

International Trade: Service of Process and Default Judgments Can Reach You in Unexpected Ways

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A recent Second Circuit decision offers a valuable lesson for foreign companies dealing with U.S. counterparties: a plaintiff may effect service of process through a collection agent, even if that agent was not expressly authorized to accept service of process on the company's behalf. *Ryniker v. Sumec Textile Co. Ltd.*, 177 F.4th 365 (2d Cir. 2026). The Second Circuit reinstated a default judgment against a Chinese creditor, Sumec Textile Company Limited, following a convoluted procedural path from bankruptcy court to district court, then bankruptcy court again and a rare direct appeal to the Second Circuit.

As they say, the devil is in the details. A closer look at the background helps explain why the court reached that result.

Décor Holdings, Inc. and its affiliates were sellers of decorative fabric that filed voluntary Chapter 11 petitions on February 12, 2019. They listed Sumec Textile Company Limited, a Nanjing, China-based textile manufacturer, as their second-largest unsecured creditor. Sumec Textile Company Limited held an export credit insurance policy with China Export & Credit Insurance Corporation, known as Sinasure, and submitted an insurance claim to Sinasure for the unpaid balance owed by the debtors.

Before Sinasure paid on the insurance claim, Sumec Textile Company Limited executed a Collection Trust Deed authorizing Sinasure to collect, "on our behalf," the "full amount" of the debt owed by the debtors, \$3,029,719.52, and granted Sinasure "full power" to exercise collection rights and remedies in Sumec Textile Company Limited's name or Sinasure's own name. Sinasure then hired Brown & Joseph, LLC, a U.S. collection agency, to collect the debt. Sinasure's instructions to Brown & Joseph granted it "full power" to exercise collection rights and remedies for "amicable debt collection."

The Collection Trust Deed, however, did not authorize Sinasure to accept service of a summons or complaint on Sumec's behalf or act in any way for Sumec. To assist in debt collection, Sinasure hired the Detroit-based collection agency Brown & Joseph LLC ("B&J"). The scope of B&J's authority and services was set forth and limited by a Trust Deed and Letter of Instruction dated March 4, 2019. There is no language in the Trust Deed and Letter of Instruction that authorizes B&J to accept service of process on behalf of Sumec. B&J filed a proof of claim in Décor Holdings, Inc.'s bankruptcy on behalf of Sumec.

The dispute arose when a litigation administrator later commenced an adversary proceeding seeking to recover payments made to Sumec and to disallow Sumec's claim. The summons and complaint were mailed to Sumec "in care of Brown & Joseph" at the address listed on the proof of claim. Brown & Joseph engaged with the plaintiff after service, stating it was reviewing the matter with "our client and the creditor," referencing an ordinary course defense, and noting that Sumec believed the payments "were made in the ordinary course of business." Despite these communications, Sumec never appeared, and a default judgment was entered.

The central issue on appeal was whether Brown & Joseph qualified as an “agent authorized by appointment or by law to receive service” under Bankruptcy Rule 7004, even though the governing documents did not expressly authorize it to accept service of process. The Second Circuit answered yes, holding that Brown & Joseph had implied actual authority to accept service on Sumec’s behalf.

The Court emphasized that actual authority is not limited to what is expressly stated. It includes authority “to perform acts necessary or incidental to achieving the principal’s objectives, as reasonably understood from the principal’s manifestations.” Here, Sumec had authorized Sinasure to collect the “full amount” of the debt, and Sinasure had in turn authorized Brown & Joseph to do the same. By filing a proof of claim in Sumec’s name and designating itself as the recipient for notices, Brown & Joseph positioned itself as the functional representative of the creditor in the bankruptcy case.

Critically, the adversary proceeding did not exist in isolation. It sought not only to recover alleged preferences but also to disallow the very claim Brown & Joseph had been authorized to pursue. In that context, they rejected the argument that express authorization to accept service was required. Instead, it reasoned that authority to recover the “full amount” necessarily included authority to receive notice of litigation that could reduce that recovery. As the Court put it, actual authority may be implied from the principal’s objectives, and here those objectives made service on Brown & Joseph appropriate. The Court therefore reinstated the default judgment.

For foreign creditors, the implications are significant. This decision underscores that delegating collection authority and allowing a default to be entered may carry material negative consequences that extend beyond simple debt recovery. Even where agency documents state that the agent does not have authority to accept service, a court may find otherwise based on the scope of the assignment and the surrounding circumstances. Interestingly, in this case, the creditor had posted a bond to stay enforcement during the appeal process and the reinstatement of the default judgment clears the path to satisfying the judgment quickly.

The takeaway is straightforward but important: foreign companies should carefully define and, where appropriate, limit the authority granted to insurers, factors, and collection agents. Absent clear boundaries and active oversight, service of process on a U.S. agent may be sufficient to bind a foreign creditor even where the creditor has not expressly authorized the agent to accept service and the agent has affirmatively informed the plaintiff that it lacks such authority.