Docket #0044 Date Filed: 7/16/2026

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

In re: MARELLI AUTOMOTIVE LIGHTING USA LLC, *et al.*,[1] Debtors.	Chapter 11 Case No. 25-11034 (CTG) (Jointly Administered)
OPMOBILITY GESTION; OPMOBILITY SE; OPMOBILITY HOLDING USA, INC.; and OPMOBILITY LIGHTING HOLDING, Plaintiffs, v. STRATEGIC VALUE PARTNERS, LLC; MARELLI HOLDINGS CO., LTD.; MARELLI CORPORATION; MARELLI NORTH AMERICA, INC.; MARELLI HOLDING USA LLC; MARELLI TENNESSEE USA LLC; MARELLI AUTOMOTIVE LIGHTING USA LLC; and DOE DEFENDANTS 1-20, Defendants.	Adv. Pro. No. 26-50470 (CTG)

DEFENDANTS' BRIEF IN OPPOSITION TO PLAINTIFFS' MOTION FOR MANDATORY, OR IN THE ALTERNATIVE, PERMISSIVE WITHDRAWAL OF THE REFERENCE

[1] A complete list of each of the Debtors in these chapter 11 cases may be obtained on the website of the Debtors' proposed claims and noticing agent at https://www.veritaglobal.net/Marelli. The location of Marelli Automotive Lighting USA LLC's principal place of business and the Debtors' service address in these chapter 11 cases is 26555 Northwestern Highway, Southfield, Michigan 48033.

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PRELIMINARY STATEMENT

1. The United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") has the authority, jurisdiction, and capability to handle all of the claims asserted in the *Adversary Complaint* filed by Plaintiffs [Adv. D.I. 1] (the "Adversary Proceeding") ahead of trial. Defendants Strategic Value Partners, LLC ("SVP"), Marelli Holdings Co., LTD., Marelli Corporation, Marelli North America, Inc., Marelli Holding USA LLC, Marelli Tennessee USA LLC, and Marelli Automotive Lighting USA LLC (collectively, "Marelli," or the "Debtors," and together with SVP, the "Defendants") submit that the *Plaintiffs' Motion for Mandatory, or In the Alternative, Permissive Withdrawal of the Reference* [Adv. D.I. 22] (the "Motion") should be denied for the following reasons.[2]

2. ***First***, Defendants contend the Motion is premature and that the United States District Court for the District of Delaware (the "District Court") should either deny or defer further consideration of the Motion at this time. The Adversary Proceeding is a forum shopping attempt by Plaintiffs to avoid an earlier-filed, pending legal action in France (the "French Legal Proceeding") that involves the very same alleged non-competition obligations as to Plaintiffs' ex-CEO, Laurent Favre ("Favre"), that are at issue in Plaintiffs' claims. The French Legal Proceeding conducted a hearing on July 7, 2026, and is now scheduled to issue a potentially dispositive ruling on September 22, 2026.

3. Defendants have filed a cross-motion to stay in the Bankruptcy Court, requesting that the Adversary Proceeding be stayed in its entirety pending the outcome in the French Legal Proceeding [Adv. D.I. 28] (the "Stay Motion") to avoid duplicative and wasteful litigation, and the

[2] Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Motion.

Bankruptcy Court has set the Stay Motion for hearing on July 20, 2026. Defendants contend that it is if, and only if, the Bankruptcy Court does not stay the Adversary Proceeding pending the outcome of the French Legal Proceeding that the District Court even needs to consider withdrawal of the reference. When the District Court does consider the Motion, it should be denied, as both mandatory and permissive bases fail for the reasons set forth below.

4. ***Second***, mandatory withdrawal fails because the Adversary Proceeding requires nothing more than a simple application of facts to well settled non-bankruptcy federal law. In order to establish that withdrawal of the reference is warranted, courts in this District require that the movant ***must*** show that the claim requires "substantial and material" consideration of non-bankruptcy federal law. Here, Plaintiffs would like to convince the District Court that the Adversary Proceeding raises unsettled questions of non-bankruptcy federal law that warrant the mandatory withdrawal of the reference. To the contrary, the Adversary Proceeding raises no such thing. The Adversary Proceeding is a dispute concerning the Debtors' reorganization and potential new management. Namely, Plaintiffs allege causes of action under the Defend Trade Secrets Act, 18 U.S.C. § 1836, *et seq.* (the "DTSA") and state law, concerning SVP's engagement of Plaintiffs' former CEO, Favre. Plaintiffs seek a finding that Defendants possess trade secrets belonging to Plaintiffs, in alleged violation of Favre's prior employment agreement with Plaintiffs, and Defendants' alleged subsequent use of such information is violative of the DTSA, among other claims for tortious interference and aiding and abetting breach of the fiduciary duty of loyalty. The Bankruptcy Court has overseen the Debtors' reorganization for over a year. It is in the best position to address issues relating to the Debtors' management and whether the Debtors' actions are permitted, and the Bankruptcy Court is well equipped to apply settled law to facts. Withdrawing the reference from the Bankruptcy Court—at least prior to the point at which the Adversary

Proceeding is ripe for trial—would do nothing more than place an unnecessary administrative strain on the District Court when the Bankruptcy Court is in a better position to address the issues that may arise during the early stages of the case. Therefore, Plaintiffs have not met their burden and withdrawal on mandatory grounds should be denied.

5. ***Finally***, permissive withdrawal is also not warranted. Plaintiffs proffer misguided assertions that withdrawal of the reference (i) will promote judicial economy, (ii) will expedite the chapter 11 process, and (iii) will foster economic use of the parties' resources. However, Plaintiffs fail to show that permissive withdrawal would be appropriate under the requisite factors set forth in *In re Pruitt*, 910 F.2d 1160 (3d Cir. 1990). Simply put, withdrawal of the reference will require Defendants—especially the Debtors—to expend time, money, and resources in two judicial forums, which, in turn, will delay the Debtors' chapter 11 cases (the "Bankruptcy Proceedings") by diverting attention and resources to an alternative forum and depleting assets of the Debtors' bankruptcy estates that would otherwise be used to administer the Bankruptcy Proceedings. In support of their argument for permissive withdrawal, Plaintiffs point to their jury trial demand, the assertion that the claims are non-core, and their nonconsent to adjudication by the Bankruptcy Court—but none of these contentions support withdrawal of the reference at the current pretrial stage. Instead, the Bankruptcy Court is well equipped to handle the Adversary Proceeding in its current form. Under this District's settled practice, the Bankruptcy Court administers all pretrial matters, and the reference is withdrawn only when—and if—the case becomes ready for trial. The circumstances at bar weigh in favor of the Bankruptcy Court adjudicating pretrial matters until the case is ready for trial. Plaintiffs have not provided any substantiated reason to divert from the District Court's general practice, and therefore, permissive withdrawal should be denied.

6. For these reasons and those detailed below, the District Court should deny the relief requested in the Motion.

OBJECTION

I. Plaintiffs Have Not Demonstrated that Withdrawal is Mandatory for Any Claim in the Adversary Complaint

7. 28 U.S.C. § 157(d) provides that a district court "shall . . . withdraw a proceeding if the court determines that the resolution of the proceeding requires consideration of both title 11 and other laws of the United States . . . ." Delaware courts have consistently recognized that "a literal interpretation of this provision could result in an 'escape hatch' through which most bankruptcy matters could routinely be removed to the district court." *In re Akoustis Techs., Inc.*, 667 B.R. 85, 90 (D. Del. 2025). Thus, the District Court has held there is a "heavy burden on [the] movant" and that "withdrawal is deemed mandatory [only] when (1) consideration of law outside of Title 11 . . . is necessary for the resolution of the case or proceeding; and (2) the consideration of federal law outside the Bankruptcy Code necessary to resolve the proceeding is substantial and material." *Id.* (quoting *In re Cont'l Airlines*, 138 B.R. 442, 444–45 (D. Del. 1992)). "Not every contested matter that 'alleges a violation of federal non-bankruptcy law necessarily requires a substantial and material consideration of that law.'" *Id.*[3]

8. Courts have construed the "substantial and material" consideration requirement narrowly. *See id.*; *In re Ionosphere Clubs, Inc.*, 922 F.2d 984, 995 (2d Cir. 1990) (noting that section 157(d) "has been construed narrowly"). A movant bears a heavy burden to establish that the matter would require "meaningful consideration" of non-bankruptcy federal law, rather than a

[3] Federal Rule of Bankruptcy Procedure 5011(c) provides that the Adversary Proceeding is not stayed during the pendency of the Motion unless explicitly stayed by the Bankruptcy Court. No stay has been ordered.

"simple application of well settled law." *In re CM Holdings, Inc.*, 221 B.R. 715, 721 (D. Del. 1998) (finding substantial and material consideration requirement met only after determining that two issues of first impression under the federal tax code were at issue); *In re Columbia Gas Sys., Inc.*, 134 B.R. 808, 811 (D. Del. 1991) ("These guidelines help to distinguish a required 'consideration' of federal law outside the Bankruptcy Code from its 'simple application.' In the latter case, the withdrawal of reference is not mandatory."). "Meaningful consideration of federal law, for example, includes deciding an issue of first impression or analyzing the law beyond applying it to the facts of the case." *In re Nortel Networks, Inc.*, 539 B.R. 704, 708 (D. Del. 2015).

9. This very District Court has held that consideration of federal intellectual property matters does not require "substantial and material" consideration necessitating mandatory withdrawal. In *Nortel Networks*, for example, the District Court held that an adversary proceeding alleging the unauthorized use, distribution, license, and sale of intellectual property did not warrant mandatory withdrawal. *Id.* at 708–09. There, the District Court noted that determining the ownership of intellectual property, whether the defendant's work was infringing, and the calculation of damages were either questions of fact or questions that required the mere application of law to the facts of the case. *Id.* (noting no allegations that would "require meaningful (i.e., 'substantial and material') consideration of federal non-bankruptcy law"); *see also In re Akoustis Techs.*, 667 B.R. at 92 ("Even considering other cases where 'complex' intellectual property issues are at bar, courts in this jurisdiction routinely find that Bankruptcy Courts are well within their powers to apply such law as part of the bankruptcy cases before them."). *Nortel Networks*—like this case—also presented issues of cross-border proceedings, finding that the presence of such disputes favored keeping the action with the bankruptcy court where the bankruptcy court had already implemented procedures to harmonize its administration with the

pending Canadian proceeding. 539 B.R. at 711. Similarly, here, with the Stay Motion, Defendants are seeking to harmonize the Bankruptcy Proceedings (which are ongoing beyond just the Adversary Proceeding) with the French Legal Proceeding, and it would be proper for the Bankruptcy Court to maintain the reference so it can do so rather than have separate proceedings pending in the District Court, the Bankruptcy Court, and in France.

10. Plaintiffs incorrectly state that simply because a claim is premised on the DTSA, mandatory withdrawal is appropriate. Motion at 9. To the contrary, "[t]he mere assertion that a cause of action may arise under non-bankruptcy federal statutes is not sufficient to justify a mandatory withdrawal. Nor is the incidental need to consider non-bankruptcy law sufficient to require withdrawal." *In re Philadelphia Training Ctr. Corp.*, 155 B.R. 109, 111 (E.D. Pa. 1993). Plaintiffs' reference to the DTSA, alone, is insufficient to warrant mandatory withdrawal of the reference.

11. Further, the Motion fails to identify anything underlying the Adversary Proceeding that would require "substantial and material" consideration of non-bankruptcy federal law. Plaintiffs attempt to argue that *any* consideration of the DTSA equates to "substantial and material" consideration. Specifically, (i) whether Plaintiffs' confidential information qualifies as a "trade secret," (ii) whether Plaintiffs' sufficiently identified their trade secrets under *Oakwood Labs, LLC v. Thanoo*, 999 F.3d 892 (3d Cir. 2021), and (iii) whether Defendants' alleged misappropriation was willful, are each a question of applying well-settled law to the facts of this case. Motion at 11. In fact, the Motion provides the exact legal standards the Bankruptcy Court would need to apply and is devoid of any allegation that the foregoing will require a significant or specialized analysis of the DTSA. As Plaintiffs contend, *Oakwood* established that the sufficiency of identifying "trade secrets" is a "fact-specific question," not a nuanced question of law. *Id.* at

12. Additionally, determining the appropriate damage theory is not, alone, sufficient to withdraw the reference. *See In re Nortel Networks*, 539 B.R. at 708-09 ("Again, this [a variety of damages theories] requires deciding how the law applies to the facts of the case, rather than deciphering or interpreting the law.").[4] Therefore, nothing in the Adversary Proceeding requires a "substantial and material" consideration of the DTSA that would require mandatory withdrawal of the reference.[5]

12. Further, courts have found that the "DTSA largely conforms with state trade secrets law" and "existing state law on trade secrets informs the [c]ourt's application of the DTSA." *Source Prod. & Equip. Co., Inc. v. Schehr*, Civil Action No. 16-17528, 2017 WL 3721543, at *2 (E.D. La. Aug. 29, 2017) (citing H. Rep. No. 114-529, at 14 (2016)); *In re Patriot Nat'l Inc.*, 592 B.R. 560, 577 (Bankr. D. Del. 2018) (quoting *Alfasigma USA, Inc. v. EBM Med., LLC*, Civil Action No. 17-7753, 2018 WL 1604961, at *2 (E.D. La. Apr. 3, 2018)) ("[i]t is well-accepted that the DTSA is in general comport with state trade secret law."); *Yeiser Res. & Dev., LLC v. Teknor Apex Co.*, Case No. 17-cv-1290-BAS-MSB, 2019 WL 2177658, at *4 (S.D. Cal. May 20, 2019)

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[4] Moreover, Plaintiffs' allusion to a Circuit split on the issue of what unjust enrichment damages theory applies under a DTSA claim is not something the District Court would need to resolve. In applying a substantially similar Pennsylvania uniform law, the Third Circuit held that avoided cost damages is an appropriate method for valuing the benefit conferred on the defendant from the misappropriation, and can be recovered without a showing that the plaintiff has suffered actual losses or that the defendant has made actual profits. *PPG Indus. Inc. v. Jiangsu Tie Mao Glass Co.*, 47 F.4th 156, 162 (3d Cir. 2022).

[5] Plaintiffs also contend that "substantial and meaningful" consideration is required because the DTSA was only enacted ten years ago. This argument is unfounded. The relevant consideration to the "substantial and material" analysis is whether the underlying issue will require a court to significantly interpret non-bankruptcy federal law outside of pure application; the federal statute's age is not a relevant consideration to the analysis. *See In re U.S. Airways Grp., Inc.*, 26 B.R. 673, 678–79 (E.D. Va. 2003) (noting that substantial and material consideration requires a significant interpretation of non-bankruptcy federal laws, issues of first impression, and conflicts between bankruptcy and federal law).

("It is clear that Congress borrowed heavily from the [Uniform Trade Secrets Act] and the states' trade secrets laws in drafting many (if not most) provisions of the DTSA."). Thus, a court considering claims under the DTSA would largely consider applicable state trade secrets law and would not require a "substantial and material" consideration of non-bankruptcy federal law.[6]

13. Accordingly, Plaintiffs cannot demonstrate that withdrawal is mandatory under section 157(d) and the Motion for the mandatory withdrawal of the reference should be denied.

II. Plaintiffs Have Not Shown Cause for Permissive Withdrawal Under 11 U.S.C. § 157(d)

14. As mandatory withdrawal is not available to Plaintiffs, they resort, as an alternative, to requesting permissive withdrawal, which allows a district court to withdraw a proceeding for "cause" shown. 11 U.S.C. § 157(d). The statute does not define "cause," but it is well established in this District that the cause requirement for permissive withdrawal creates a high burden for the movant to clear. *In re Hatzel & Buehler, Inc. v. Cent. Hudson Gas & Elec. Corp.*, 106 B.R. 367, 371 (D. Del. 1989) ("The 'cause shown' requirement in section 157(d) creates a 'presumption that Congress intended to have bankruptcy proceedings adjudicated in bankruptcy court unless rebutted by contravening policy.'").

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[6] Plaintiffs' other cited authorities do not favor mandatory withdrawal. For example, in *In re Essar Steel Minnesota LLC*, 667 B.R. 803, 808 (D. Del. 2025), the court held that the proper juncture for withdrawing the reference is when the case is ready for trial—*i.e.*, "through fact discovery, expert discovery, and summary judgment." This case is not ready for trial and, in fact, is at its nascent stages. Further, in *In re Homeland Stores, Inc.*, 204 B.R. 427, 430 (D. Del. 1997)—which Plaintiffs incorrectly state dealt with "withdrawing the reference when [the] claim involved ERISA"—the court withdrew the reference only after determining that there were unsettled and material legal issues concerning whether federal common law would provide a cause of action under circumstances where ERISA did not. Nothing of the sort is at issue here. Nor do the out-of-Circuit cases cited in footnote 4 of the Motion concerning Lanham Act trademark claims and patent validity and infringement claims provide persuasive support for withdrawing the reference simply because of the existence of an alleged DTSA claim.

15. The Third Circuit has set forth a non-exclusive list of factors courts may use in determining if a movant has reached its burden: (i) promoting uniformity in bankruptcy administration; (ii) reducing forum shopping and confusion; (iii) fostering the economical use of the debtors' and creditor resources; (iv) expediting the bankruptcy process; and (v) the timing of the bankruptcy request (collectively, the "Pruitt Factors"). *In re TZEW Holdco LLC*, Case No. 20-10910-KBO, 2023 WL 2663047, at *2 (D. Del. Mar. 28, 2023) (citing *In re Pruitt*, 910 F.2d 1160, 1168–71 (3d Cir. 1990)). These factors "are not weighed on a scale of equipoise–rather, [movant] must overcome a scale already heavily weighted against withdrawal." *In re Elk Petroleum, Inc.*, Case No. 19-11157 (LSS), 2022 WL 4355285, at *4 (D. Del. Sept. 20, 2022). Additionally, courts will also consider judicial economy, whether the proceedings involve core or non-core claims, and whether the parties have requested a jury trial. *In re Vitamin Oldco Holdings, Inc. GNC Holdings, Inc.*, No. AP 24-50020 (KBO), 2025 WL 2768084, at *7 (D. Del. Sep. 29, 2025).

A. The *Pruitt* Factors Weigh Decisively Against Withdrawing the Reference

1. Uniformity in Bankruptcy Administration Weighs Against Granting Permissive Withdrawal

16. Courts in this District find that uniformity weighs against withdrawal of the reference where the Bankruptcy Court has significant familiarity with the parties to the adversary proceeding and withdrawal of the reference would require the District Court to familiarize itself with both the bankruptcy proceeding and the adversary proceeding, thus diminishing the bankruptcy estate. *See, e.g.*, *In re Akoustis Techs.*, 667 B.R. at 93. Uniformity weighs against withdrawal of the reference where there is an alternative, more economic, and efficient means to adjudicate the pending claims. *See In re Kidde-Fenwal, Inc.,* Civ. No. 24-325-GBW, 2024 WL 2941150, at *7 (D. Del. June 11, 2024) (denying withdrawal of the reference where bankruptcy court-imposed

mediation procedures constituted the most efficient means for resolving the adversary proceeding); *In re AgFeed USA, LLC*, 565 B.R. 556, 565 (D. Del. 2016) (finding that it is more efficient for a bankruptcy court to handle pretrial matters before the adversary proceeding is ready for trial); *In re Shad's Hanna's East Inc.*, No. 12cv1150, 2012 WL 3715709, at *2 (W.D. Pa. Aug. 28, 2012) (finding that withdrawal of the reference would not promote uniformity because the bankruptcy court routinely handles federal and state law matters). In the context of non-core proceedings, the fact the Bankruptcy Court can only issue proposed findings of fact and conclusions of law "does not . . . undermine [ ] judicial uniformity." *In re 24 Hour Fitness Worldwide, Inc.*, Case No. 20-11558-KBO, 2022 WL 605661, at *5 (D. Del. Jan. 4, 2022).

17. Here, uniformity in bankruptcy administration weighs against withdrawal of the reference. The fact the District Court would ultimately rule on the merits of the Adversary Proceeding does not undermine the Bankruptcy Court's clear familiarity with the Bankruptcy Proceedings and the underlying participants, namely Marelli and SVP (as a member of the Ad Hoc Group). SVP itself is only involved as a party in the Adversary Proceeding due to its position and role in the Bankruptcy Proceedings.

18. Moreover, the allegations in the Adversary Complaint are far from "tenuous[ly] connected" to the Bankruptcy Proceedings. Motion at 4. They originate from and connect directly with the Bankruptcy Proceedings and the reorganization of the Debtors. The Adversary Complaint has three pervasive themes—post-emergence control of the Debtors by SVP; present collaboration on the restructuring and chapter 11 emergence; and nexus between the allegedly misappropriated information and the restructuring—all of which are connected with the Bankruptcy Proceedings

and require deep knowledge of the underlying reorganization process that is found with the Bankruptcy Court at this time.[7]

19. Withdrawing the reference will only require expending additional time, legal fees, and other costs to familiarize the District Court with over a year of bankruptcy proceedings before litigating the Adversary Proceeding, which will diminish the bankruptcy estate. *See In re Kidde-Fenwal, Inc.*, 2024 WL 2941150, at *7 (finding that moving a large, complex, and costly litigation to another court would not promote uniformity, drain estate assets, and delay the bankruptcy process). Considering the early stage of the Adversary Proceeding and the lack of concrete factual or legal disputes, uniformity would be best served by allowing the Bankruptcy Court to conduct pretrial matters, including discovery and various pretrial motions to narrow and potentially settle the disputes without the need of an additional court's participation. Thus, the uniformity factor weighs against withdrawal of the reference.

2. Preventing Forum Shopping and Reducing Confusion Does Not Favor Withdrawal of the Reference

20. Absent explicit evidence of forum shopping, courts find that it is not "illogical" to initially file an adversary proceeding in the bankruptcy court where a debtor is a named defendant. *In re Nortel Networks*, 539 B.R. at 710. Additionally, it is well established that allowing the Bankruptcy Court to adjudicate pretrial matters will not promote confusion. *In re Vitamin Oldco Holdings, Inc. GNC Holdings, Inc.*, 2025 WL 2768084, at *11 (withdrawal of

[7] First, the Adversary Complaint makes multiple allegations concerning SVP as leader of a group of creditors in the Debtors' bankruptcy and SVP's alleged actions regarding post emergence control of Marelli. Adv. Compl. at ¶¶ 1, 97, 112, 116. Second, the Adversary Complaint alleges a present-tense, current collaboration by Favre with the Debtors in their business and reorganization. *Id.* at ¶¶ 4, 19, 23, 109, 111, 117, 143, 145, Prayer for Relief A(5). Finally, the Adversary Complaint's causes of action explicitly allege a nexus between the reorganization and alleged misappropriation. *Id.* at ¶¶ 128, 139, 154.

reference was not appropriate because the Bankruptcy Court is capable of handling common law and RICO claims). Under section 157(c)(1), a bankruptcy judge has the authority to propose findings of facts and conclusions of law up until trial and such findings are reviewable by the district court. 28 U.S.C. § 157(c)(1). The District Court has found that Bankruptcy Court administration of pretrial matters proves helpful and does not hinder the litigation's process. *See, e.g.*, *In re Nortel Networks*, 539 B.R. at 710 ("[W]hile [a district] [c]ourt has more experience overseeing copyright litigation than does a Bankruptcy Court, this does not detract from the Bankruptcy Court's proficiency in helping th[e] [district] [c]ourt adjudicate such cases.").

21. Plaintiffs attempt to use the District Court and the Bankruptcy Court to circumvent the French Legal Proceeding, which is both more developed and will reach a potentially dispositive ruling on September 22, 2026, long before the Adversary Proceeding will reach trial. Undoubtedly, multiple rulings on the same requested relief will promote confusion. The Stay Motion was filed to prevent such confusion by requesting that only the French Legal Proceeding continue given the overlap of facts and requested relief, coupled with the fact that France is the clear center of gravity in the dispute. Preventing forum shopping and reducing confusion can easily be resolved by staying the Adversary Proceeding in its entirety in favor of the French Legal Proceeding. However, to the extent the Bankruptcy Court does not grant the Stay Motion, confusion would be minimized by the Bankruptcy Court managing the pretrial matters while the case is in its early stages.

3. Fostering Economical Use of Resources and Expediting the Bankruptcy Process Weigh Heavily Against Withdrawal of the Reference

22. Keeping the Adversary Proceeding in the Bankruptcy Court would foster the economic use of resources and expedite both the Bankruptcy Proceedings and the Adversary Proceeding. "Economic concerns favor allowing the bankruptcy court to proceed as far as it can" where "it is

much more familiar with the case and the parties." *In re Midnight Madness Distilling, LLC*, Civ. No. 2:23-mc-00136-JMG, 2024 WL 1538465, at *4 (E.D. Pa. Apr. 9, 2024); *see also In re FTX Trading Ltd.*, No. AP 23-50411-JTD, 2024 WL 21542, at *5 (D. Del. Jan 2, 2024) ("[P]ermitting the Bankruptcy Court to oversee pretrial matters in this proceeding, and withdrawing the reference only when it is ready for a trial, will promote judicial economy and a timely resolution of this case."); *400 Walnut Assocs., L.P. v. 4th Walnut Assocs., L.P.*, No. 14-mc-145, 2015 WL 390455, at *4 (E.D. Pa. Jan. 28, 2015) ("[T]he intimate familiarity of the Bankruptcy Court here will allow for maximum efficiency in future proceedings" and "the parties' resources will be utilized most economically by continuing in the same forum.").

23. To require several courts and multiple parties to spend their time, money, and resources to obtain identical relief premised on the same facts and circumstances is the epitome of inefficiency. Failure to stay the Adversary Proceeding would subject two courts to address the same issue. Thus, the ultimate means to foster economical use of resources is to stay the Adversary Proceeding. Staying the Adversary Proceeding will allow the French Legal Proceeding—which seeks to determine the enforceability of an employment agreement executed in France, governed by French law, and between the actual parties in privity—to bring the claims to conclusion while preventing the District Court and the parties to the Adversary Proceeding from engaging in a duplicative, costly, and timely task.

24. Plaintiffs assert that withdrawing the reference would foster economical use of the parties' resources because the parties would eliminate the need to expend resources on adjudicating the claims in the Bankruptcy Court that will ultimately be decided by the District Court. Motion at 18. However, withdrawing the reference does not make the Bankruptcy Proceedings go away. Rather, withdrawal of the reference would require Defendants to expend significant costs

and resources in two forums, when the ability to adjudicate both the Adversary Proceeding and the Bankruptcy Proceedings in one forum exists. The Bankruptcy Court is already familiar with the parties to the Bankruptcy Proceedings whose roles are the antecedent of the Adversary Proceeding. Defendants and their underlying relationships exist entirely within the ecosystem of the Bankruptcy Proceedings. Until the case is ripe for trial, withdrawal of the reference would require the parties to expend additional resources to facilitate the District Court's understanding of the various roles and statuses of Defendants in the Bankruptcy Proceedings, as well as the underlying record from the Bankruptcy Proceedings, which the Bankruptcy Court is intimately familiar with having administered the Bankruptcy Proceedings for over a year. *See In re AgFeed USA, LLC*, 565 B.R. at 565 ("[T]he need[] to become familiar with the record at this early stage, and the delay attendant to those efforts, is unnecessary at this time and may affect the administration of the [bankruptcy] cases."). The presumption that the non-core nature of Plaintiffs' claims will automatically expedite the Bankruptcy Proceedings by withdrawing the reference is without merit. Pretrial litigation of the Adversary Proceeding in another forum will deplete the Debtors' estate assets and distract from the restructuring at a critical time in the chapter 11 cases.

25. Further, Plaintiffs presuppose that the parties will ultimately be in front of the District Court if the reference is not withdrawn. Plaintiffs fail to account for the possibility that the parties will reach a settlement or otherwise resolve the Adversary Proceeding through dispositive motions. "[P]re-trial and dispositive motions often go a long way toward narrowing the scope of the claims and issues for trial." *In re Zohar III, Corp.*, Case. No. 18-10512 (KBO), 2024 WL 1015112, at *5 (D. Del. Mar. 8, 2024). "Duplicating those efforts at an early stage of the case may result in unnecessary expenses for the parties, particularly given that dispositive motions and settlement may resolve the proceeding in advance of trial." *In re AgFeed USA*, LLC,

565 B.R. at 565; *In re Circle of Yoakum, Tex.*, No. Civ.A. 06-328-KAJ, 2006 WL 2347710, at *2 (D. Del. June 23, 2006). Economic resources will be preserved by permitting the parties to adjudicate the claims prior to trial in the Bankruptcy Court to avoid the duplication of costs, time, and resources.

26. The Bankruptcy Court will provide a centralized mechanism for the parties to adjudicate the Adversary Proceeding while remaining conscious of Defendants' ongoing efforts in the Bankruptcy Proceedings. Plaintiffs' assertions that this case requires an expedited discovery process and will ultimately divert the Bankruptcy Court's attention from the Bankruptcy Proceedings lacks support. The Bankruptcy Court is well equipped to manage Plaintiffs' anticipated pretrial matters in light of the ongoing Bankruptcy Proceedings. *See In re Zohar III*, 2024 WL 1015112, at *5 ("Prematurely withdrawing the reference . . . will only burden this Court with pre-trial matters equally manageable in the bankruptcy court . . . ."). The District Court would not have this type of visibility if withdrawal of the reference was permitted. If anything, expedited discovery would support keeping the case with the Bankruptcy Court, where discovery is typically quicker. Therefore, the fostering of economic resources and expediting the Bankruptcy Proceedings weighs against withdrawal of the reference.

4. <u>The Timeliness of the Motion Weighs Against Withdrawal of the Reference</u>

27. While section 157(d) does not define what the District Court should consider "timely," timeliness is "measured by the stage of proceedings in the Bankruptcy Court." *In re Kidde-Fenwal*, 2024 WL 2941150, at *8 (internal citations omitted). However, "[i]t is this Court's 'general practice' not to withdraw reference until 'such time as the matter is ready for trial so that the Bankruptcy Court, which is already familiar with the parties and issues, may oversee discovery and pre-trial matters, and narrow the issues for trial.'" *In re Vitamin Oldco Holdings, Inc. GNC Holdings, Inc.*, 2025 WL 2768084, at *8; *In re 24 Hour Fitness Worldwide*, 2022 WL 605661, at

*3; *In re Essar Steel Minnesota LLC,* Case No. 16-11626 (CTG), 2024 WL 4047451, at *7 (Bankr. D. Del. Sep. 4, 2024) (finding that bankruptcy court led pretrial proceedings is "fully consistent" with the District Court's longstanding practice).

28. The Adversary Proceeding is far from trial ready. Plaintiffs must take numerous requisite steps before the District Court could reach the merits of the Adversary Proceeding, including, among other things, a meet and confer conference, the establishment of pretrial and discovery schedules, summary judgment and other dispositive pretrial motions, and the possibility of a resolution. Additionally, the District Court encourages the Bankruptcy Court to resolve pretrial matters and narrow the issues until the proceeding is ripe for trial. *See In re Essar Steel Minnesota*, 667 B.R. at 821–22 (finding the motion for withdrawal of the reference was timely because the case "has now progressed as far as it can" in the Bankruptcy Court). Accordingly, the Motion is premature and untimely, which weighs against withdrawal of the reference.

B. Plaintiffs' Claims Related to Judicial Economy and Core and Non-Core Proceedings Do Not Bear Directly on Withdrawal

29. At the outset of the Motion, Plaintiffs rely on the premise that the Adversary Proceeding is comprised solely of non-core claims to assert that permissive withdrawal is warranted. Motion at 13 ("[I]t cannot be disputed that all of OPmobility's claims are non-core."). No judicial body has determined that the claims underlying the Adversary Proceeding are non-core, nor have Defendants stipulated to such a determination. Section 157(b)(3) vests the Bankruptcy Court with the authority to determine whether a proceeding is core or non-core. Therefore, Plaintiffs have prematurely asserted that all claims alleged in the Adversary Proceeding are indisputably non-core and such arguments should be set aside until such time that a determination or stipulation has been made.

30. Notwithstanding the classification of the underlying claims, "proceedings should not be withdrawn for the sole reason that they are non-core." *Hatzel*, 106 B.R. at 371. Courts in this District routinely deny withdrawal of the reference when the underlying claims are non-core. *See, e.g.*, *In re Zohar III*, 2024 WL 1015112, at *4 (finding that the presence of non-core claims did not warrant withdrawal of the reference); *In re Elk Petroleum*, 2022 WL 4355285, at *6 (same); *In re 24 Hour Fitness Worldwide*, 2022 WL 605661, at *4–5 (same); *In re LTC Holdings, Inc.*, Case No. 14-11111 (CSS), 2019 WL 4643801, at *6–7 (D. Del. Sep. 24, 2019) (same); *In re AgFeed USA*, 565 B.R. at 566 (same); *In re Big V. Holding Corp.*, No. 00-04372 (RTL), 2002 WL 1482392, at *6 (D. Del. Jul. 11, 2002) (same).

31. Plaintiffs further argue that their jury trial demand and their nonconsent to adjudication by the Bankruptcy Court, as well as their non-filing of a proof of claim, weigh in favor of withdrawal of the reference.[8] However, while Plaintiffs' right to a jury trial is preserved, the right in and of itself does not warrant immediate withdrawal of the reference. The right to a jury trial does not compel withdrawing the reference until the case is ready to proceed to trial. *See In re LTC Holdings*, 2019 WL 4643801, at *6; *In re Kidde-Fenwal*, 2024 WL 2941150, at *6 ("[A] jury demand offers little basis for departure from the well-established practice in this [c]ourt: 'permitting the Bankruptcy Court to oversee pretrial matters . . . and withdrawing it only when it is ripe for a jury trial,' which 'promotes judicial economy and a timely resolution of [a] case.'"); *In re Zohar III*, 2024 WL 1015112, at *3 ("[A] demand for a jury trial [is] insufficient cause for

[8] Plaintiffs' assertions regarding their non-filing of a proof of claim are disingenuous at best. As Plaintiffs are well aware, the alleged conduct that is the subject of the Adversary Proceeding would not give rise to a pre-petition claim, if it gave rise to a claim at all. Focusing on the fact that Plaintiffs have not filed a proof of claim related to their alleged harm is a red herring and should have no impact on or relevance to the District Court's decision here. The Bankruptcy Proceedings are not yet ripe for emergence.

discretionary withdrawal if the [withdrawal] motion is made at an early stage of the proceedings and dispositive motions may resolve the matter.") (citations omitted).

32. Judicial economy is best served by "[p]ermitting the Bankruptcy Court to oversee pretrial matters . . . and withdrawing [the case] only when it is ripe for a jury trial . . . ." *In re LTC Holdings*, 2019 WL 4643801, at *8; *Am. Classic Voyages Co. v. Westaff (USA), Inc.*, 337 B.R. 509, 512 (D. Del. 2006) ("Courts . . . have recognized that it serves the interest of judicial economy and efficiency to keep an action in Bankruptcy Court for the resolution of pre-trial, managerial matters, even if the action will ultimately be transferred to a district court for trial." (citations omitted)); *In re Kidde-Fenwal*, 2024 WL 2941150, at *6; *In re 24 Hour Fitness Worldwide*, 2022 WL 605661, at *3. It is general practice for the District Court to permit the Bankruptcy Court to adjudicate and resolve pretrial matters and function in a role similar to a magistrate judge, even where a jury trial is requested. *See In re Nortel Networks*, 539 B.R. at 710; *In re Essar Steel Minnesota LLC*, 2024 WL 4047451, at *7 (finding that refraining from withdrawal of the reference until a case is trial ready is "eminently sensible in view" given most cases are resolved by dispositive motions are settlement and the district court bears a heavy caseload).[9]

[9] Plaintiffs' citation to *In re Appleseed's Intermediate Holdings, LLC*, No. ADV 11-51847 KG, 2011 WL 6293251, at *2 (D. Del. Dec. 15, 2011), does not support withdrawal of the reference here. That case involved an unusual situation where the adversary proceeding contained thirty-three differently situated named defendants, with only some demanding a jury trial, and with a mix of core and non-core claims alleged. *Id.* Further, the bankruptcy plan in that case explicitly provided that consent to the exclusive jurisdiction of the bankruptcy court included withdrawal of the reference to the district court. *Id.* Those circumstances are absent here. Moreover, *Nortel Networks* distinguished *Appleseed's* as "only pertinent if the core and non-core claims rely on the same issues of fact" and squarely held that it was appropriate for non-core claims to be administered by the Bankruptcy Court until ready for trial. 539 B.R. at 711. Further, Plaintiffs' reliance on out-of-Circuit case law to attempt to sidestep the well-established rule that bankruptcy courts may adjudicate non-core claims at least until trial is simply unavailing. For example, Plaintiffs cite to *Roman Catholic Diocese of Rockville Center, New York v. Arrowood Indemnity Co.*, No. 20-CV-11011 (VEC), 2021 WL 1978560, at *8 (S.D.N.Y. May 17, 2021), but the reasoning of that case was explicitly rejected by the

33. The Adversary Proceeding is in its infancy, with several pretrial matters, motions, and possible resolutions forthcoming consistent with pretrial practice. Therefore, judicial economy weighs against withdrawing the reference and allowing the Bankruptcy Court to handle pretrial matters until the Adversary Proceeding is ripe for trial.

34. Neither the interests of judicial economy, nor the *Pruitt* Factors, assessed as a whole, weigh in favor of withdrawal of the reference. Plaintiffs have not met their heavy burden to demonstrate that cause is shown to permissively withdraw the reference. Consistent with the District Court's prior rulings, the District Court should permit the Bankruptcy Court to conduct all pretrial matters until the Adversary Proceeding is ripe for trial, and accordingly, the Motion should be denied.

CONCLUSION

35. For the foregoing reasons, Defendants respectfully request that the District Court enter an order denying the Motion and granting such other relief as is just and proper under the circumstances.

District Court in *In re 24 Hour Fitness Worldwide*, 2022 WL 605661, at *3 (noting that "[t]he *Rockville* decision, while instructive . . . [and] entirely reasonable, differs from this Court's general practice of withdrawing the reference at such time as the matter is ready for trial, so that the Bankruptcy Court, which is already familiar with the parties and issues, may oversee discovery and pre-trial matters, and narrow the issue for trial").