



## Burr Alert: Shipped Goods Deemed "Received" Upon Physical Possession for Allowed Claims for Administrative Expenses in Bankruptcy

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Signed, sealed, delivered, but am I yours? Apparently not, according to the United States Court of Appeals for the Third Circuit, at least in the context of allowed administrative expense claims under Section 503(b) (9) of the Bankruptcy Code.<sup>1</sup> The Third Circuit recently considered and ruled in a case as to when goods are deemed "received" for the purposes of determining whether a creditor may recover the value of the goods as an allowed administrative expense claim under the Bankruptcy Code. By the Court's own admission, this decision "has important ramifications for a creditor that sells goods to a debtor soon before the debtor files a Chapter 11 bankruptcy petition."<sup>2</sup>

### **What were the circumstances underlying this case?**

Two Chinese companies, Haining Wansheng Sofa Company and Fujian Zhangzhou Foreign Trade Company, sold furniture and other similar items to the debtor, World Imports, in the ordinary course of business for the parties.<sup>3</sup> Both companies shipped the goods via common carrier "free on board," which means that the risk of loss of the goods or damage to the goods transferred from the companies to World Imports once they were delivered to the common carrier.<sup>4</sup> In both circumstances, the goods were delivered to the carrier more than 20 days before World Imports filed a Chapter 11 petition, but World Imports did not take physical possession of the goods until fewer than 20 days before filing its petition.<sup>5</sup>

Download full article, "Burr Alert: Shipped Goods Deemed "Received" Upon Physical Possession for Allowed Claims for Administrative Expenses in Bankruptcy" by Payton Bradford.