Syllabus

NOTE: Where it is feasible, a syllabus (headnote) will be released, as is being done in connection with this case, at the time the opinion is issued. The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States* v. *Detroit Timber & Lumber Co.,* 200 U. S. 321, 337.

SUPREME COURT OF THE UNITED STATES

Syllabus

WELLNESS INTERNATIONAL NETWORK, LTD., ET AL. *v.* SHARIF

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

No. 13–935. Argued January 14, 2015—Decided May 26, 2015

Respondent Richard Sharif tried to discharge a debt he owed petitioners, Wellness International Network, Ltd., and its owners (collectively Wellness), in his Chapter 7 bankruptcy. Wellness sought, *inter alia*, a declaratory judgment from the Bankruptcy Court, contending that a trust Sharif claimed to administer was in fact Sharif's alter-ego, and that its assets were his personal property and part of his bankruptcy estate. The Bankruptcy Court eventually entered a default judgment against Sharif. While Sharif's appeal was pending in District Court, but before briefing concluded, this Court held that Article III forbids bankruptcy courts to enter a final judgment on claims that seek only to "augment" the bankruptcy estate and would otherwise "exis[t] without regard to any bankruptcy proceeding." *Stern* v. *Marshall*, 564 U. S. ___, ___. After briefing closed, Sharif sought permission to file a supplemental brief raising a *Stern* objection. The District Court denied the motion, finding it untimely, and affirmed the Bankruptcy Court's judgment. As relevant here, the Seventh Circuit determined that Sharif's *Stern* objection could not be waived because it implicated structural interests and reversed on the alter-ego claim, holding that the Bankruptcy Court lacked constitutional authority to enter final judgment on that claim.

Held:

1. Article III permits bankruptcy judges to adjudicate *Stern* claims with the parties' knowing and voluntary consent. Pp. 8–17.

(a) The foundational case supporting the adjudication of legal disputes by non-Article III judges with the consent of the parties is *Commodity Futures Trading Comm'n* v. *Schor*, 478 U. S. 833. There, the Court held that the right to adjudication before an Article III

court is "personal" and therefore "subject to waiver." *Id.,* at 848. The Court also recognized that if Article III's structural interests as "'an inseparable element of the constitutional system of checks and balances'" are implicated, "the parties cannot by consent cure the constitutional difficulty." *Id.,* at 850–851. The importance of consent was reiterated in two later cases involving the Federal Magistrates Act's assignment of non-Article III magistrate judges to supervise *voir dire* in felony trials. In *Gomez* v. *United States*, 490 U. S. 858, the Court held that a magistrate judge was not permitted to select a jury without the defendant's consent, *id.,* at 864. But in *Peretz* v. *United States*, 501 U. S. 923, the Court stated that "the defendant's consent significantly changes the constitutional analysis," *id.*, at 932. Because an Article III court retained supervisory authority over the process, the Court found "no structural protections . . . implicated" and upheld the Magistrate Judge's action. *Id.,* at 937. Pp. 8–12.

(b) The question whether allowing bankruptcy courts to decide *Stern* claims by consent would "impermissibly threate[n] the institutional integrity of the Judicial Branch," *Schor*, 478 U. S., at 851, must be decided "with an eye to the practical effect that the" practice "will have on the constitutionally assigned role of the federal judiciary," *ibid.* For several reasons, this practice does not usurp the constitutional prerogatives of Article III courts. Bankruptcy judges are appointed and may be removed by Article III judges, see 28 U. S. C. §§152(a)(1), (e); "serve as judicial officers of the United States district court," §151; and collectively "constitute a unit of the district court" for the district in which they serve, §152(a)(1). Bankruptcy courts hear matters solely on a district court's reference, §157(a), and possess no free-floating authority to decide claims traditionally heard by Article III courts, see *Schor*, 478 U. S., at 854, 856. "[T]he decision to invoke" the bankruptcy court's authority "is left entirely to the parties," *id.,* at 855, and "the power of the federal judiciary to take jurisdiction" remains in place, *ibid.* Finally, there is no indication that Congress gave bankruptcy courts the ability to decide *Stern* claims in an effort to aggrandize itself or humble the Judiciary. See, *e.g., Peretz,* 501 U. S., at 937. Pp. 12–15.

(c) *Stern* does not compel a different result. It turned on the fact that the litigant "did not truly consent to" resolution of the claim against it in a non-Article III forum, 564 U. S., at ___, and thus, does not govern the question whether litigants may validly consent to adjudication by a bankruptcy court. Moreover, expanding *Stern* to hold that a litigant may not waive the right to an Article III court through consent would be inconsistent with that opinion's own description of its holding as "a 'narrow' one" that did "not change all that much" about the division of labor between district and bankruptcy courts.

Syllabus

Id., at ___. Pp. 15–17.

2. Consent to adjudication by a bankruptcy court need not be express, but must be knowing and voluntary. Neither the Constitution nor the relevant statute—which requires "the consent of all parties to the proceeding" to hear a *Stern* claim, §157(c)(2)—mandates express consent. Such a requirement would be in great tension with this Court's holding that substantially similar language in §636(c)—which authorizes magistrate judges to conduct proceedings "[u]pon consent of the parties"—permits waiver based on "actions rather than words," *Roell* v. *Withrow*, 538 U. S. 580, 589. *Roell*'s implied consent standard supplies the appropriate rule for bankruptcy court adjudications and makes clear that a litigant's consent—whether express or implied—must be knowing and voluntary. Pp. 18–19.

3. The Seventh Circuit should decide on remand whether Sharif's actions evinced the requisite knowing and voluntary consent and whether Sharif forfeited his *Stern* argument below. P. 20.

727 F. 3d 751, reversed and remanded.

SOTOMAYOR, J., delivered the opinion of the Court, in which KENNEDY, GINSBURG, BREYER, and KAGAN, JJ., joined, and in which ALITO, J., joined in part. ALITO, J., filed an opinion concurring in part and concurring in the judgment. ROBERTS, C. J., filed a dissenting opinion, in which SCALIA, J., joined, and in which THOMAS, J., joined as to Part I. THOMAS, J., filed a dissenting opinion.