

BANKRUPTCY

Purdue Pharma Bankruptcy Probe Will Examine Board Committee’s Independence

The review will assess the independence of a special board committee from the Sackler family members who own the company



A New York bankruptcy judge has agreed to a review of the independence of a Purdue Pharma LP board committee from the Sackler family members who own the OxyContin maker.

PHOTO: GEORGE FREY/REUTERS

By [Jonathan Randles](#)

June 16, 2021 7:18 pm ET

A New York bankruptcy judge has authorized a review of the independence of a Purdue Pharma LP board committee from the Sackler family members who own the OxyContin maker and have agreed to pay roughly \$4.28 billion to resolve lawsuits accusing it of fueling the opioid epidemic.

Judge Robert Drain of the U.S. Bankruptcy Court in White Plains, N.Y., on Wednesday agreed to the investigation at the request of a parent whose daughter died after ingesting an OxyContin pill. An outside examiner will assess the independence of the special board committee, which has been guiding Purdue through its bankruptcy, from the company’s family shareholders, Judge Drain said.

CASE OVERVIEW

DEBTOR’S REPRESENTATIVES

UNSECURED CREDITORS

KEY FILINGS

Temple University law professor Jonathan Lipson represented the father who made the request. Judge Drain said Mr. Lipson’s motion for an examiner contained false and slanderous claims against the court and lawyers who have worked on the chapter 11 and that it also raised without evidence claims challenging the integrity of the Purdue bankruptcy.

Purdue, which filed for chapter 11 protection in 2019, has consistently maintained that its special committee has

acted independently. Judge Drain agreed, saying there has been no evidence to suggest otherwise.

Instead, the judge said he would appoint an examiner because the publicly available motion filed by Mr. Lipson has “tainted” the bankruptcy case. The judge said he was worried that if he denied the request, the media following the proceeding would uncritically report that the court had blocked an independent review of the case, perpetuating a false narrative of the chapter 11 case described in Mr. Lipson’s brief.

“I am concerned that if I do not appoint an examiner, the next press release will be: Court refuses to appoint examiner to determine whether the process was fair,” Judge Drain said.

Judge Drain said a proposed chapter 11 plan and a corresponding settlement with the Sacklers have been the subject of extensive mediation and investigation and that they continue to face a formidable challenge from a group of U.S. states opposed to the proposal.

Purdue’s bankruptcy has received widespread media attention and Judge Drain said Mr. Lipson’s motion “sadly misled” the public by questioning without evidence the independence of the court and lawyers working on the chapter 11 case. Judge Drain yelled at Mr. Lipson throughout the approximately five-hour hearing.

“I hope you’re not teaching the future Michael Avenattis of this world at Temple,” Judge Drain said.

Mr. Lipson said he apologized if the judge and the lawyers felt personally attacked by assertions in the motion and said he didn’t intend to do so.

RELATED COVERAGE

- †Texas Senior Home Operator Files for Bankruptcy, Plans Lender Takeover [June 21, 2021](#)
- †High Court Passes on Case Seeking to Ease Bankruptcy Hurdle for Student-Loan Borrowers [June 21, 2021](#)
- †Troubled Companies Take Page From AMC Playbook in Seeking Stock-Market Lifelines [June 20, 2021](#)

“We do not intend to cast aspersions on anyone,” Mr. Lipson said. “We are concerned that those

inside the case simply do not see what it looks like from outside.”

Purdue lawyer Marshall Huebner on Wednesday defended the work that has gone into the reorganization plan and settlement, which he said grew out of court-ordered mediation before the bankruptcy with numerous personal-injury lawyers and state attorneys general.

Other creditor groups also opposed the appointment of an examiner and said the request misrepresented the chapter 11 process and the extensive work the counsel has already undertaken to probe the Sacklers, a sentiment Judge Drain agreed with.

Mr. Huebner said Mr. Lipson’s motion “contains no evidence whatsoever of the almost endless litany of nasty, utterly unsupported” and false facts about the chapter 11 case contained in the brief.

Purdue filed for bankruptcy to resolve lawsuits over its opioid painkiller drug. The Stamford, Conn.-based company has said its restructuring, if approved, would provide billions of dollars for opioid abatement programs. Judge Drain has authorized Purdue to poll creditors on its bankruptcy plan. An August trial has been scheduled over whether to approve the plan.

Write to Jonathan Randles at Jonathan.Randles@wsj.com