

Stern v. Marshall – Supreme Court Limits the Power of Bankruptcy Courts to Hear Certain State Law Claims Brought by Debtors Against Creditors

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Late last week, the United States Supreme Court affirmed a 2010 ruling of the Ninth Circuit Court of Appeals and held that a bankruptcy court, as a non-Article III court, did not have the constitutional authority to decide a state law claim brought by a debtor against a creditor, even though the matter was part of the “core” statutory jurisdiction of the bankruptcy court. This significant decision limits the power of bankruptcy courts and may have wide-ranging implications, requiring certain types of claims to be decided in a non-bankruptcy forum, even where they are central to a debtor’s bankruptcy case.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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