



Pratt's Journal of Bankruptcy Law: Bullock v. BankChampaign: Defalcation Under Section 523(a)(4)

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The authors of this article discuss a recent United States Supreme Court unanimous decision holding that the term "defalcation" in § 523(a)(4) of the Bankruptcy Code includes a culpable state of mind requirement similar to the other terms in the statute, involving knowledge of, or gross recklessness in respect to, the improper nature of the fiduciary behavior.

Whether because of the declining docket of the Court or the technical subject-matter involved, bankruptcy topics have come before the United States Supreme Court infrequently in recent years. This term, the Court heard a case out of the Eleventh Circuit, *Bullock v. BankChampaign*, to decide the following issues: (a) what degree of misconduct by a trustee constitutes "defalcation" under 11 U.S.C. § 523(a)(4) of the Bankruptcy Code, and (b) whether that definition of defalcation includes actions that result in no loss of property.

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