

July 7, 2015 www.mcvpr.com**LITIGATION ALERT*****U.S. Court of Appeals Upholds Ruling Invalidating Puerto Rico Recovery Act***

The United States Court of Appeals for the First Circuit released on July 6 [a panel decision](#) upholding the District Court's judgment in favor of the Puerto Rico Electric Power Authority bondholders who had challenged the validity of the Puerto Rico Public Corporation Debt Enforcement and Recovery Act of 2014 ("Recovery Act"), intended to provide bankruptcy-like relief to certain public instrumentalities and corporations.

The primary legal issue on appeal was whether section 903(1) of the Bankruptcy Code preempts the Recovery Act. The First Circuit held that the Recovery Act is expressly preempted by Section 903(1) of the U.S. Bankruptcy Code, which provides that Puerto Rico, unlike states, may not authorize its municipalities, including public corporations, to seek federal bankruptcy relief under Chapter 9 of the U.S. Bankruptcy Code. 11 U.S.C. sections 101(40), 101(52), 109(c). The Court, in disagreeing with the Commonwealth's position that Puerto Rico was left without relief in the midst of the current fiscal crisis, suggested it turn to Congress for recourse.

For further information on these matters, you may contact any of the attorneys listed below, all members of our Litigation Practice Group:

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