

HR 4777

Nondebtor Release Prohibition Act of 2021

Congress: 117 (2021–2023, Ended)

Chamber: House

Policy Area: Finance and Financial Sector

Introduced: Jul 28, 2021

Current Status: Ordered to be Reported (Amended) by the Yeas and Nays: 23 - 17.

Latest Action: Ordered to be Reported (Amended) by the Yeas and Nays: 23 - 17. (Nov 3, 2021)

Official Text: <https://www.congress.gov/bill/117th-congress/house-bill/4777>

Sponsor

Name: Rep. Nadler, Jerrold [D-NY-10]

Party: Democratic • **State:** NY • **Chamber:** House

Cosponsors (6 total)

Cosponsor	Party / State	Role	Date Joined
Rep. Cicilline, David N. [D-RI-1]	D · RI		Jul 28, 2021
Rep. Maloney, Carolyn B. [D-NY-12]	D · NY		Jul 28, 2021
Rep. DeFazio, Peter A. [D-OR-4]	D · OR		Oct 26, 2021
Rep. Porter, Katie [D-CA-45]	D · CA		Oct 27, 2021
Rep. DeSaulnier, Mark [D-CA-11]	D · CA		Nov 15, 2021
Rep. Krishnamoorthi, Raja [D-IL-8]	D · IL		Nov 15, 2021

Committee Activity

Committee	Chamber	Activity	Date
Judiciary Committee	House	Markup By	Nov 3, 2021

Subjects & Policy Tags

Policy Area:

Finance and Financial Sector

Related Bills

Bill	Relationship	Last Action
117 S 2497	Identical bill	Jul 28, 2021: Read twice and referred to the Committee on the Judiciary.

Nondebtor Release Prohibition Act of 2021

This bill addresses the release by bankruptcy courts of creditor or other third-party claims against non-debtors. Complex bankruptcies may involve third-party claims against non-debtors associated with the debtor, such as the debtor's officers, directors, or employees. Currently, in carrying out a bankruptcy plan, bankruptcy courts may release non-debtors from liability (there is a split in the judicial circuits regarding this practice).

The bill generally prohibits a bankruptcy court from (1) releasing or modifying a non-debtor's liability through the approval of a bankruptcy plan or through an order, or (2) enjoining a judicial proceeding or other act to collect or otherwise enforce such a claim or cause of action against a non-debtor. However, the bill provides for the release of such liability if express consent is given by the third party.

The bill also generally limits an order or decree to temporarily enjoin a proceeding against a non-debtor to 90 days.

Additionally, the bill gives appellate jurisdiction to the appropriate U.S. court of appeals regarding an order or decree to temporarily enjoin or stay a proceeding against a non-debtor in a Chapter 11 reorganization bankruptcy case. Currently, U.S. district courts have appellate jurisdiction for these matters.

Upon request of an interested party, and after notice and a hearing, the court shall dismiss a Chapter 11 reorganization bankruptcy case if the debtor was involved in certain restructuring activity that (1) had the intent or foreseeable effect of separating a debtor's assets from a debtor's liabilities and the debtor assuming or retaining such liabilities, and (2) occurred in the 10-year period prior to the filing of the bankruptcy petition.

Actions Timeline

- **Nov 3, 2021:** Committee Consideration and Mark-up Session Held.
- **Nov 3, 2021:** Ordered to be Reported (Amended) by the Yeas and Nays: 23 - 17.
- **Jul 28, 2021:** Introduced in House
- **Jul 28, 2021:** Referred to the House Committee on the Judiciary.