

Bankruptcy Court Limits Federal Maritime Jurisdiction Over Shipping Act Violations



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On February 10, 2012, Judge Sean H. Lane of the U.S. Bankruptcy Court for the Southern District of New York issued a ruling in a Chapter 15 bankruptcy proceeding where The Containership Company (TCC) is the debtor. Numerous shippers in the proceeding requested that the Bankruptcy Court defer to the Federal Maritime Commission with respect to the shippers' claims that TCC violated the Shipping Act of 1984. The Bankruptcy Court determined that the shippers' claims were little different from ordinary breach of contract defense claims and that the FMC did not have exclusive or paramount jurisdiction over such claims. In addition, the Bankruptcy Court determined that the automatic stay prevented the shippers from continuing their FMC actions against TCC. The ruling could have the effect of making bankruptcy a more popular option for ocean shipping companies.

1 Min Read

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