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# Hughes Hubbard & Reed

## Hughes Hubbard Obtains Clarification of Bankruptcy Sale Order

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Hughes Hubbard & Reed obtained an important clarification of the Delaware bankruptcy court's order approving the sale of assets from National Envelope, a Chapter 11 debtor, to Hughes Hubbard client Cenvéo.

In September 2013, U.S. Bankruptcy Judge Christopher Sontchi approved National Envelope's sale of virtually all of its assets to several purchasers, including Hughes Hubbard client Cenvéo. In connection with the sale, and as agreed in the asset purchase agreement, Cenvéo hired over 90 percent of National Envelope's employees. The order approving the sale enjoined all future actions against Cenvéo for any action it took in connection with purchasing National Envelope's assets.

Several months after the sale, Paul Torres, a former employee of National Envelope who was terminated days before closing of the sale, sued Cenvéo in California state court alleging employment discrimination. Cenvéo removed the action to bankruptcy court, and asked Judge Sontchi to enforce his order and bar Torres' claim. Torres argued that the sale order did not affect his claim against Cenvéo for its alleged discrimination against him, asserting that Cenvéo was not protected by the order against liability for independent wrongdoing.

While Torres conceded that Cenvéo did not assume certain liabilities, and that Judge Sontchi had jurisdiction to enforce the sale order, including the injunction against him, he argued that he had direct claims against Cenvéo as a prospective employer and that Cenvéo had discriminated against him because of his disability.

Judge Sontchi held that the sale order clearly protected Cenvéo for its own independent acts, as well as for successor liability-type claims, and that, even if Cenvéo had committed a wrongdoing after the court approved the sale order, but prior to the closing of the transaction, the sale order and injunction barred Torres from asserting pre-closing claims related to Cenvéo's pending purchase of National Envelope's business.

Katie Coleman and Chris Gartman represented Cenvéo in this matter.

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**Kathryn A. Coleman**



**Chris Gartman**

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