Double Trouble: The Executory Effect of a Clerical Error



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The United States Bankruptcy Court for the Northern District of Texas issued an opinion holding that an unintentional, duplicate obligation remaining under a contract can render the contract executory, even if perhaps in contravention of the plain language of the contract.

Writing for Weil, Gotshal & Manges' **Bankruptcy** blog, **David Li** discusses *In re TM Village, Ltd.*:

> The *TM Village* opinion framed the issues as whether the parties' prepetition settlement agreement was an executory contract, and if so, whether the debtor could reject it in its business judgment (the court held in the affirmative on both issues). The court reaffirmed that the plain language of a contract may be read in a broader context to avoid an "unreasonable, inequitable and oppressive outcome." The case serves as a cautionary tale that even a simple clerical error may have unintended and prolonged consequences.

Read the article.