

#MARKET NEWS

MAY 28, 2014 / 1:10 PM / 4 YEARS AGO

Jacoby & Meyers Bankruptcy liquidation stays alive -U.S. judge

Nick Brown



NEW YORK, May 28 (Reuters) - The unusual case of defunct law firm Jacoby & Meyers Bankruptcy LLP will remain in New York, a judge ruled on Wednesday, rejecting the firm's efforts to dismiss litigation initiated by its creditors.

J&M Bankruptcy's liquidation is one of the odder bankruptcy filings this year. The firm, which itself specialized in helping clients through bankruptcy, was pushed into a Chapter 7 liquidation in March by creditors who said the firm had shuttered with little warning, leaving clients in the lurch.

SPONSORED

The creditor group, led by legal data and education service LegalZoom.com, is trying to piece together a puzzle it believes could expose J&M Bankruptcy as a scheme to make off with the retention payments of their down-and-out clients.

Judge Shelley Chapman said in court on Wednesday that the morass of questions posed by the case, including the firm's relationship with Jacoby & Meyers, a well-known New York-based personal injury law firm, require bankruptcy court oversight.

“Time’s a-wasting,” Chapman said. “This is case that needs to exist.”

In court papers, the creditor group pointed to uncertainty over the status of client files, which have proved difficult to locate despite the firm’s statement that it transferred them to other lawyers.

J&M Bankruptcy previously operated as Chicago-based Macey Bankruptcy Law PC, which has been sued by clients and government regulators accusing it of defrauding clients. The firm reached a \$2.1 million settlement in 2012 with the Illinois attorney general, then adopted the J&M name a day later through an agreement with Jacoby & Meyers.

Whether the deal was an official merger or just a licensing agreement - and why Jacoby & Meyers agreed to such a deal with a firm in legal trouble - remains unclear.

Mark Frankel, a lawyer for J&M Bankruptcy, declined to comment after Wednesday’s hearing, and a spokesman for Jacoby & Meyers did not respond to requests for comment.

Fred Stevens, an attorney for the creditors, on Wednesday accused Macey of essentially changing its name to avoid bad press and continue to attract clients.

“We’re really concerned about” the clients, Stevens said. He said the firm has not been paid for the work so far.

Frankel argued the case should be dismissed or moved to Chicago, where the J&M Bankruptcy was headquartered. He said an

independent trustee has already been appointed to investigate the firm's closure and wind down operations.

But the trustee, Robert Handler, has been given a budget of only \$25,000 for the work. Handler told the court it was not enough. Chapman agreed, saying "the size of the task" requires a court-appointed trustee with court oversight.

The case is *In re Jacoby & Meyers Bankruptcy LLP*, U.S. Bankruptcy Court, Southern District of New York, No. 14-10641. (Reporting by Nick Brown; Editing by Grant McCool)

Our Standards: *The Thomson Reuters Trust Principles.*