No. 07-1437

In the Supreme Court of the United States

CARLSBAD TECHNOLOGY, INC.,
Petitioner,

v.

HIF BIO, INC. AND BIZBIOTECH CO., LTD.,
Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITIONER'S REPLY BRIEF

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The Federal Circuit's decision directly conflicts with nine other federal courts of appeals that have agreed that district court orders remanding removed cases to state court are not barred from appellate review by 28 U.S.C. § 1447(d) where the district court's remand decision is based on its discretionary decision to decline supplemental jurisdiction under 28 U.S.C. § 1367(c). The Federal Circuit's decision also conflicts with those from the Third and Eleventh Circuits holding that 1988 and 1996 amendments to 28 U.S.C. § 1447(c) had no effect on the scope of the appellate review bar in § 1447(d) set forth in *Thermatron Products, Inc. v. Hermansdorfer*, 423 U.S. 336 (1976). On the basis of those two direct conflicts alone, the petition for writ of certiorari should be granted.

Respondents concede that the Federal Circuit has created a direct conflict with the nine other circuits and can offer only dubious reasons why this Court should nevertheless ignore it. First, respondents suggest that the conflict is "narrow" because it was caused by the Federal Circuit, but never explain why such circuit conflicts can be disregarded or why Federal Circuit cases are not entitled to a correct interpretation of Title 28. Second, respondents inconsistently suggest that the other nine circuits "may" resolve the conflict on their own by adopting the Federal Circuit's contrary reasoning, but overlook that the Ninth Circuit has already refused to do so. Otherwise, respondents are conspicuously silent with respect to defending the fundamental but flawed premises for the Federal Circuit's incorrect decision.

As CTI's petition explained, every other circuit has discerned and adhered to the analytical underpinnings of this Court's decisions in *Carnegie-Mellon Univ. v. Cohill*, 484 U.S. 343 (1988), and *Quackenbush v. Allstate Ins. Co.*, 517

U.S. 706 (1996), in concluding that a remand pursuant to § 1367(c) is a discretionary decision declining existing jurisdiction rather than a holding that the federal court lacked the power to decide the remanded claims. Pet. 14-18. Respondents do not dispute that there is a clear difference between a court's jurisdictional power to decide a case and its discretion to decline to exercise any jurisdiction that already exists, and thus do not try to show how a discretionary remand under § 1367(c) is properly characterized as being colorably based on a "lack of subject-matter jurisdiction" for purposes of *Powerex Corp. v. Reliant Energy Servs., Inc.*, 127 S. Ct. 2411 (2007).

Moreover, respondents offer no justification or explanation for the Federal Circuit's unprecedented and self-devised holding that there must be an "independent" jurisdictional basis for maintaining the state law claims before a district court's discretionary decision to remand under § 1367(c) falls outside § 1447(c) and thus outside the bar to appellate review of § 1447(d). See Pet. 22-28. Simply put, there is nothing in this Court's requirement in *Powerex* that the remand be only colorably based on a "lack of subject-matter jurisdiction" that mandates the jurisdiction either be "original" or stem from an "independent" basis such as federal question or diversity.

Unable or unwilling to defend the Federal Circuit's holding, respondents offer three generalized arguments why the petition should be denied. As shown below, none of those arguments provides a legitimate ground for this Court to decline to resolve the open issues identified in *Powerex* and squarely presented by CTI's petition.

I. RESPONDENTS' MISCHARACTERIZATION OF THEIR COMPLAINT AS INVOLVING ONLY STATE LAW ISSUES IS IRRELEVANT

Respondents first try to recast the central issue of their complaint as being solely a state law dispute over "ownership" of an invention. Opp. 2-3 & n.1. However, the parties' dispute over whether respondents' complaint contains exclusively federal claims implicates the merits of CTI's appeal, not whether the Federal Circuit had jurisdiction to consider it. Moreover, the question presented concerns the Federal Circuit's appellate jurisdiction, which clearly must be determined as of the remand order, not by the complaint on the date of removal. Thus, respondents' assertions based on when their "inventorship" claim was allegedly first advanced are irrelevant.

More importantly, respondents ignore that both their original and amended complaints included a federal RICO cause of action under 18 U.S.C. §§ 1961-68. See App. 112a-138a. While the district court dismissed respondents' RICO claim for failure to state a claim in conjunction with the court's remand order (App. 30a-33a), even the Federal Circuit correctly recognized that the federal RICO claim provided sufficient basis by itself for exercising supplemental jurisdiction under § 1367(c) over any related state law claims. See Pet. 26 n.2 (citing App. 13a n.2). Thus, for purposes of this petition, it does not matter whether respondents' "inventorship" claim was first advanced before or after the removal from state court.

It is similarly irrelevant to the petition whether respondents' "inventorship" claim (or the separate "ownership" claim) in fact depends upon a substantial question of federal patent law. See *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 808-09 (1988). The

district court's legal error in failing to recognize that at least some of the respondents' non-RICO causes of action arose exclusively under federal law and thus could not be remanded to a state court constituted the primary issue raised by Petitioner's appeal. Once again, however, that dispute implicates the merits of Petitioner's appeal (which were never reached), not whether the Federal Circuit had *appellate* jurisdiction to reach and resolve that appeal.

Nevertheless, respondents' attempt to devise a basis by which this Court could disregard the "inventorship" claim reflects an implicit recognition that such a claim in the context of this case is one that necessarily does turn on a substantial question of federal patent law. For that additional reason, this case provides a most appropriate vehicle for resolving the question presented because the abuse of discretion resulting from remanding an exclusively federal claim to a state court should be readily corrected on appeal, provided this Court confirms that appellate review is indeed available. See Pet. 28-30.

II. RESPONDENTS CONCEDE THE DIRECT CONFLICT BETWEEN THE FEDERAL CIRCUIT'S DECISION AND THOSE OF NINE OTHER CIRCUITS

Quoting S. Ct. R. 10, respondents agree that an important factor when granting a writ of certiorari is whether a "United States court of appeals has entered a decision in conflict with the decision of another United States court of appeals on the same important issue." Opp. 3. Respondents cannot and do not dispute that exactly such a conflict exists here. See Pet. 8-9 & 17.

Instead, respondents suggest without explanation that the impact of the direct conflict "likely" will be "narrowly"

confined because the Federal Circuit's jurisdiction is limited by subject matter rather than geographic location. Opp. 3-4. Petitioner is unaware of any rule or rationale by which a circuit conflict can be ignored because only one circuit is in disagreement with every other one to have decided the same issue. Petitioner is similarly unaware of any rule or rationale under which only the cases within the Federal Circuit's jurisdiction are not entitled to the proper interpretation and application of Title 28, which seemingly should be consistently interpreted and applied throughout all of the federal appellate courts.

If anything, the correct interpretation of 28 U.S.C. § 1447(d) may even be more important in Federal Circuit appeals where, as here, a cause of action presenting an exclusively federal question under the patent laws has been improperly remanded to a state court without any appellate review. See Pet. 28-30. Moreover, given that the remand decision at issue was made by a district court in California, it is incongruous for that court's remand decisions based on declining supplemental jurisdiction under § 1367(c) to always be reviewable by the Ninth Circuit, but never by the Federal Circuit. See *infra*. In short, where a conflict is admittedly created by a single circuit expressly disagreeing with nine other sister courts on what this Court has described as an unaddressed question, this Court should review and resolve the clear conflict, no matter which circuit court has created the conflict.

III. THE NINTH CIRCUIT'S POST-REMAND DECISION IN *POWEREX* DISPROVES RESPONDENTS' SUGGESTION THAT THE CONFLICT "MAY BE" RESOLVED BY THE COURTS OF APPEALS

This Court's recent statement in *Powerex*, 127 S. Ct. at 2416, that "it is far from clear ... that when discretionary supplemental jurisdiction is declined the remand is not based on lack of subject-matter jurisdiction for purposes of § 1447(c) and § 1447(d)" only highlights the necessity of having this Court decide the question presented by this petition. There is no basis for respondents' suggestion (Opp. 4-5) that the circuit conflict "may be" resolved by the various circuits once they have the benefit of this Court's decision in *Powerex*. By its own terms, this Court's decision in *Powerex* merely identified the question as unanswered, but did not analyze, much less decide, it.

Respondents made no attempt to rebut CTI's showing based on the statutory language, the legislative history, and the detailed analyses by two other circuit courts in *Snapper, Inc. v. Redan*, 171 F.3d 1249 (11th Cir. 1999), and *Hudson United Bank v. LiTenda Mortgage Corp.*, 142 F.3d 151 (3d Cir. 1998), establishing why the 1988 and 1996 amendments to § 1447(c) had no effect on the scope of remand orders for which § 1447(d) bars appellate review. See Pet. 18-22. Nevertheless, because that issue was later characterized in *Powerex* as never having been addressed by this Court, this petition presents the best opportunity to resolve the circuit conflicts created by the Federal Circuit.

Respondents also argue that only the Federal Circuit "had the benefit of this Court's opinion in [*Powerex*]" and its views as to "the proper scope of the Footnote 11 in *Cohill*" and further assert that "the Ninth Circuit Court of Appeals

and other circuits ... have not yet ruled on this issue." Opp. 4-5. In doing so, respondents necessarily suggest that every one of the nine circuits that has previously reached the opposite conclusion from the Federal Circuit will be persuaded to change their own views as to this Court's teachings in *Cohill* and *Quackenbush* and to adopt the Federal Circuit's contrary, post-*Powerex* conclusion.

Respondents' speculation has already been proven to be false. Since the Federal Circuit's decision, the Ninth Circuit has indeed already addressed the issue directly and declined an invitation to deviate from its own "clear" precedent to follow the Federal Circuit's contrary reasoning. See *California Dept. of Water Resources v. Powerex, Inc.*, 533 F.3d 1087, 1091-92 (9th Cir. July 22, 2008). In other words, in deciding the same *Powerex* case on remand from this Court, the Ninth Circuit expressly decided to adhere to its existing precedent and to remain in direct conflict with the Federal Circuit. *Id.*

If this Court's decision in *Powerex* had truly authorized the nine circuit courts that had already decided this issue to disregard or overrule their existing precedent, the Ninth Circuit surely would have discerned that opportunity when addressing that very issue in the same case on remand. As the Ninth Circuit correctly recognized, however, the issue is merely "unanswered" by this Court. See 533 F.3d at 1092. Thus, until this Court in fact addresses and resolves that question, the clear conflict between the Federal Circuit and at least the Ninth Circuit will remain, and there will be no reason for any of the other eight circuits that have already decided the issue to change sides in that conflict, absent express direction from this Court.

CONCLUSION

For the reasons stated above and in the petition, the petition for a writ of certiorari should be granted.

Respectfully submitted.

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