

The Supreme Court Update - February 23, 2022

by Brock Huebner

Today, the Supreme Court of the United States issued three decisions:

Bartenwerfer v. Buckley, No. 21-908: This case analyzed the U.S. Bankruptcy Code's prohibition of the discharge of debts that were incurred through fraud. Kate Bartenwerfer and her husband, David, sold their home to Kieran Buckley. After Buckley discovered defects in the property that were not disclosed prior to the sale, he sued the Bartenwerfers and received a \$200,000 judgment. The Bartenwerfers filed for Chapter 7 bankruptcy, but Buckley argued the \$200,000 judgment was non-dischargeable as the product of fraud under 11 U.S.C. §523(a)(2)(A). Kate argued that her husband was solely responsible for the fraud, and her lack of culpability should allow her to discharge her debt to Buckley. In a 9-0 decision authored by Justice Barrett, the Court held that debtors are precluded from discharging debts obtained through fraud regardless of their own culpability. In reaching this conclusion, the Court relied on the text of Section 523(a)(2)(A) and neighboring provisions, the legal context of common law fraud, and Congress's amendment to the relevant Bankruptcy Act section after the Court held the fraud of one partner can be imputed to other partners.

View the Court's [decision](#).

Helix Energy Solutions Group, Inc. v. Hewitt, No. 21-984: This case addressed the regulations and rules governing when highly paid employees may qualify for overtime pay under the Fair Labor Standards Act (FLSA). Michael Hewitt worked for Helix on an offshore oil rig, routinely working more than 80 hours a week. Mr. Hewitt was paid on a daily-rate basis and earned more than \$200,000 annually. Helix argued Mr. Hewitt was exempt from overtime pay as a "bona fide executive" under the Department of Labor's rules interpreting the FLSA. In a 6-3 decision authored by Justice Kagan, the Court held that Mr. Hewitt was not exempted from the FLSA's overtime pay guarantee because he was not paid on a "salary basis." The Court concluded that the text and structure of 29 CFR §§ 541.602(a), 541.604(b) excluded daily-rate workers like Mr. Hewitt, regardless of his total annual earnings. Justice Gorsuch and Justice Kavanaugh each filed dissenting

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Cruz v. Arizona, 21-846: This is a complex death penalty case. The petitioner, John Cruz, was sentenced to death after he was found guilty of murder by an Arizona jury. The Arizona courts rejected Cruz's arguments that under a 1994 Supreme Court decision, *Simmons v. South Carolina*, he should have been allowed to inform the jury that a life sentence would be without parole. But after the conviction became final, the Supreme Court decided *Lynch v. Arizona* in which it instructed Arizona courts to apply *Simmons*. Cruz then tried to re-raise the *Simmons* issue in a state post-conviction petition under an Arizona procedural rule, which permits a defendant to bring a successive petition in certain situations, but the Arizona courts denied relief. In a 5-4 decision authored by Justice Sotomayor, the Court vacated and remanded. The issue was whether the Arizona court's interpretation of the procedural rule was an "independent" and "adequate" state-law ground for refusing to recognize Cruz's federal right. The Court held it was not "adequate" because the Arizona court's judgment was a "novel and unforeseeable" procedural decision "lacking fair or substantial support in prior state law." Justice Barrett wrote a dissent, joined by Justices Thomas, Alito, and Gorsuch, explaining that "[c]ases of inadequacy are extremely rare, and this is not one."

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