2017

Federal Preemption and the Bankruptcy Code: At what Point does State Law Cease to Apply during the Claims Allowance Process?

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2017 Volume IX No. 14

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Cite as: *Federal Preemption and the Bankruptcy Code: At what Point does State Law Cease to Apply during the Claims Allowance Process?*, 9 ST. JOHN'S BANKR. RESEARCH LIBR. NO. 14 (2017).

Introduction

Anything you do in bankruptcy can and will be used against you in bankruptcy. Prior to the commencement of a bankruptcy case, perhaps courts should issue this Miranda-esque warning to the parties. At least, if the bankruptcy court had, Plymouth LLC ("Plymouth") might have saved approximately $800,000 that it spent acquiring a lien against Princeton LP's ("Princeton") vacant office park in the Township of Lawrence, New Jersey.[1] Recently, the United States Court of Appeals for the Third Circuit held that Plymouth's claim against Princeton in Princeton's bankruptcy case was disallowed for violating New Jersey's tax sale law pursuant to section 502(b)(1) of the United States Bankruptcy Code (the "Code").[2] There, Plymouth unsuccessfully argued that the claims allowance process in bankruptcy preempted New Jersey's tax sale law.[3] As this case illustrates, the application of the preemption doctrine in bankruptcy can have a dramatic effect on the outcome of a bankruptcy case. A court's decision regarding the applicability of preemption in the claims allowance context can mean the difference between a creditor receiving the total value of their claim, or nothing at all. Therefore,

[1] *See In re Princeton Office Park L.P.*, 649 F. App'x 137, 140 (3d Cir. 2016).
[2] *See Id.*, 11 U.S.C. § 502(b)(1) (2012).
[3] *See Id.*

it is crucial for the parties to a bankruptcy case to understand the jurisprudence of the preemption doctrine before proceeding.

Preemption is a judicially created doctrine pursuant to the Supremacy Clause of Article VI of the United States Constitution[4] that "invalidates state law that interfere with, or are contrary to, federal law."[5] In turn, the application of preemption in bankruptcy is highly nuanced because bankruptcy courts must often look to state law to determine the rights and obligations of the parties to a bankruptcy proceeding. Therefore, bankruptcy is a unique area of the federal law because of the high level of interaction between state law and the Code.

This article discusses the application of the preemption doctrine in bankruptcy, and more specifically, to section 502 of the Code which governs the claims allowance process. Part I examines the doctrine of preemption, and its various applications in bankruptcy. Part II provides background information for the *In re Princeton* case. Finally, Part III discusses the Third Circuit's opinion in *In re Princeton*, and the implications of that decision to the application of the preemption doctrine in bankruptcy.

I. The Doctrine of Preemption

The Constitution declares itself to be the "supreme law of the land."[6] The Constitution extends this principle to "laws made pursuant to the Constitution" as well.[7] *See Id.* The Supremacy Clause is the fundamental guiding principle of our Country's system of dual sovereignty between the Federal government and the governments of the several states. While the structure of the Constitution evinces an intent for the Federal and state governments to operate in separate spheres, there has been substantial overlap between the two in practice. To

[4] U.S. CONST. art. VI, cl. 2.
[5] *Hillsborough Cty., Florida. v. Automated Medical Laboratories*, 471 U.S. 707, 713 (1985) (other quotations omitted).
[6] U.S. CONST. art VI, cl. 2.
[7] *See Id.*

address this conflict, the Federal Judiciary created the doctrine of preemption. The essential rule of preemption is such that, "state laws that interfere with or are contrary to federal law are without effect pursuant to the Supremacy Clause."[8]

In the bankruptcy context, the application of preemption has highly varied because of the high level of interaction of state law to bankruptcy. In most cases, the rights and obligations of the parties to a bankruptcy proceeding are originally created under state law. Such as the parties' property and contract rights. Consequently, certain provisions of the Code explicitly carve out room for the operation of state law because of this high level of interaction.[9] On the other hand, courts have also found that certain provisions of the code explicitly require the preemption of state law.[10] *See* 11 U.S.C. § 541(c)(1) (property of the debtor "becomes property of the estate notwithstanding ... any provision in an agreement, transfer instrument, or applicable" state law). However, outside of clear circumstances such as the examples provided above, the outcome is less certain. Therefore, the application of preemption in bankruptcy is far from settled doctrine.

A. Preemption in General

The Supreme Court has stated numerous times that "[a] fundamental principle of the Constitution is that Congress has the power to preempt state law."[11] When Congressional legislation, or the Constitution preempts state law, "the state law must yield."[12] In turn, the Supreme Court has identified and categorized the following three varieties of preemption: (1) express preemption; (2) field preemption; and (3) conflict preemption.[13] Norton's Journal of

[8] *Hillsborough County*, 471 U.S. 713.
[9] *See* 11 U.S.C. § 510(a) (proving that subordination agreements executed under state law are "enforceable in bankruptcy to the same extent that such agreement is enforceable under" state law).
[10] *See* 11 U.S.C. § 541(c)(1) (2012) (property of the debtor "becomes property of the estate notwithstanding ... any provision in an agreement, transfer instrument, or applicable" state law).
[11] *Crosby v. Nat'l Foreign Trade Council*, 530 U.S. 363, 372 (2000) (other citations omitted).
[12] *Id.*
[13] *See Id.* (explaining, "even without an express provision for preemption, we have found state law to be preempted by Congressional legislation in at least two circumstances").

Bankruptcy Practice provides a summary of the circumstances wherein each category of preemption will apply. Explaining,

> "[e]xpress preemption applies 'when there is an explicit statutory command that state law be displaced.' Field preemption applies when federal law 'is sufficiently comprehensive to warrant an inference that Congress "left no room" for state regulation.' Conflict preemption applies if a state law conflicts with a federal law such that: '(1) it is impossible to comply with both state law and federal law; or (2) the state law stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.'"[14]

Thus, preemption is a context sensitive doctrine. Accordingly, the analysis will depend on the particular area of law at issue, and other relevant circumstances, but the lynchpin of preemption is Congressional intent. In some instances, Congress has made their intent clear by including explicit language requiring a conflicting state law to be preempted. For example, the Supreme Court in *National Meat Ass'n v. Harris*, 565 U.S. 452 (2012), held that a California law making it a crime for slaughterhouses to commit certain actions, or otherwise dispose of non-ambulatory animals was explicitly preempted by the Federal Meat Inspection Act ("FIMA").[15]

However, even where a federal statute does not contain such an explicit directive, courts have nevertheless inferred a Congressional intent to preempt state law from other reasons. For example, only a few months after the Supreme Court decided *Harris*, the Court struck down an Arizona law criminalizing certain employment related activities by illegal aliens.[16] Justice Kennedy's majority opinion reasoned that because Congress's constitutional authority to make uniform rules of naturalization was of an exclusive nature, the Arizona law was preempted.[17]

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[14] Jeffrey B. Ellman, Brett J. Berlin, BANKRUPTCY CODE PREEMPTION OF STATE LAW, 21 Nort. J. Bankr. L. & Prac. 3 Art. 2 (2012) (other citations omitted).
[15] *See Harris*, 565 U.S. 457 (2012) (noting, "FIMA contains an express preemption provision ... [which] reads, '[r]equirements within the scope of this [Act] ... which are in addition to, or different than those made under this [Act] may not be imposed by any [s]tate'") (other citations omitted).
[16] *See Arizona v. United States*, 132 S. Ct. 2492, 2506 (2012) (explaining, Arizona's expansion of state law enforcement's authority to "perform the functions of an immigration officer" contravened federal law because federal law "specified" that this may only be done in "limited circumstances").
[17] *See Id.*

B. Preemption in Bankruptcy

Similar to the Naturalization Clause, the Constitution grants Congress the sole authority "to establish uniform laws on the subject of bankruptcies throughout the United States."[18] Furthermore, the Constitution reinforces the exclusiveness of Congress's authority in this area through Article I section 10's prohibition on the ability of states to diminish the requirements of contracts.[19] This exclusive grant of authority recognizes, that to have an effective system of bankruptcy, states' systems of contract and property law must be overridden to the detriment of some, but for the benefit of the group.[20] Therefore, the overall policy of bankruptcy is to benefit as many parties to the proceeding as much as possible.[21]

Pursuant to its authority, Congress has enacted several bankruptcy statutes throughout history. Currently, bankruptcy cases are governed by title 11 of the United States Code. Because bankruptcy affects nearly every aspect of a debtor's existence, it is no surprise that the Code overlaps with state law in numerous circumstances. Thus, like other areas of federal law, the Code will preempt state law where the two are irreconcilable. However, because the Code does not contain a "global explicit statutory command" to preempt state law in every instance, courts apply the preemption analysis on a case-by-case basis with respect to the specific Code provision at issue.[22] Therefore, when considering the application of preemption in bankruptcy,

[18] U.S. CONST. art. I, § 8, cl. 4.
[19] *See* U.S. CONST. art. I § 10, cl. 1, (providing, "[n]o state shall ... pass any ... [l]aw impairing the [o]bligation of [c]ontracts").
[20] *See* Ellman *et al.*, BANKRUPTCY CODE PREEMPTION OF STATE LAW, Nort. J. Bankr. L. & Prac. 3 Art. 2 (explaining, "the restrictions otherwise applicable to the debtor under state law will become subordinate to the Bankruptcy Code to the extent necessary to enable the debtor to act on its bankruptcy rights, which may also mean limiting the rights creditors otherwise would have under state law").
[21] *See Howard Delivery Service, Inc. v. Zurich Americans Ins. Co.*, 547 U.S. 651, 656 (2006) (stating, "we are mindful that the Bankruptcy Code aims, in the main, to secure equal distribution among creditors").
[22] *See* Ellman *et al.*, BANKRUPTCY CODE PREEMPTION OF STATE LAW, Nort. J. Bankr. L. & Prac. 3 Art. 2.

courts primarily analyze the legislative intent of the Code, as well as its policies, and the language contained within specific provisions at issue.[23]

1. Express Preemption

Courts have found express preemption to apply from certain sections of the Code containing "notwithstanding" language.[24] Therefore, as the name suggests, this category of preemption is found from "express" language within the Code.

2. Field Preemption

Courts have explained the doctrine of field preemption using two different formulations. First, "where Congress has laid down a scheme of federal regulation sufficiently comprehensive to make reasonable the inference that Congress left no room for supplementary state regulation."[25] Second, when the court finds the field is such that, "the federal interest is so dominant, the federal system will be assumed to preclude enforcement of state laws on the same subject."[26] The first form of field preemption mentioned above is the most commonly found form of preemption in bankruptcy cases.[27] Thus, the general rule under the first form of field preemption is such that state law must give way to the Code when the state law would impede on "core bankruptcy functions."[28]

Interestingly, even where courts agree that field preemption is applicable in a given bankruptcy case, there can be a notable difference in the scope of its application. In fact, there have been disagreements as to the scope of its application in bankruptcy within single circuits.

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[23] *See Id.*
[24] *See In re Pacific Gas & Elec. Co. v. California ex rel.*, 350 F.3d 932, 937 (9th Cir.2003) (holding that section 1142's "notwithstanding" clause expressly preempted a state law affecting the financial condition of the debtor); *cf. In re Nickels Midway Pier, LLC*, 332 B.R. 262, 275 (Bankr. D.N.J. 2005) (rejecting the notion that the legislative history of section 365(a), and bankruptcy policy in general, requires finding express preemption of state law, but finding preemption applicable on other grounds).
[25] *See Hillsborough County*, 471 U.S. 713.
[26] *In re Miles*, 294 B.R. 756, 759 (B.A.P 9th Cir. 2003).
[27] *See* Ellman *et al.*, BANKRUPTCY CODE PREEMPTION OF STATE LAW, Nort. J. Bankr. L. & Prac. 3 Art. 2.
[28] *Id.*

For example, the United States Court of Appeals for the Ninth Circuit has adopted both restrictive and expansive interpretations of field preemption at different times.[29]

3. Conflict Preemption

Conflict preemption is commonly applied in two scenarios: "(1) where 'it is impossible for a private party to comply with both state and federal requirements,' and (2) where 'state law stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.'"[30] For example, in *In re Congoleum Corp.*, 2008 WL 4186899 (Bankr. D.N.J. 2008), the Court dealt with an objection raised by the debtor's insurers to its plan of reorganization.[31] The debtor's plan proposed to transfer all of its asbestos insurance policies to a section 524(g) trust to be formed from the plan of reorganization.[32] The insurers objected on the grounds that the debtor's plan would violate the anti-assignment provisions of the policies, which were otherwise enforceable under state law.[33] The Court held that sections 524(g) and 1123 of the Code preempted the anti-assignment provisions contained within these insurance policies.[34]

There, the Bankruptcy Court for the Northern District of New Jersey noted that the first type of conflict preemption was not at issue in the case because it was possible for the debtor to propose a plan that would not transfer any of the assets accruing from the insurance policies to a trust.[35] Therefore, the Court did not find the "simultaneous compliance impossible" version of

[29] *Compare Sherwood Partners, Inc., v. Lycos Inc.*, 394 F.3d 1198, 1205 (9th Cir. 2005) (reasoning that California law giving a contract assignee avoidance powers different from those found in section 555 of the Code "trench[ed] too close upon the exercise of federal bankruptcy power") (limited approach to field preemption) *with MSR Exploration Ltd. v. Meridian Oil Inc.*, 74 F.3d 910, (9th Cir. 1996) (holding, state law was preempted where a "slight incursion" by state law on "[the] activities [regulating] the rights of debtors and creditors" occurred) (expansive approach to field preemption).

[30] *See supra*, page 4.

[31] *See Id.* at *1.

[32] *See Id.*

[33] *See Id.*

[34] *See Id.* at *10

[35] *See Id.* at *4

conflict preemption to apply.[36] However, the Court found the second version of conflict preemption was applicable in this case because the anti-assignment provisions of the insurance policies stood "as an obstacle to the full implementation of Congress's goals."[37] Reasoning, that section 524(g) was intended by Congress "to help companies deal with the flood of asbestos lawsuits they were facing."[38] Also explaining, "if the anti-assignment provisions in insurance contracts were not preempted by section 1123, then debtors would be prevented from contributing what is often their most significant assets to the section 524(g) trust. Such a result is clearly at odds with the expressed intent of Congress."[39] Therefore, because the court found a direct conflict between the anti-assignment provisions of the insurance policies and the legislative intent of sections 524(g) and 1123 of the Code, the enforceability of the anti-assignment provisions under state law was preempted.

II. *In re Princeton*

A. Background

In *In re Princeton*, the Third Circuit Court of Appeals disallowed Plymouth's claim in Princeton's bankruptcy case pursuant to section 502(b)(1) for violating New Jersey's tax sale law.[40] Both the District Court and the Court of Appeals rejected Plymouth's argument on appeal that claims allowance under the Code preempts New Jersey's tax sale law. Therefore, because Plymouth's claim was disallowed under section 502(b)(1) of the Code, the lien Plymouth held against Princeton's property was forfeited pursuant to section 506(d).[41]

B. Relevant Law

[36] *See Id.*
[37] *See Id.* at *5.
[38] *Id.*
[39] *Id.*
[40] *See In re Princeton*, 649 F. App'x 140 (3d Cir. 2016).
[41] *See Id.* 11 U.S.C § 502(b)(1) and § 506(d) (2012).

The ultimate issue in this case was whether the preemption doctrine required New Jersey's tax sale law to yield to the claims filing process of the Code. Under a preemption analysis, the court's understanding of the relationship between New Jersey's tax sale law and the Code is dispositive. Thus, the decision in this case turned on the court's interpretation of the interaction between the Code and New Jersey's tax sale law, and the doctrine of preemption.

1. The Claims Filing Process of the Code

Chapter 5 of the Code governs the claims filing process.[42] After a debtor declares bankruptcy, a trustee is appointed to collect the assets of the debtor and place them in a bankruptcy estate.[43] *See*, 11 U.S.C. § 701. Next, section 501 of the Code permits a creditor to file their claims against the estate to establish their interest in the distribution of the estate's assets at the conclusion of the debtor's case.[44] In turn, section 502(a) states that a claim filed under section 501 is allowed unless "a party in interest" (*e.g.*, the debtor or the trustee) objects to the creditor's claim. When an objection is made, the bankruptcy court will provide "notice and hearing" to determine the allowable amount of the claim.[45] Thus, although an objected to claim will generally be allowed under section 502, subsection (b) delineates nine exceptions to that general rule.[46] For example, subsection (b)(1) provides that a claim will not be allowed "to the extent such claim is unenforceable against the debtor and property of the debtor, under any agreement or applicable law."[47] This exception authorizes a debtor to challenge a claim from any objection accruing to them outside of the Code, in addition to objections provided by the Code.

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[42] *See* 11 U.S.C. § 501 *et seq*.
[43] *See* 11 U.S.C. § 701.
[44] *See* 11 U.S.C. § 501 (note, however, that the process of collection and distribution of a bankruptcy case commenced under chapter 11 or 13 of the Code will differ from a chapter 7 proceeding).
[45] *See* 11 U.S.C. § 502(a).
[46] *See* 11 U.S.C. § 502(b) (2012).
[47] *Id.*

Furthermore, claims are divided into two general categories: secured claims, and unsecured claims. Section 506 of the Code governs the disposition of secured claims.[48] Allowable claims under section 502 become allowable secured claims under section 506(a) "to the extent of the value of such creditor's interest in the estate's interest in such property."[49] However, pursuant to subsection (d), a lien securing a claim that was not allowed under section 502(b) is rendered "void."[50]

2. New Jersey's Tax Sale Law

Like other states, New Jersey allows third parties to purchase tax liens at auction.[51] These liens against real property arise in the first instance from property owners falling behind on their taxes.[52] The municipality where the property is located is granted a lien on the property by operation of the statute. The municipality will then conduct an auction, where the rights it obtained are sold to this highest bidder.[53] Successfully bidding on the lien at auction gives the purchaser the right to foreclose on the property and to seek a judgment on the debt note.[54] The bidding begins at 18% interest, and each bid lowers the interest rate that would have been assessed on the tax debt.[55] Once the bidding reaches 0%, the parties will then begin to bid up on a premium payable to the municipality.[56] The party that wins at auction pays the municipality the tax debt owed by the delinquent property owner and any premium incurred during the bidding process in exchange for the tax sale certificate.[57] However, New Jersey's tax sale statute also provides that any holder of a tax sale certificate who "knowingly charges or exacts an excess

[48] *See* 11 U.S.C. § 506 *et seq.*
[49] 11 U.S.C. § 506(a)(1).
[50] *See* 11 U.S.C. § 506(d).
[51] *See* N.J. Stat. Ann. § 54:5-1 *et seq.*
[52] *See Id.*
[53] *See Id.* 54:5–86(a).
[54] *See Id.*
[55] *See Id.* 54:5–32.
[56] *See Id.*
[57] *See Id.*

fee in connection with the redemption of any tax sale certificate," shall forfeit such tax sale certificate to the person who was charged the excessive fee.[58]

C. Facts and Procedural History

Princeton LP, is a New Jersey limited partnership.[59] Princeton's principal asset is a vacant office park located in the Township of Lawrence, New Jersey.[60] Plymouth Park Tax Services LLC is a limited liability company in the business of investing in tax sale certificates.[61] After Princeton failed to pay its property taxes, the Township of Lawrence placed a tax lien on their office park.[62] On December 19, 2005 Plymouth purchased the tax sale certificate at an auction conducted by the Township of Lawrence.[63] The purchase price included the tax debt owed by Princeton and a premium of $600,100; for a total of $804,496.79.[64] On December 18, 2007, Plymouth filed a foreclosure action against Princeton, prompting Princeton to declare bankruptcy.[65] The case raised issues of both preemption and New Jersey state tax law.

After Princeton filed for bankruptcy, on December 29, 2008, Plymouth filed its proof of claim with the Bankruptcy Court.[66] *See Id.* Significantly, Plymouth included the premium it paid to the Township of Lawrence in that claim.[67] *See Id.* The amount of Plymouth's claim was $1,775,791.33.[68] *See Id.* Princeton objected, on the grounds that it violated the New Jersey tax sale law.[69] *See Id.* At first, the bankruptcy court's position was that Plymouth's claim did not

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[58] *See Id.* 54:5–63.1.
[59] *See In re Princeton Office*, 649 F. App'x 140.
[60] *See Id.* at 138-39.
[61] *See Id.*
[62] *See Id.*
[63] *See Id.*
[64] *See Id.*
[65] *See Id.*
[66] *See Id.*
[67] *See Id.*
[68] *See Id.*
[69] *See Id.*

violate New Jersey's tax sale law.[70] However, Princeton moved the court to reconsider and a bench trial was held.[71] As a result of that trial, the bankruptcy court disallowed Plymouth's claim, concluding that Plymouth's inclusion of the premium constituted a "knowing attempt to charge an excessive fee in redeeming its tax sales certificate" in violation of New Jersey's tax sale law.[72] Plymouth appealed that decision to the District Court of New Jersey, arguing that New Jersey's tax sale law was preempted by the Code's claims allowance process.[73] The District Court rejected that argument and affirmed the decision of the bankruptcy court.[74] Subsequently, Plymouth appealed the decision of the District Court to the Court of Appeals, renewing their preemption argument. However, the Court of Appeals affirmed the decision of the District Court.[75]

D. Rationale

In Plymouth's appeal to the District Court, Plymouth first addressed the operation of New Jersey's tax sale law within the Code, stating, "[the Bankruptcy Court's] reach-down to a State statute in the claims' objection process ... is exactly the type of remedy preempted by the Bankruptcy Code."[76] Next, Plymouth reasoned that the Code preempted New Jersey's tax sale law because "the Debtor's initiation of bankruptcy proceedings ushered in the Bankruptcy Code and rules promulgated thereunder which specify comprehensive and detailed procedures for the filing and consideration of creditors' claims and resolution of disputes over claims."[77] Further adding, "[c]laims consideration and allowance are core functions of the bankruptcy system and

[70] *See In re Princeton Office Park,* 2015 WL 420171 at *2 (D.N.J. 2015).
[71] *See Id.*
[72] *See Id.*
[73] *See Id.*
[74] *See Id.* at *5
[75] *See In re Princeton*, 649 F. App'x 140.
[76] *See In re Princeton Office Park*, 2015 WL 420171 at *4.
[77] *Id.*

preempt the application of N.J.S.A. 54:5–63.1 and its alternative and conflicting remedy prescription."[78]

The District Court rejected that reasoning holding, "there is no direct conflict between the Bankruptcy Code's claims objection procedure and the Tax Sale Law's forfeiture remedy."[79] *Id.* at *5. In addition, the court explained, "complying with both the Bankruptcy Code and the Tax Sale Law is not impossible. Nothing in the Bankruptcy Code or the Tax Sale Law required Plymouth to include the premium in its first proof of claim."[80] Therefore, in evaluating Plymouth's preemption argument, the District Court simply looked to the plain language of the Code.

At the Court of Appeals, the Third Circuit Court agreed with the District Court, stating, "the District Court properly concluded that the U.S. Bankruptcy Code did not preempt § 54:5–63.1 and looked to that provision to determine if Plymouth's claim was enforceable."[81] The court explained, "[a]s part of the claims allowance process, the [Code] permits a creditor to file a claim against a debtor, at which point the debtor can object to that claim by arguing that it is unenforceable under applicable state law."[82] Hence, like the District Court, the Court of Appeals looked to the plain language of the Code in rejecting Plymouth's argument. However, the Circuit Court also added, "courts often look to state law to determine the validity of a proof of claim."[83] Thus, the Third Circuit concluded, "[a] claim against the bankruptcy estate ... will not be allowed in a bankruptcy proceeding if the same claim would not be enforceable against the debtor outside of bankruptcy."[84]

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[78] *Id.*
[79] *Id.*
[80] *See In re Princeton*, 649 F. App'x 140.
[81]
[82] *Id.*
[83] *See Id.*
[84] *Id.* (other citations omitted).

III. Remaining Questions from the Third Circuit's Decision in *In re Princeton* for the Application of Preemption in Bankruptcy

An important question remains after the decision in this case. Seemingly, both the District Court and the Court of Appeals analyzed Plymouth's argument under the framework of the first version of conflict preemption by merely looking to the plain language of the Code.[85] For example, the District Court's inquiry into whether the New Jersey's tax sale law presented a "direct conflict" with the Code strongly suggests that the court was applying a conflict preemption analysis.[86] However, Plymouth's argument was more akin to field preemption. In fact, this discrepancy would explain why the courts never addressed Princeton's objection to Plymouth's claim under New Jersey's, i.e., that the tax sale law did not accrue until *after* the initiation of Princeton's bankruptcy case. Thus, this decision leaves open the question of whether New Jersey's tax sale law could be preempted under a theory of field preemption.

A. Alternative Interpretations of Plymouth's Argument on Appeal

The language Plymouth employed in its argument on appeal substantially resembled a field preemption argument.[87] For example, Plymouth's statements regarding the "comprehensiveness" of the Code matches the Court's reasoning in *In re Miles*.[88] Moreover, Plymouth's argument regarding the "core functions" of the Code reflects the reasoning of the Ninth Circuit's decision in *MSR Exploration*.[89] There, the Court stated, "the complex, detailed, and *comprehensive* provisions of the Bankruptcy Code ... demonstrates Congress's intent to create a whole system under federal control which is designed to bring together and adjust all of

[85] *See supra*, page 8.
[86] *See In re Princeton Office Park*, 2015 WL 420171 at *4.
[87] *See supra*, page 13.
[88] *See In re Miles*, 294 B.R. 759 (explaining, "Congressional intent to preempt may be inferred from a scheme of federal regulation that is so comprehensive ... that the federal system may be assumed to preclude enforcement of state laws on the same subject").
[89] *See supra*, at page 7.

the rights and duties of creditors and embarrassed debtors alike."[90] Like the Courts' reasoning in those cases, Plymouth similarly couched its argument in the pervasiveness of the Code's provisions. Thus, Plymouth's argument was not referring to the compatibility of New Jersey's tax sale law and section 502(b)(1) of the Code, rather Plymouth was asking the Courts to infer that Congress intended for claims allowance under the Code to displace state law in these circumstances. By only looking to the plain language of the Code, the Courts in this case may have failed to properly understand Plymouth's preemption argument.

Conclusion

In rejecting Plymouth's argument on appeal under the framework of conflict preemption, the Court left open the possibility that claims allowance under the Code could be preempted under a theory of field preemption. Given the unusual circumstances of this case, it remains to be seen whether such a result would occur in a similar case. In sum, while the decision in *In re Princeton* left the doctrine of preemption uncertain with respect to claims allowance in bankruptcy, creditors in such cases would be wise to stay current with the state law creating their claims, lest they go the way of Plymouth.

[90] *MSR Exploration*, 74 F.3d 914 (emphasis added).