

Can Selfish Be Substantial? The Role of Motivation in Substantial Contribution Claim Standards

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In the August 2012 decision in the Tropicana case, the U.S. Court of Appeals for the Third Circuit upheld the U.S. Bankruptcy Court for the District of Delaware's denial of a creditor group's \$2.3 million "substantial contribution" claim for expenses incurred while attempting to impose governance changes after alleged mismanagement led to the company's bankruptcy. The decision is nonprecedential, but in upholding a bankruptcy court ruling based largely on the motives underlying the creditor actions at issue, it nonetheless offers a further gloss on the demanding standard applied to substantial contribution claims in the Third Circuit and underscores why a creditor's selfish motives are almost always fatal to its substantial contribution claim under that standard.

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