

Dated: March 23, 2023
The following is ORDERED:



Denise E. Barnett
UNITED STATES BANKRUPTCY JUDGE

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF TENNESSEE
WESTERN DIVISION

In re
Stephen Graham Hill,
Debtor.

Case No. 12-24163
Chapter 7

Stephen Graham Hill

Plaintiff,

Adv. Proc. No. 22-00118

v.
Escapes! To the Shores Condominium Association, Inc.
Defendant.

OPINION AND ORDER DENYING
MOTION TO DISMISS COMPLAINT

This proceeding came before the Court on December 20, 2022, on Escapes! To the Shores Condominium Association, Inc.'s ("Escapes" or "Defendant") Motion to Dismiss

Complaint.¹ On October 24, 2022, Stephen Graham Hill (“Hill” or “Plaintiff”) filed a Complaint to determine whether a claim for damages that arose from defects from a construction project was discharged as a part of his Chapter 7 case. Escapes moved to dismiss the Complaint under the *Rooker-Feldman* and collateral estoppel doctrines. At the conclusion of the hearing, the Court instructed the parties to submit post-hearing memoranda addressing the issues raised in the motion to dismiss and response. Upon review of the record, pleadings, supplemental filings, and consideration of the arguments made at the hearing, the Court denies Escapes’ Motion to Dismiss the Complaint for reasons discussed below.

PROCEDURAL AND FACTUAL BACKGROUND²

On April 20, 2012, Hill filed his Chapter 7 petition, and was granted discharge on July 30, 2013.³

On September 22, 2017, Escapes filed suit against Hill in Baldwin County Circuit Court, Alabama (“Alabama Court”).⁴

On March 4, 2022, Hill filed a *Suggestion of Bankruptcy*⁵ in Alabama Court, stating, “[Hill] represents to this Court that he filed a voluntary bankruptcy petition for Chapter 7 bankruptcy relief with the United States Bankruptcy Court for the Western District of Tennessee

¹ Adv. Proc. ECF No. 5.

² This Court has subject-matter jurisdiction pursuant to 28 U.S.C. § 1334(b). Venue is proper in this District. 28 U.S.C. §§ 1408 and 1409. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A).

³ ECF Nos. 1 and 36.

⁴ Def.’s Mot. to Dismiss at ¶ 4.

⁵ “The purpose of a ‘Suggestion of Bankruptcy’ is to provide actual notice to the trial court and other parties when a party files bankruptcy. While neither the Bankruptcy Code nor the Bankruptcy Rules require this, it is a good practice to file a Suggestion of Bankruptcy in every pending civil action to which a debtor is a party.” *See Barnes v. Sawyer*, (In re Barnes), 326 B.R. 832, 834 n.2 (Bankr. M.D. Ala. 2005)

at Memphis and was assigned case number 12-24163-PJD on April 20, 2012. The bankruptcy was concluded on July 30, 2013, and the debtor was discharged.”⁶ The *Suggestion of Bankruptcy* was docketed as a “motion to stay.”⁷

On March 7, 2022, Escapes filed an *Opposition and Objection to the Notice* in Alabama Court contending that the claim arose in 2017, after Hill had obtained his discharge.⁸ On March 8, 2022, the Alabama Court issued an order denying Hill’s “motion to stay.”⁹

On August 26, 2022, Debtor moved to reopen the Chapter 7 case.¹⁰ This Court held a hearing on the motion on September 28, 2022, and granted Debtor’s motion to reopen the Chapter 7 case on October 4, 2022.¹¹

On October 24, 2022, Hill filed a Complaint to determine whether Escapes’ claim was discharged in the 2012 Chapter 7 case.¹²

On November 25, 2022, Escapes filed a *Motion to Dismiss Complaint*. Escapes contends that the Complaint is barred by the *Rooker-Feldman* doctrine and the doctrine of collateral estoppel.¹³

On December 20, 2022, the Court held a hearing on the *Motion to Dismiss Complaint* and

⁶ Def.’s Mot. to Dismiss, Ex. 1.

⁷ *Id.*

⁸ Def.’s Mot. to Dismiss, Ex. 2.

⁹ Def.’s Mot. to Dismiss, Ex. 3.

¹⁰ ECF No. 40.

¹¹ ECF No. 54.

¹² Adv. Proc. ECF No. 1.

¹³ Adv. Proc. ECF No. 5.

took the matter under advisement. On January 16, 2023, the Parties submitted supplemental briefs and memoranda (with supplemental filings attached).¹⁴

DISCUSSION

The Rooker-Feldman Doctrine

The *Rooker-Feldman* doctrine bars federal courts from engaging in appellate review of a state court's decision.¹⁵ The doctrine "does not prohibit all federal cases that are somehow related to a prior state court decision."¹⁶ Rather, the *Rooker-Feldman* doctrine is confined to cases in which the losing party in the state court is seeking relief from a state-court judgment and is seeking review or rejection of that judgment.¹⁷ Analogous to the present case, in *Hamilton*, the Sixth Circuit held that the bankruptcy court may review a state court's decision if it concerned the interpretation of a discharge order.¹⁸ The debtor in *Hamilton* filed a complaint in bankruptcy court to enjoin a creditor from trying to collect on debt the debtor believed to have been discharged.¹⁹ The creditor invoked the *Rooker-Feldman* doctrine, and requested that the bankruptcy court abstain for determining whether the debt was discharged.²⁰ The bankruptcy

¹⁴ ECF No. 57 and Adv. Proc. ECF No. 11.

¹⁵ See *Rooker v. Fidelity Trust Co.*, 263 U.S. 413 (1923); and *District of Columbia Court of Appeals v. Feldman*, 460 U.S. 462 (1983) —The two cases creating the *Rooker-Feldman* doctrine.

¹⁶ *In re Hamilton*, 540 F.3d 367, 371-72 (6th Cir. 2008) (holding that "a state-court judgment that modifies a discharge in bankruptcy is void ab initio and the *Rooker-Feldman* doctrine would not bar federal-court jurisdiction over the Debtor's complaint.").

¹⁷ See *Exxon Mobil Corp. v. Saudi Basic Industries Corp.*, 544 U.S. 280, 284 (2005) (citing *McClellan v. Carland*, 217 U.S. 268, 284-92 (1910)) (discussing the applicability of the *Rooker-Feldman* doctrine).

¹⁸ *In re Hamilton*, 540 F.3d at 375-76.

¹⁹ *Id.* at 369.

²⁰ *Id.* at 370.

court dismissed the debtor’s complaint under its application of the *Rooker-Feldman* doctrine.²¹ On appeal, the district court reversed the bankruptcy court’s ruling, and the creditor appealed the district court’s ruling. The Sixth Circuit ultimately directed that the proceeding should be returned to the bankruptcy court for a determination of whether the debt was discharged.²² In *Hamilton*, the Sixth Circuit explained that the *Rooker–Feldman* doctrine does not apply in “areas where Congress has explicitly endowed federal courts with jurisdiction[,]” and whether a debt is discharged is one of those areas.²³ Accordingly, the determination of whether a debt is discharged is an exception to the *Rooker-Feldman* doctrine which allows bankruptcy courts to determine whether a state court correctly interpreted a prior discharge order.²⁴

The *Rooker-Feldman* doctrine does not support dismissal of Hill’s complaint for two reasons. First, Hill is not asking this Court to review a state court judgment from which his injuries arise. In his Complaint, Hill asks this Court to determine whether Escapes’ claim against him was discharged in his 2012 Chapter 7 case. In other words, was Escapes’ claim against Hill appropriately discharged when Hill obtained his Chapter 7 discharge. Escapes contends that *Rooker-Feldman* bars Hill’s Complaint before this Court because the Alabama Court ruled that its claim against Hill arose post-discharge and was not a part of Hill’s Chapter 7 case.²⁵ Hill explains that he “filed his one paragraph *Suggestion of Bankruptcy* on March 4, 2022, but did not

²¹ *Id.*

²² *Id.*

²³ *Id.* at 372-76.

²⁴ *Id.* at 372-76.

²⁵ Def.’s Mot. to Dismiss at ¶ 22.

file a supporting brief and was not asked to submit any legal argument to the Alabama Court.”²⁶ The Alabama Court order purportedly denied the “suggestion of bankruptcy” that was docketed as a motion to stay. The order provides no information that would allow this Court to conclude that the Alabama Court rendered a judgment addressing the main issue in Hill’s Complaint or on the merits of whether Escapes’ claim was appropriately discharged in the 2012 Chapter 7 case. The record created in the Alabama Court regarding main issue in Hill’s Complaint is sparse, consisting of a single sentence order, with no statement of the issue before the state court, findings of facts, or conclusions of law. As such, the Court finds that Debtor’s Complaint is not precluded by the *Rooker-Feldman* doctrine.

Second, under *Hamilton*, the *Rooker-Feldman* doctrine does not support dismissal of Hill’s complaint. Hill argues that this Court has concurrent jurisdiction under 28 U.S.C. § 1334(b)²⁷ to determine whether a debt was discharged in bankruptcy, and “an erroneous determination by a state court that a debt was not discharged in bankruptcy can have no preclusive effect under *Rooker-Feldman*.”²⁸ In Hill’s Complaint, this Court is presented with the issue of whether Escapes’ claim was discharged in his 2012 Chapter 7 case. In its post-hearing memorandum, Escapes explained that *Hamilton* is distinguishable. The Court is not persuaded. Accordingly, consistent with the Sixth Circuit ruling in *Hamilton*, this Court concludes that the *Rooker-Feldman* doctrine does not bar Hill’s Complaint.

²⁶ Pl’s Supp. Br. at ¶ 14.

²⁷ Section 1334(b) of Title 28 reads: “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.”

²⁸ Pl’s Supp. Br. at ¶ 11 (citing *Hamilton*, 540 F.3d at 376).

The Doctrine of Collateral Estoppel

Escapes alternatively argues that the doctrine of collateral estoppel bars this Court's review of Hill's Complaint. Collateral Estoppel "precludes [relitigating] of issues of fact or law actually litigated and decided in a prior action between the same parties and necessary to the judgment, even if decided as part of a different claim or cause of action."²⁹ To determine if a state court judgment has a preclusive effect, federal courts turn to the law of the state in which the judgment was entered.³⁰ Under Alabama law, (1) the issue before the court must be identical to the issue involved in previous suit; (2) the issue was actually litigated in prior action; and (3) resolution of the issue was necessary to the prior judgment.³¹ The party seeking to use collateral estoppel must show by a preponderance of the evidence that all of the elements of the doctrine of collateral estoppel are present.³² "Any reasonable doubt as to the preclusive effect of the state court judgments must be resolved against the party seeking issue preclusion."³³

Escapes argues that the Alabama Court determined that its claim arose post-discharge, in 2017, based on Escapes' response to Hill's *Suggestion of Bankruptcy* because the Alabama Court denied the "motion to stay." Escapes states that "Alabama case law demonstrates that Orders relate to and arise from the motions, responses, replies and exhibits on record that resulted in the

²⁹ *In re Markowitz*, 190 F.3d 455, 461 (6th Cir. 1999) (outlining the elements of collateral estoppel when evaluating a state court judgment).

³⁰ *Id.* ("Collateral estoppel will apply where (1) the law of collateral estoppel in the state in which the issue was litigated would preclude relitigation of such issue, and (2) the issue was fully and fairly litigated in state court.").

³¹ *Gray v. Gray (In re Gray)*, 322 B.R. 682, 689 (Bankr. N.D. Ala. 2005) (*quoting Wheeler v. First Ala. Bank of Birmingham*, 364 So.2d 1190, 1199 (Ala. 1978)) (outlining and discussing the elements of collateral estoppel under Alabama law).

³² *Id.*

³³ *Id.*

ruling.”³⁴ As such, Escapes argues that “[a]llowing the adversary complaint to continue would effectively void and reverse the Alabama trial court’s determination that the defects at issue were not discovered until after January 16, 2017.”³⁵

The primary issue in Hill’s Complaint is whether Escapes’ claim against him was discharged in his 2012 Chapter 7 case. This issue was not presented to the Alabama Court. It appears that Escapes interpreted Hill’s *Suggestion of Bankruptcy* as a motion to stay (based on how it was docketed). Hill did not file a motion to stay—he filed a *Suggestion of Bankruptcy*, which merely serves as a notice to state courts. Hill did not file any further documents with the Alabama Court. Nothing in record shows that the Alabama Court conducted any hearings or trials on the issue currently before this Court. The Alabama Court order from March 8, 2022, states, in its entirety: “MOTION TO STAY filed by STEPHEN G. HILL, ARCHITECT, is hereby DENIED.”³⁶

This Court simply cannot conclude that the requirements of collateral estoppel are satisfied because the primary issue in Hill’s Complaint was not actually litigated before the Alabama Court. Therefore, Hill’s Complaint is not barred under the collateral estoppel doctrine.

CONCLUSION AND ORDER

The Court concludes that the *Rooker-Feldman* and collateral estoppel doctrines are inapplicable to the case at bar.³⁷ Accordingly, it is **ORDERED**:

³⁴ Def.’s Supp. Br at ¶ 8.

³⁵ Def.’s Supp. Br. at ¶ 13.

³⁶ Def.’s Mot. to Dismiss, Ex. 3.

³⁷ This Court’s ruling denying Escapes’ *Motion to Dismiss* does not address the underlying issues and merits of the proceeding, but simply allows this proceeding to move forward.

1. Defendant's *Motion to Dismiss Complaint* is denied.
2. Plaintiff may proceed in this adversary proceeding to determine whether his obligation to Defendant was discharged in his 2012 Chapter 7 case.
3. Defendant shall have twenty-eight (28) days from the entry of this Order to file an Answer to Hill's Complaint.

cc: Stephen Graham Hill, Plaintiff and Debtor
Escapes! To the Shores Condominium Association, Inc., Defendant