

4-24-1972

ABA Eyes Federal Judges

Clark Mollenhoff

George Anthan

Follow this and additional works at: <http://repository.uchastings.edu/publicity>

 Part of the [Judges Commons](#), and the [Legal Ethics and Professional Responsibility Commons](#)

Recommended Citation

Clark Mollenhoff and George Anthan, *ABA Eyes Federal Judges* (1972).

Available at: <http://repository.uchastings.edu/publicity/88>

This News Article is brought to you for free and open access by the Judicial Ethics and the National News Council at UC Hastings Scholarship Repository. It has been accepted for inclusion in Publicity & News Clippings by an authorized administrator of UC Hastings Scholarship Repository. For more information, please contact marcusc@uchastings.edu.

APR 24 1972

By *Byfaller*Clark Mollenhoff and George Anthan

ABA Eyes Federal Judges

WASHINGTON—Increasing attention is being focused on how some federal judges are handling bankruptcy cases involving millions of dollars in assets that are placed under control of their courts.

These cases point up the lack of any effective controls over the actions of federal judges under whose protection vast sums of money are placed.

In order to curb and prevent any abuses by judges, the American Bar Association (ABA) is moving rapidly to adopt a tightly-worded new code of conduct for the judiciary.

IN INDIANAPOLIS, Ind., U.S. District Judge William Steckler appointed a friend and former law partner, Sheldon Key, to manage the operations of a trucking firm that was having financial trouble and had asked the court for help.

The firm owed \$3 million, had \$2 million in assets and did \$11 million worth of business a year. In some 18 years under the management of Key and the federal court, the trucking firm has not paid its debts, although lawyers named by the court have received some \$600,000 in court-approved legal fees. The firm now is virtually out of business.

The Dayton (Ohio) Journal Herald, in a series of articles, has pointed out that Judge Stickler named his former law clerk, Donald W. Buttrey, as receiver for a bankrupt securities company. A year after Buttrey was appointed by the judge, W. Rudolph Steckler, the judge's son, joined Buttrey's law firm.

IN ANOTHER CASE, Judge Steckler appointed former Indiana Gov. Matthew Welsh and Sigmund J. Beck, a lawyer who had been involved in the case of the bankrupt trucking company, to oversee the assets of a real estate operation that had filed for bankruptcy.

Welsh and Beck had been operating the real estate operation prior to the bankruptcy, and the U.S. Securities and Exchange Commission (SEC) objected and asked the court to appoint "disinterested" trustees.

Judge Steckler turned the SEC down. The federal agency, in making the protest, was acting as an advisor to the court since the case involved public stock sales.

In another case in Indianapolis, U.S. District Judge James Noland approved

the involuntary bankruptcy reorganizations of two other large real estate operations, after two private lawyers had requested the action in the names of six stockholders.

SINCE THAT action, there have been allegations that four of the stockholders were not aware the action was being taken in their names.

Named bankruptcy trustee for one of the real estate operations was John Bradshaw, who is a member of the same law firm as W. Rudolph Steckler. The U.S. District Court has allowed a \$24,000 interim fee for Bradshaw, even though the SEC recommended that he receive only \$15,000.

The two lawyers who had originally requested the real estate operations be reorganized under bankruptcy, Alan I. Klineman and Hugh A. Thornburg, were allowed a total interim fee of \$31,500 by the federal court.

The SEC had recommended to the court that Klineman and Thornburg be paid \$20,000.

IN HAMMOND, Ind., Judge Luther Swygert presided for several years over the bankruptcy case of a company against which he had earlier filed claims as a private lawyer. When some of the lawyers appointed by the court to oversee the operations of the bankrupt real estate company were indicted or disbarred, Judge Swygert disqualified himself.

The Hammond case was taken over by U.S. District Judge Robert Tehan of Milwaukee, Wis., who allowed some \$500,000 in claims to be paid, much of it in lawyers' fees, even though there were objections from company stockholders that the claims were fraudulent.

The Hammond firm, Woodmar Realty Co., has assets valued at some \$25 million, but hundreds of stockholders and creditors have received no money.

Officials of the ABA say the professional law organization is highly concerned over charges of impropriety involving judges and bankruptcy cases.

THE ABA currently is preparing a new code of conduct for judges to replace the old canons of judicial ethics. The new code is expected to be presented to the ABA's House of Delegates at its mid-winter meeting in February, 1973.

If adopted by the House of Delegates, as expected, the new code of conduct then will be presented to the highest court in each state of the union, which in most cases would be the state supreme court. Once adopted in a state, the new code would cover judges there.

The current canons of judicial ethics are broad and highly general in nature. There are no specific provisions covering ethical considerations; there are no provisions for punishment, and no conditions for competency.

THE NEW CODE will spell out conflict of interest situations to be avoided by judges and will cover investments by judges in private business.

ABA officials said that once the new code is adopted, it could be applied to federal judges within a state. If a U.S. judge is found to be violating a section of the code, it would be possible for state legal authorities to move to disbar him. Once disbarred, he no longer would be qualified to sit as a federal judge, and it would be up to Congress to remove him.

"We know," said an ABA official, "that bankruptcies are very lucrative. You get judges who sometimes appoint people as trustees and lawyers who know nothing about it. This is where you get these plums."

He added, "Most lawyers in this country hate this. We can spend hundreds of thousands of dollars on public relations and one incident throws it all out of the window."

PERHAPS THE most energetic proponent in Congress of increased surveillance of the federal courts is Rep. H.R. Gross (R-Iowa). But he has had little success in convincing his colleagues that Congress must step in to investigate charges against judges.

Many congressmen are concerned that such action, if taken regularly, could jeopardize the delicate relationship between the branches of government and threaten the traditional independence of the American courts.

But, Gross emphasizes, "These courts have been left far too long to run themselves, and Congress has done too little. And, as a result, the courts have gotten out of hand."

(Copyright 1972 by United Feature Syndicate Inc.)