



U.S. Supreme Court Issues Ruling in *In re Bellingham*

On June 9, 2014, the United States Supreme Court issued a unanimous opinion in *Exec. Benefits Ins. Agency, Inc. v. Arkison (In re Bellingham Ins. Agency, Inc.)*, 573 U.S. ____ (2014), affirming the Ninth Circuit and holding that, while the Constitution does not permit a bankruptcy court to issue a final ruling in certain circumstances, it is permitted to issue proposed findings of fact and conclusions of law to be reviewed *de novo* by the district court.

This case arose out of uncertainty after the Court's prior ruling in *Stern v. Marshall*, 131 S.Ct. 2594 (2011). In *Stern*, the Supreme Court held that Article III of the Constitution prohibits a bankruptcy court from entering a final adjudication on certain claims. The Court did not, however, offer direction on how bankruptcy courts should proceed when faced with "*Stern* claims" (i.e., claims in which a bankruptcy court is statutorily authorized to issue a final ruling, but is constitutionally prohibited from doing so).

In *In re Bellingham*, the Bankruptcy Court entered summary judgment in favor of the trustee without explaining whether its order was made pursuant to §157(b) (a core proceeding) or §157(c)(2) (a non-core proceeding, with consent of parties). The debtor appealed the judgment to the District Court which conducted a *de novo* review and entered judgment in favor of the trustee. It was not until further appeal that the debtor objected to the entry of final judgment on constitutional grounds. The Ninth Circuit affirmed the District Court's holding, and stated that a party should not be able to raise the question of Article III rights after a ruling has been entered against it. *In re Bellingham*, 702 F.3d 553, 570 (9th Cir. 2012) (citing *Stern*, 131 S.Ct. at 2609).

The Supreme Court's opinion clarifies treatment of *Stern* claims going forward, but does not address the issues of: (a) whether a party is entitled to review of *Stern* claims regardless of the parties' consent to final adjudication before the Bankruptcy Court or (b) whether the debtor in question actually had consented to adjudication before the Bankruptcy Court.

While the content of *In re Bellingham* is particularly important for bankruptcy practitioners, the unanimous ruling is significant for other areas of law as well because it provides a window into the Court's analysis of Article III, its exercise of statutory interpretation, and its exploration of where the two intersect.

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