

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

In re:)	Chapter 11
)	
TWA INC. POST CONFIRMATION)	Case No. 01-00056 (PJW)
ESTATE,)	(Jointly Administered)
)	
Debtor.)	
)	

MEMORANDUM OPINION

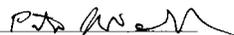
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Dated: September 21, 2007

WALSH, J. 

This opinion is with respect to the motion of Salvatore DiGioia ("DiGioia") to compel American Airlines, Inc. ("American") to pay workers' compensation benefits (Doc. # 5847). American objects (Doc. # 5854) to the Court's subject matter jurisdiction to determine the specific amount of the compensation. For the reasons stated below, the Court will overrule the objection.

BACKGROUND

On February of 1986, DiGioia, an employee of Trans World Airlines, Inc. ("TWA"), was injured while on the job. (Doc. # 5847, p. 1). The New York Workers' Compensation Board classified his injury as permanent total disability. (Doc. # 5847, ex. A). Consequently, DiGioia regularly received workers' compensation benefit payments from TWA until March 26, 2001. (Doc. # 5847, p. 1-2).

TWA's obligation to pay DiGioia workers' compensation originated from its 1983 collective bargaining agreement ("CBA") with the Independent Federation of Flight Attendants. (Doc. # 5847, p. 1). Under Article 20(D)(2) of the CBA, the amount of the benefit payments is calculated "in accordance with either the Workmen's Compensation laws in the state of New York or of the Federal Longshoremen's and Harbor Workers' Act ("Longshoremen's Act"), whichever Act provides the higher benefits." (Doc. # 5847, ex. B). In DiGioia's case, the Longshoremen's Act was the

applicable law for calculating his monthly payments. (Doc. # 5847, ex. D). TWA duly made the payments every month until the last received payment on March 26, 2001. The last payment was for \$1,812.40, covering the period from March 1, 2001 through March 31, 2001. (Doc. # 5847, ex. D).

The March 26, 2001 benefit payment was not only the last payment DiGioia received from TWA, but it was also the last benefit payment TWA was obligated to pay. On January 10, 2001, TWA filed petitions for relief under chapter 11 of title 11 of the Bankruptcy Code, 11 U.S.C. §§ 101 et seq. On March 12, 2001, this Court approved an Asset Purchase Agreement ("APA") between TWA and American that effected a sale of substantially all of TWA's assets to American. (Doc. # 5847, p. 2). In relevant part, the APA states that American will assume "all worker's compensation obligations for all employees of TWA and the other Sellers as of the Closing Date calculated in accordance with the methods, principles, practices and policies employed in the preparation and presentation of the September Balance Sheet and with general accepted accounting principles consistently applied." (Doc. # 5847, ex. C, Schedule 3.1(c)(5)). On May 21, 2001, DiGioia filed a proof of claim, pro se, against TWA for accrued but unpaid compensation benefits and continuance of workers' compensation payment. On March 14, 2007, this Court sustained the objection to the proof of claim because the benefits claim was not TWA Post

Confirmation Estate's obligation. (Doc. # 5835, p. 8, lines 21-22). The Court further advised DiGioia to "file a request for payment by American Airlines." (Doc. # 5835, p. 7, lines 15-16).

On May 31, 2007, DiGioia filed a motion to compel American to make payments in compliance with its obligation under the APA. (Doc. # 5847). DiGioia seeks to compel American to pay (1) all accrued but unpaid workers' compensation, (2) interest on the accrued but unpaid compensation and (3) future monthly obligations, as previously calculated, with cost of living adjustments. (Doc. # 5847, p. 5, ex. E). Attached as exhibits to DiGioia's motion are documents which support his request. On June 11, 2007, American filed limited objection to DiGioia's motion. (Doc. # 5854). American does not contest its obligation to pay workers compensation to DiGioia. (Doc. ## 5854, p. 2; 5870, p. 1). Rather, American objects to the Court's subject matter jurisdiction to determine the exact amount of the compensation owed and the method used to calculate future payments. Specifically, American requests this Court to abstain from determining DiGioia's request cost of living adjustments.¹ (Doc. # 5854, p. 2). In the

¹ Although American's objection papers do not argue that this Court likewise does not have jurisdiction to allow interest on the accrued liability, it does argue that pre-judgment interest should not be allowed. (Doc. # 5854, p. 3). To the extent that American's jurisdiction argument implicitly applies to the pre-judgment interest issue I address it herein.

alternative, American requests an evidentiary hearing on the calculation of cost of living adjustments. (Doc. # 5854, p. 2).

DISCUSSION

American's position is as follows: American contends that this Court should not decide whether DiGioia is entitled to cost of living adjustments because that issue is not a core proceeding as contemplated by 28 U.S.C. § 157(b) and the Court does not have "related to" jurisdiction as contemplated by 28 U.S.C. § 157(c)(1). (Doc. # 5866, p. 2- 6). It argues that this proceeding neither invokes a substantive right provided by title 11 nor is it a proceeding that could arise only in the context of a bankruptcy case. (Doc. # 5866, p. 2). Rather, the issue is dependent on the interpretation of either the Workmen's Compensation laws in the state of New York or the Longshoremen's Act, which are interpretations of state laws and outside of the periphery of a bankruptcy court's jurisdiction. (Doc. # 5866, p. 3). Furthermore, the Court has no "related to" jurisdiction because the result of this litigation will have "absolutely no effect" on the debtor, TWA, or its estate and it "does not have a close nexus to the [d]ebtors' bankruptcy plan or proceeding." (Doc. # 5866, p. 6).

I am not persuaded by American's argument. On a prior occasion I opined the following two-step analysis when determining subject matter jurisdiction.

[A] court must first determine if a proceeding fits into one of the categories of core

proceedings given in § 157(b)(2). Halper v. Halper, 164 F.3d 830, 836 (3d Cir. 1999) If it does not, the court must apply the following test: "a proceeding is core [1] if it invokes a substantive right provided by title 11 or [2] if it is a proceeding, that by its nature, could arise only in the context of a bankruptcy case." Id.

Consol. SWINC Estate v. ACE USA, Inc. (In re Stone & Webster, Inc.), 367 B.R. 523, 526 (Bankr. D. Del. 2004). The second step is not needed here because I believe that the instant matter falls under § 157 (b)(2)(B) (allowance or disallowance of claims against the estate) and § 157 (b)(2)(N) (orders approving the sale of property).

As to § 157(b)(2)(B): Shortly after TWA's petition was filed, DiGioia filed a proof of claim with respect to his disability benefits. On March 14, 2007, this Court disallowed DiGioia's claim because of a prior ruling involving a similarly situated disabled TWA employee, Elizabeth Robinson ("Robinson"). Like DiGioia, Robinson filed a proof of claim against TWA. At the conclusion of a hearing on October 14, 2003, this Court found that pursuant to the APA American had assumed TWA's obligation to pay benefits to Robinson. That ruling was affirmed by the District Court and the Third Circuit Court of Appeals. American Airlines, Inc. v. Robinson (In re Trans World Airlines, Inc.), 180 Fed. Appx. 330 (3d Cir. 2006). While it is true that DiGioia's request for relief is against American, not the TWA estate, his request is, like Robinson's request for relief, the product of his claim

against the TWA estate and I see no basis for severing his request for relief against American from its origin in this Court. Thus, I conclude that his request falls under § 157(b)(2)(B).

As to § 157 (b)(2)(N): Bankruptcy courts have subject matter jurisdiction to interpret and enforce their own orders. Centennial & Allegheny Univ. Hospitals-East Tenet Healthsystem Phila., Inc. v. Nat'l Union of Hosp. & Health Care Employees, AFSCME, AFL CIO Dist. 1199C (In re Allegheny Health, Educ. and Research Found.), 383 F.3d 169, 175-76 (3d Cir. 2004); see Amphenol Corp. v. Shandler (In re Insilco Techs., Inc.), 351 B.R. 313, 319-20 (Bankr. D. Del. 2006) (holding that jurisdiction exists "to hear and determine the Declaratory Relief Action which requires interpretation of the court-approved Sale Agreement and the Sale Order"). In Allegheny Health, the Third Circuit held that the bankruptcy court correctly determined that "the suit was a core proceeding because it required the court to interpret and give effect to its previous sale orders." 351 B.R. at 176.

In Allegheny Health, the Third Circuit, noting that the matter "ar[ose] at the intersection of the bankruptcy and labor laws," determined that bankruptcy court's jurisdiction between two non-debtor entities existed to determine the purchaser's claim to vacate an arbitration award concerning its obligations under a collective bargaining agreement. 383 F.3d at 171, 1, 176. In that case, after the sale, the non-debtor parties disagreed about sick-

leave benefits for union members. Id. at 173. The union took the purchaser to arbitration, where the arbitrator decided that the purchaser had to make certain payments. Id. The purchaser then filed an adversary proceeding seeking to vacate the award and seeking indemnity against the debtor under the sale agreement. Id. The court determined that core jurisdiction existed: the matter involved the interpretation and enforcement of substantive and specific provisions of the asset purchase agreement, whose provisions were "enshrined in the sales order." Id. at 176-77; see also Luan Inv. S.E. v. Franklin 145 Corp. (In re Petrie Retail, Inc.), 304 F.3d 223 (2d Cir. 2002) (finding bankruptcy jurisdiction in dispute between non-debtor purchaser and non-debtor claimant involving resolution of rights specifically established by the sale order). Of course, here DiGioia's motion seeks enforcement of rights in the APA as approved by this Court's sale order.

American acknowledges that the Robinson decision is res judicata with respect to its liability to DiGioia. But American argues that the only thing the Third Circuit decided in Robinson is that American assumed TWA's liability for monthly payments to Robinson, a disabled former TWA employee. American asserts that this Court does not have jurisdiction to "determine the amount now due or the method of computation of future workers' compensation benefits." (Doc. # 5866, p. 1). I disagree for the following reasons:

1. The Third Circuit's Robinson opinion points out that as an alternative to American's position that it had no obligation under the APA to pay Robinson, American asserted that "even if it did assume that liability, the total amount of such obligation was no more than \$446.30." Robinson, 180 Fed. Appx. at 332. At the October 14, 2003 hearing in this Court, American offered evidence that the monthly obligation was limited to \$446.30. Counsel for American posed the following question to its witness (a former employee of TWA): "Please look at the gross amount due column? Did you think that TWA or American owed anything more to Robinson than the amount in that column, \$446.30? Answer: No." (Doc. # 5128, p. 28). Based on evidence presented by Robinson I concluded "that to the extent American Airlines assumed this obligation, it assumed it as calculated on a monthly basis for the last payment that was received at approximately \$1,866.32." (Doc. # 5128, p. 78). On that issue the Third Circuit's conclusion was as follows:

The Bankruptcy Court found that the obligation assumed by American pursuant to the APA was based upon the calculation of worker's compensation obligations as then set forth in TWA's records. Further, it found that TWA's own accounting reflected its continued obligation to pay Robinson \$1,866.32 per month. The Bankruptcy Court concluded that the term "all worker's compensation obligations" included TWA's obligations to pay Robinson at the higher Longshoreman's [sic] Act rate. We will not disturb the Bankruptcy Court's interpretation of the APA.

Robinson, 180 Fed. Appx. at 333. Thus, this Court and the Third

Circuit found not only that a liability existed but also resolved the disputed amount of that liability based upon the record established in this Court.

2. In affirming my ruling, the Third Circuit obviously affirmed that portion of my February 27, 2004 Order (Doc. # 5246) that " all accrued but as yet unpaid monthly payments shall accrue interest from the dates of the accrual at the rate established by 28 U.S.C. § 1961." In compliance with that order, American paid Robinson \$137,495.96, consisting of \$121,310.80 in principal and \$16,184.20 in interest accrued from the period from April 9, 2001 through September 8, 2006. (Doc. # 5762, p. 2). Thus, this Court exercised its jurisdiction to find not only liability but the amount of the liability including court allowed interest.

3. While the October 14, 2003 hearing transcript does not reflect any debate about Robinson's benefits being subject to a cost of living adjustment, Robinson produced a transcript of an arbitration proceeding in which a TWA employee (J.B. Troutman) testified that Robinson's benefits were subject to cost of living increases. (Doc. # 5182, Ex. 2, p. 2-3).

Thus, in the Robinson proceeding this Court exercised jurisdiction in determining the disputed amount of the liability assumed by American, the allowance of interest based upon an accrued obligation of approximately five years, and presumably an undisputed cost of living adjustment.

In so far as I can tell from the record in the Robinson matter, American did not assert that this Court did not have jurisdiction to rule on any issue other than the existence of a liability. American's position here is obviously inconsistent with its conduct in the Robinson matter. More importantly, it is inconsistent with the Third Circuit's finding in Robinson that "[t]he Bankruptcy Court had jurisdiction to review Robinson's motion pursuant to 28 U.S.C. §§ 157(b)(2) and 1334." 180 Fed. Appx. at 331 n. 1. Given the Third Circuit's specific ruling on jurisdiction in the Robinson case, I am at a loss to understand how American can argue that this Court does not have jurisdiction to address issues related to the determination of the amount of American's liability to DiGioia.

CONCLUSION

For the reasons set forth above, I find that this Court has subject matter jurisdiction to determine the amount of American's monthly payment obligation to DiGioia. Counsel should confer and contact chambers to set in motion the procedure for hearing this matter on the merits.

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

In re:) Chapter 11
)
TWA INC. POST CONFIRMATION) Case No. 01-00056 (PJW)
ESTATE,) (Jointly Administered)
)
Debtor.)
)

ORDER

For the reasons set forth in the Court's memorandum opinion of this date, the objection (Doc. # 5854) of American Airlines, Inc. to the Court's subject matter jurisdiction to determine the specific amount of the compensation with respect to the motion of Salvatore DiGioia to compel American Airlines, Inc. to pay workers' compensation benefits (Doc. # 5847) is **overruled**.



Peter J. Walsh
United States Bankruptcy Judge

Dated: September 21, 2007