

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF ILLINOIS

IN RE:) In Proceedings
) Under Chapter 7
RALPH H. EDWARDS,)
) No. BK 85-30508
Debtor.)

ST. PIERRE OIL COMPANY,)
J.E. ST. PIERRE, SR. and)
VIRGINIA ST. PIERRE,)
)
Plaintiffs,)
)
v.) ADVERSARY NO.
) 87-0121
RALPH H. EDWARDS and)
H. CARROLL BAYLER,)
)
Defendants)

DON HOAGLAND, Trustee,)
Plaintiff,)
)
v.) ADVERSARY NO.
) 87-0157
RALPH H. EDWARDS,)
)
Defendant.)

MEMORANDUM AND ORDER

This matter is before the Court on the motions for summary judgment filed by the Trustee and St. Pierre Oil Company ("St. Pierre"). A brief history of the proceedings in this case is necessary before addressing the merits of these motions.

On June 25, 1984 St. Pierre filed a Complaint to Quiet Title in state court. Ralph Edwards, debtor, was named as a defendant in an amended complaint filed November 29, 1984. In the state court proceedings, St. Pierre sought to quiet title to certain oil and gas leases. Mr. Edwards subsequently filed a Chapter 7 bankruptcy

petition in this Court. On September 19, 1986 the Trustee filed a Motion for Leave to Compromise Cause of Action, seeking approval to compromise the dispute between debtor and St. Pierre by accepting the sum of \$7,500.00 from St. Pierre in full settlement of the state court litigation. The compromise provided that in return for the \$7500.00 payment, debtor would agree not to assert any claim for any interest he might have in the leases. This Court approved the compromise over debtor's objection, and on appeal, the District Court affirmed. On June 9, 1987 the attorney for St. Pierre requested that the Trustee be substituted for the debtor as a party of record in state court. The purpose of the proposed substitution was to allow the Trustee to execute those stipulations and settlement documents necessary for effectuating the compromise approved by the Bankruptcy Court. The debtor objected to the attempted substitution of the Trustee. The Trustee and St. Pierre then sought a continuance of the state court proceedings in order to seek an injunction against the debtor to prevent him and his attorney from interfering with the Trustee's completion of the settlement. The state court granted the continuance so that the dispute could be settled by the Bankruptcy Court. The Trustee and St. Pierre then filed separate petitions for injunction and sanctions in this Court. After the cases were consolidated, the Trustee and St. Pierre filed the motions for summary judgment that are now before this Court.

The primary issue before this Court is whether the Trustee has the authority to implement the compromise approved by this Court by becoming a party in the state court proceedings. The Court finds that

the Trustee does have such authority and that the motions for summary judgment should therefore be granted.

In response to the motion to substitute and to the Petitions for injunction, debtor raises the following arguments: 1) the Trustee and St. Pierre are somehow attempting to amend their complaint in state court or broaden the terms of the compromise approved by this Court; 2) the state court no longer has jurisdiction of this matter; 3) the order of this Court approving the compromise "terminated the litigation" and under the doctrine of res judicata, the matter cannot now be relitigated in state court; and 4) the compromise was "consummated" in Bankruptcy Court and further proceedings in state court are therefore unnecessary. The Court finds that the first three contentions raised by debtor are incorrect and are not supported by the facts in this case. Debtor's position that further proceedings in state court are unnecessary is, however, correct. It appears that St. Pierre need only dismiss the case against debtor in state court in order to terminate the litigation. The Trustee nevertheless has the authority to return to state court, if he so chooses, to "effectuate" the compromise previously approved by this Court.

Section 541(a)(1) of the Bankruptcy Code provides that property of the estate includes "all legal or equitable interests of the debtor...as of the commencement of the case." 11 U.S.C. §541(a)(1). Furthermore, under section 704, the Trustee has a duty to "collect and reduce to money the property of the estate..." 11 U.S.C. §704(1). Additionally, the Illinois Code of Civil Procedure provides that if bankruptcy causes a "transmission of interest," the proper parties may

be substituted by motion. Ill.Rev.Stat. ch. 110, ¶2-1008(a). As noted above, the Trustee in the present case wishes to be substituted as a party in state court merely to execute those documents necessary for effectuating the compromise approved by this Court. (The Court notes that its order approving the compromise specifically provided that the Trustee be "authorized to execute any documents necessary to effect such compromise.") While the Court does not believe that it is necessary for the Trustee to return to state court, he certainly may do so under the authority cited above.

The Trustee and St. Pierre have requested costs and attorney's fees, as well as punitive damages under 11 U.S.C. §362(h) for attempting to exercise control over property of the estate. The Court does not believe that an award of punitive damages is justified in this case. Nor does the Court believe that sanctions are warranted under Bankruptcy Rule 9011 (which adopts Rule 11 of the Federal Rules of Civil Procedure). While some of debtor's arguments are simply incorrect, debtor's position with regard to the necessity of substituting the Trustee in state court is well taken. In short, the Court does not believe that debtor's contentions are "frivolous" within the meaning of Rule 11, nor does the Court believe that debtor has raised these arguments "to harass, to cause delay, or to increase the cost of litigation." Bankruptcy Rule 9011. The request for punitive damages and sanctions is therefore denied.

Accordingly, IT IS ORDERED that the motions for summary judgment filed by the Trustee and St. Pierre are GRANTED.

IT IS FURTHER ORDERED that debtor and his attorney are enjoined

from appearing in the Circuit Court of Jasper County, Illinois in the cause entitled St. Pierre Oil Company, et al, v. Ralph Edwards, et al, No. 84-CH-23 for the purpose of interposing any objections, impediments or delays to the implementation of the compromise previously approved by this Court.

IT IS FURTHER ORDERED that the requests for sanctions filed by the Trustee and St. Pierre are DENIED.

/s/ Kenneth J. Meyers
U.S. BANKRUPTCY JUDGE

ENTERED: October 29, 1987