] both debtors and creditors from piecemeal litigation and conflicting judgments. In other words, ease and centrality of administration are [ ] foundational characteristics of bankruptcy law." *Guthrie v. PHH Mortg. Corp.*, 79 F.4th 328, 338 (4th Cir. 2023), cert. denied, 144 S. Ct. 1458 (2024) (internal citations omitted). Arbitration conflicts with centralized decision-making because allowing an arbitrator to resolve a fundamental issue would render debtor-creditor rights dependent on the arbitrator's determination rather than the authoritative ruling of the bankruptcy judge overseeing the debtor's case. *In re White Mountain Mining Co., L.L.C.*, 403 F.3d 164, 169 (4th Cir. 2005) (citations and internal quotation marks omitted).

Congress has declared the automatic stay to be one of the fundamental protections offered under the Bankruptcy Code. H.R. Rep. 95-595, at § 362 (Sept. 8, 1977). The initiation of a bankruptcy case triggers

an automatic stay by operation of law, without the need for formal notice or service. 11 U.S.C. § 362(a). The stay serves multiple functions including shielding debtors from additional collection efforts by their creditors. H. R. Rep. 95-595, at § 362 (Sept. 8, 1977); 11 U.S.C. § 362(a)(6). Some courts have found such efforts can include the mailing of billing statements and collection letters. *See e.g. In re Harris*, 374 B.R. 611 (Bankr. N.D. Ohio 2007); *In re Chavis*, 213 B.R. 462, 31 Bankr. Ct. Dec. (CRR) 714 (Bankr. E.D.N.C. 1997). Here, arbitrating Plaintiffs' claims would inherently conflict with the Bankruptcy Code's objectives, as it could undermine the Bankruptcy Court's authority (1) to enforce the automatic stay to protect debtors and creditors' rights and (2) to provide a single centralized forum for resolving disputes related to the Plaintiffs' bankruptcy proceedings. The Bankruptcy Court thus had discretion to deny Goldman Sachs' motion to compel arbitration.

A court abuses its discretion where its "conclusions are based on mistaken legal principles or clearly erroneous factual findings." *Parkway 1046, LLC v. U.S. Home Corp.*, 961 F.3d 301, 311 (4th Cir. 2020). On appeal, Goldman Sachs' primary objection was that the Bankruptcy Court's determination that it possessed discretion to deny the motion to compel arbitration. But the Bankruptcy Court reviewed the central purposes of the Code and highlighted reasons why arbitrating Plaintiffs claims would inherently conflict with those goals. Moreover, Goldman Sachs failed to demonstrate that the Bankruptcy Court's holding was guided by any clearly erroneous factual finding. I conclude that the Bankruptcy Court did not

abuse its discretion in denying Goldman Sachs's request to refer Plaintiffs' claims to arbitration.

IV. CONCLUSION

The Bankruptcy Court's order denying the motion to compel arbitration is **AFFIRMED** and Goldman Sachs' appeal is **DISMISSED**. An appropriate order shall issue in each civil action.

Entered: March 17, 2025

Robert S. Ballou

Robert S. Ballou

United States District Judge

9 U.S.C. § 2

§ 2. Validity, irrevocability, and enforcement of agreements to arbitrate

A written provision in any maritime transaction or a contract evidencing a transaction involving commerce to settle by arbitration a controversy thereafter arising out of such contract or transaction, or the refusal to perform the whole or any part thereof, or an agreement in writing to submit to arbitration an existing controversy arising out of such a contract, transaction, or refusal, shall be valid, irrevocable, and enforceable, save upon such grounds as exist at law or in equity for the revocation of any contract or as otherwise provided in chapter 4.

11 U.S.C. § 362

§ 362. Automatic stay

(a) Except as provided in subsection (b) of this section, a petition filed under section 301, 302, or 303 of this title, or an application filed under section 5(a)(3) of the Securities Investor Protection Act of 1970, operates as a stay, applicable to all entities, of—

(1) the commencement or continuation, including the issuance or employment of process, of a judicial, administrative, or other action or proceeding against the debtor that was or could have been commenced before the commencement of the case under this title, or to recover a claim against the debtor that arose before the commencement of the case under this title;

(2) the enforcement, against the debtor or against property of the estate, of a judgment obtained before the commencement of the case under this title;

(3) any act to obtain possession of property of the estate or of property from the estate or to exercise control over property of the estate;

(4) any act to create, perfect, or enforce any lien against property of the estate;

(5) any act to create, perfect, or enforce against property of the debtor any lien to the extent that such lien secures a claim that arose before the commencement of the case under this title;

(6) any act to collect, assess, or recover a claim against the debtor that arose before the commencement of the case under this title;

(7) the setoff of any debt owing to the debtor that arose before the commencement of the case

under this title against any claim against the debtor; and

(8) the commencement or continuation of a proceeding before the United States Tax Court concerning a tax liability of a debtor that is a corporation for a taxable period the bankruptcy court may determine or concerning the tax liability of a debtor who is an individual for a taxable period ending before the date of the order for relief under this title.

* * *

(k)(1) Except as provided in paragraph (2), an individual injured by any willful violation of a stay provided by this section shall recover actual damages, including costs and attorneys' fees, and, in appropriate circumstances, may recover punitive damages.

(2) If such violation is based on an action taken by an entity in the good faith belief that subsection (h) applies to the debtor, the recovery under paragraph (1) of this subsection against such entity shall be limited to actual damages.

* * *

28 U.S.C. § 1334

§ 1334. Bankruptcy cases and proceedings

(a) Except as provided in subsection (b) of this section, the district courts shall have original and exclusive jurisdiction of all cases under title 11.

(b) Except as provided in subsection (e)(2), and notwithstanding any Act of Congress that confers exclusive jurisdiction on a court or courts other than the district courts, the district courts shall have original but not exclusive jurisdiction of all civil proceedings arising under title 11, or arising in or related to cases under title 11.

(c)(1) Except with respect to a case under chapter 15 of title 11, nothing in this section prevents a district court in the interest of justice, or in the interest of comity with State courts or respect for State law, from abstaining from hearing a particular proceeding arising under title 11 or arising in or related to a case under title 11.

(2) Upon timely motion of a party in a proceeding based upon a State law claim or State law cause of action, related to a case under title 11 but not arising under title 11 or arising in a case under title 11, with respect to which an action could not have been commenced in a court of the United States absent jurisdiction under this section, the district court shall abstain from hearing such proceeding if an action is commenced, and can be timely adjudicated, in a State forum of appropriate jurisdiction.

(d) Any decision to abstain or not to abstain made under subsection (c) (other than a decision not to abstain in a proceeding described in subsection (c)(2)) is not reviewable by appeal or otherwise by the court of appeals under section 158(d), 1291, or 1292 of this

title or by the Supreme Court of the United States under section 1254 of this title. Subsection (c) and this subsection shall not be construed to limit the applicability of the stay provided for by section 362 of title 11, United States Code, as such section applies to an action affecting the property of the estate in bankruptcy.

(e) The district court in which a case under title 11 is commenced or is pending shall have exclusive jurisdiction—

(1) of all the property, wherever located, of the debtor as of the commencement of such case, and of property of the estate; and

(2) over all claims or causes of action that involve construction of section 327 of title 11, United States Code, or rules relating to disclosure requirements under section 327.