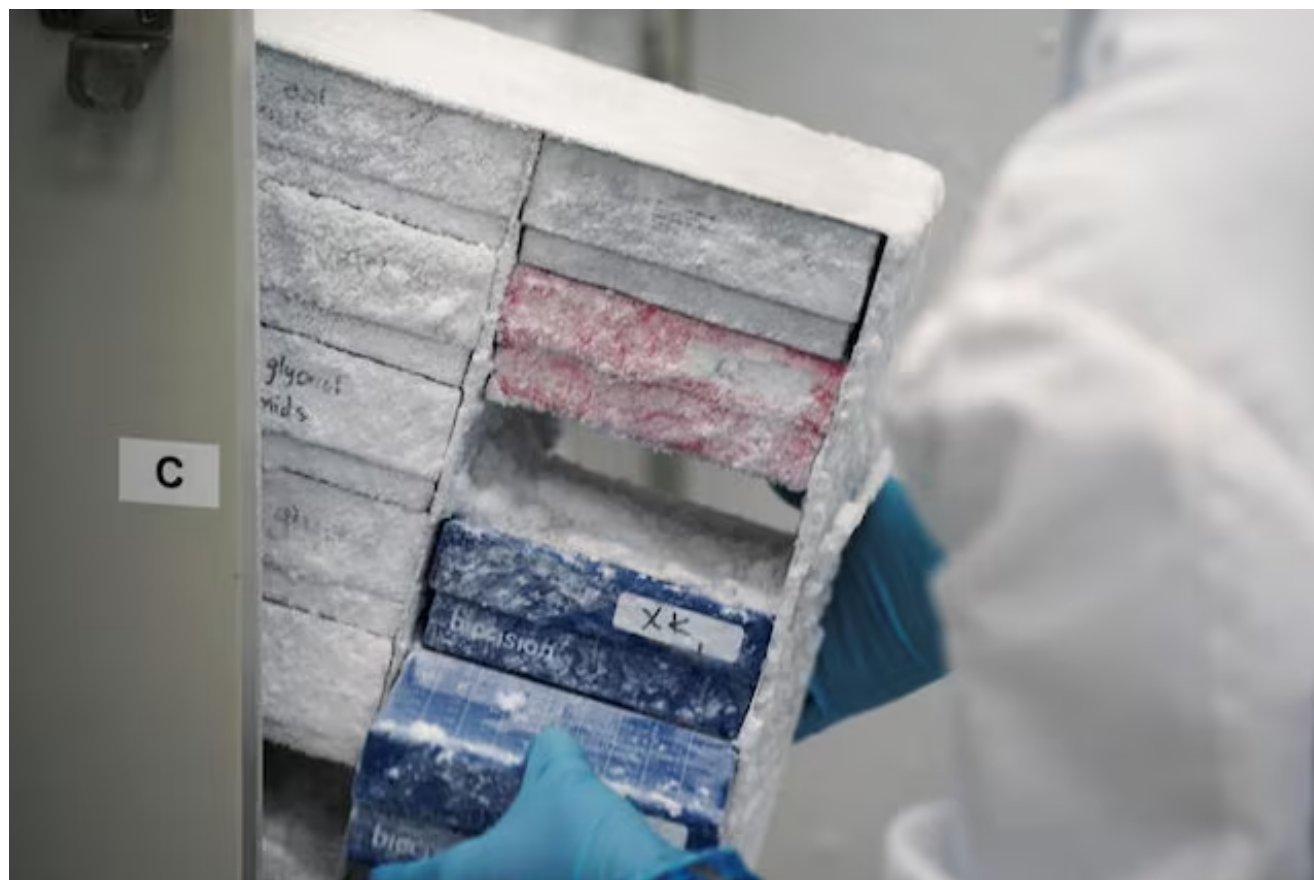


Company's PO box allows it to file for bankruptcy in Texas, judge rules

 [reuters.com/legal/litigation/companys-po-box-allows-it-file-bankruptcy-texas-judge-rules-2024-03-11](https://www.reuters.com/legal/litigation/companys-po-box-allows-it-file-bankruptcy-texas-judge-rules-2024-03-11)

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A scientist loads samples into a laboratory freezer at Sorrento Therapeutics where efforts are underway to develop an antibody, STI-1499, to help in prevention of the coronavirus disease (COVID-19) in San Diego, California, U.S., May 22, 2020. REUTERS/Bing Guan [Purchase Licensing Rights, opens new tab](#)

- Summary
- Companies
- Sorrento used a new PO Box and bank account to justify Texas filing
- DOJ watchdog said Sorrento case showed extreme "venue shopping"
- Judge ruled DOJ objection came too late to transfer the case

March 11 (Reuters) - Sorrento Therapeutics may continue its Chapter 11 case in Texas, a U.S. judge ruled Monday, rejecting arguments that the pharmaceutical company manipulated bankruptcy venue rules by claiming a just-opened P.O. box as a subsidiary's primary address.

U.S. Bankruptcy Judge Christopher Lopez in Houston, Texas, said at a hearing on Monday that the U.S. Department of Justice had waited too long before arguing that the case should be transferred to Delaware, where Sorrento was incorporated, or San Diego, California, where it was headquartered.

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Sorrento filed for bankruptcy in February 2023, and transferring the case now, as the company nears a final sale of its assets, would be inefficient, Lopez ruled.

"The interest of justice mandates that this case stays here," Lopez said.

Sorrento's lawyers filed paperwork to open a P.O. box for a non-operating subsidiary, Scintilla, just 10 hours before Sorrento filed for bankruptcy, then used it to justify filing a Chapter 11 petition in Texas, according to court documents. Sorrento then used Scintilla's filing as a justification for its own Chapter 11 petition in Texas.

The Department of Justice's bankruptcy watchdog, the office of the U.S. Trustee, has argued that Sorrento's actions were "venue manipulation taken to a new and unprecedented extreme." Allowing Sorrento to exploit a loophole in U.S. bankruptcy law's venue rules would [undermine public confidence](#) in the bankruptcy system, the U.S. Trustee argued.

Aubrey Thomas, representing the U.S. Trustee, said at Monday's hearing that a company's "principal place of business" could not be a just-opened P.O. Box.

Thomas asked Sorrento's chief restructuring officer Mohsin Meghji "Can you hold meetings inside a P.O. Box?"

"Not to my knowledge, no," Meghji answered.

Sorrento's CEO, Henry Ji, had never visited the P.O. Box, and Meghji could not recall whether Scintilla received any mail at the P.O. Box, Thomas later said.

"There isn't a scintilla of evidence that the company was based in Texas," Thomas told Lopez. "Instead, all of the activities of Scintilla were directed from San Diego."

Lopez ruled the U.S. Trustee should have raised a venue argument much sooner in the case. Transferring the case would imperil Sorrento's efforts to sell its assets and repay creditors, he said.

The case has already been reassigned once, after the [sudden resignation](#) of U.S. Bankruptcy Judge David Jones, and a further transfer could potentially derail Sorrento's effort to sell its assets before it runs out of cash, Lopez said. Another judge would have to spend long hours getting up to speed on the case, something that Lopez said took him at least 40 late-night hours when he took the case in October.

"I know what it takes, because I had to do it," Lopez said.

Lopez had [previously rejected](#) a Sorrento shareholder's demand to sanction the law firms that helped Sorrento file in Texas, Jackson Walker and Latham & Watkins, for their efforts to ensure that Sorrento's bankruptcy ended up in Texas.

The case is Sorrento Therapeutics, U.S. Bankruptcy Court for the Southern District of Texas, No. 23-90085

For Sorrento: Caroline Reckler, Ebba Gebisa, Jeff Bjork, Kimberly Posin of Latham & Watkins

For the U.S. Trustee: Aubrey Thomas of the Office of the U.S. Trustee

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