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

TRAVELERS INDEMNITY CO. ET AL. *v.* BAILEY ET AL.

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

No. 08–295. Argued March 30, 2009—Decided June 18, 2009*

As part of the 1986 reorganization plan of the Johns-Manville Corporation (Manville), an asbestos supplier and manufacturer of asbestos-containing products, the Bankruptcy Court approved a settlement providing that Manville's insurers, including The Travelers Indemnity Company and related companies (Travelers), would contribute to the corpus of the Manville Personal Injury Settlement Trust (Trust), and releasing those insurers from any "Policy Claims," which were channeled to the Trust. "Policy Claims" include, as relevant here, "claims" and "allegations" against the insurers "based upon, arising out of or relating to" the Manville insurance policies. The settlement agreement and reorganization plan were approved by the Bankruptcy Court (1986 Orders) and were affirmed by the District Court and the Second Circuit. Over a decade later plaintiffs began filing asbestos actions against Travelers in state courts (Direct Actions), often seeking to recover from Travelers not for Manville's wrongdoing but for Travelers' own alleged violations of state consumer-protection statutes or of common law duties. Invoking the 1986 Orders, Travelers asked the Bankruptcy Court to enjoin 26 Direct Actions. Ultimately, a settlement was reached, in which Travelers agreed to make payments to compensate the Direct Action claimants, contingent on the court's order clarifying that the Direct Actions were, and remained, prohibited by the 1986 Orders. The court made extensive factual findings, uncontested here, concluding that Travelers derived its knowledge of asbestos from its insurance relationship with Manville and that the Direct Actions are based on acts or omissions by Travel-

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*Together with No. 08–307, *Common Law Settlement Counsel* v. *Bailey et al.,* also on certiorari to the same court.

ers arising from or related to the insurance policies. It then approved the settlement and entered an order (Clarifying Order), which provided that the 1986 Orders barred the pending Direct Actions and various other claims. Objectors to the settlement (respondents here) appealed. The District Court affirmed, but the Second Circuit reversed. Agreeing that the Bankruptcy Court had jurisdiction to interpret and enforce the 1986 Orders, the Circuit nevertheless held that the Bankruptcy Court lacked jurisdiction to enjoin the Direct Actions because those actions sought not to recover based on Manville's conduct, but to recover directly from Travelers for its own conduct.

Held: The terms of the injunction bar the Direct Actions against Travelers, and the finality of the Bankruptcy Court's 1986 Orders generally stands in the way of challenging their enforceability. Pp. 9–18.

(a) The Direct Actions are "Policy Claims" enjoined as against Travelers by the 1986 Orders, which covered, *inter alia,* "claims" and "allegations" "relating to" Travelers' insurance coverage of Manville. In a statute, "[t]he phrase 'in relation to' is expansive," *Smith* v. *United States*, 508 U. S. 223, 237, and so is its reach here. While it would be possible to suggest that a "claim" only relates to Travelers' insurance coverage if it seeks recovery based upon Travelers' specific contractual obligation to Manville, "allegations" is not amenable to such a narrow construction and clearly reaches factual assertions that relate in a more comprehensive way to Travelers' dealings with Manville. The Bankruptcy Court's detailed factual findings place the Direct Actions within the terms of the 1986 Orders. Contrary to respondents' argument, the 1986 Orders contain no language limiting "Policy Claims" to claims derivative of Manville's liability. Even if, before the entry of the 1986 Orders, Travelers understood the proposed injunction to bar only such derivative claims, where a court order's plain terms unambiguously apply, as they do here, they are entitled to their effect. If it is black-letter law that an unambiguous private contract's terms must be enforced irrespective of the parties' subjective intent, it is also clear that a court, such as the Bankruptcy Court here, should enforce a court order, a public governmental act, according to its unambiguous terms. Pp. 10–13.

(b) Because the 1986 Orders became final on direct review over two decades ago, whether the Bankruptcy Court had jurisdiction and authority to enter the injunction in 1986 was not properly before the Second Circuit in 2008 and is not properly before this Court. The Bankruptcy Court plainly had jurisdiction to interpret and enforce its own prior orders, see *Local Loan Co.* v. *Hunt*, 292 U. S. 234, 239, and it explicitly retained jurisdiction to enforce its injunctions when it issued the 1986 Orders. The Second Circuit erred in holding the 1986 Orders unenforceable according to their terms on the ground that the

Bankruptcy Court had exceeded its jurisdiction in 1986. On direct appeal of the 1986 Orders, any objector was free to argue that the Bankruptcy Court had exceeded its jurisdiction, and the District Court or Court of Appeals could have raised such concerns *sua sponte*. But once those orders became final on direct review, they became res judicata to the " 'parties and those in privity with them.' " *Nevada* v. *United States*, 463 U. S. 110, 130. So long as respondents or those in privity with them were parties to Manville's bankruptcy proceeding, and were given a fair chance to challenge the Bankruptcy Court's subject-matter jurisdiction, they cannot challenge it now by resisting enforcement of the 1986 Orders. The Second Circuit's willingness to entertain this collateral attack cannot be squared with res judicata and the practical necessity served by that rule. Almost a quarter-century after the 1986 Orders were entered, the time to prune them is over. Pp. 13–16.

(c) This holding in narrow. The Court neither resolves whether a bankruptcy court, in 1986 or today, could properly enjoin claims against nondebtor insurers that are not derivative of the debtor's wrongdoing, nor decides whether any particular respondent is bound by the 1986 Orders, which is a question that the Second Circuit did not consider. Pp. 17–18.

517 F. 3d 52, reversed and remanded.

SOUTER, J., delivered the opinion of the Court, in which ROBERTS, C. J., and SCALIA, KENNEDY, THOMAS, BREYER, and ALITO, JJ., joined. STEVENS, J., filed a dissenting opinion, in which GINSBURG, J., joined.