No. 07-___

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

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

In *Carnegie-Mellon Univ. v. Cohill*, 484 U.S. 343, 357 (1988), this Court held that district courts could remand removed claims upon deciding not to exercise supplemental jurisdiction under 28 U.S.C. § 1367(c). However, in *Powerex Corp. v. Reliant Energy Servs., Inc.*, 127 S. Ct. 2411, 2416 (2007), the Court stated 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)" and noted that "[w]e have never passed on whether *Cohill* remands are subject-matter jurisdictional for purposes of post-1988 versions § 1447(c) and § 1447(d)."

Construing *Powerex* as leaving the question open, the Federal Circuit held that a remand based on declining supplemental jurisdiction can be colorably characterized as a remand based on lack of subject matter jurisdiction, thus disagreeing with the nine other federal courts of appeals that have construed *Cohill* as distinguishing between remands for lack of subject matter jurisdiction and remands based on declining to exercise subject matter jurisdiction that already exists. Thus, this petition presents the question posed but left unanswered in *Powerex* that is now the subject of a direct conflict among the circuits:

1. Whether a district court's order remanding a case to state court following its discretionary decision to decline to exercise the supplemental jurisdiction accorded to federal courts under 28 U.S.C. § 1367(c) is properly held to be a remand for a "lack of subject matter jurisdiction" under 28 U.S.C. § 1447(c) so that such remand order is barred from any appellate review by 28 U.S.C. § 1447(d).

PARTIES TO THE PROCEEDING

Pursuant to Supreme Court Rule 14.1(b), petitioner states that all parties to the proceeding in the court of appeals appear in the caption of the case on the cover page.

In addition to the parties listed in the caption, the following parties were defendants in the district court but did not participate in the underlying appeal to the Federal Circuit and thus are believed to have no interest at the present time in the outcome of this petition: Yung Shin Pharmaceuticals Industrial Co., Ltd. (doing business as Yung Shin Pharmaceuticals and Yung Shin Pharm. Ind. Co., Ltd.); Yung Zip Chemical Co., Ltd., Fang-Yu Lee, Che-Ming Teng; Fish and Richardson, P.C., and Y. Rocky Tsao.

RULE 29.6 STATEMENT

Petitioner states that all of its parent companies and any publicly-held companies that own 10% or more of petitioner's stock are as follows: Yung Shin Pharmaceuticals Industrial Co., Ltd.; YSP USA Investment Co., Ltd.; YSP International, Co., Ltd.

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CARLSBAD TECHNOLOGY, INC.,
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PETITION FOR A WRIT OF CERTIORARI

Petitioner Carlsbad Technology, Inc. ("Petitioner" or "CTI") respectfully petitions for a writ of certiorari to review the decision of the United States Court of Appeals for the Federal Circuit dismissing for lack of appellate jurisdiction CTI's appeal from the district court's decision remanding this case to state court.

OPINIONS BELOW

The opinion of the court of appeals (App. 1a-20a) is reported at 508 F.3d 659 (Fed. Cir. 2007). The order of the court of appeals denying petitioner's combined petition for rehearing and for rehearing en banc (App. 35a-37a) is unreported. The opinion of the district court (App. 21a-34a) is unreported.

JURISDICTION

The judgment of the court of appeals was entered on November 13, 2007. App. 3a. A timely combined petition for rehearing and for rehearing en banc was denied on February 8, 2008. App. 35a-37a. This Court has jurisdiction pursuant to 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

28 U.S.C. § 1367 provides in pertinent part:

> (a) Except as provided in subsections (b) and (c) or as expressly provided otherwise by Federal statute, in any civil action in which the district courts have original jurisdiction, the district courts shall have supplemental jurisdiction over all other claims that are so related to claims in the action within such original jurisdiction that they form part of the same case or controversy under Article III of the United States Constitution. . . .
>
> * * *
>
> (c) The district courts may decline to exercise supplemental jurisdiction over a claim under subsection (a) if—
>
> (1) the claim raises a novel or complex issue of State law,
>
> (2) the claim substantially predominates over the claim or claims over which the district court has original jurisdiction,
>
> (3) the district court has dismissed all claims over which it has original jurisdiction, or

(4) in exceptional circumstances, there are other compelling reasons for declining jurisdiction.

* * *

28 U.S.C. § 1447(c) provides in pertinent part: "A motion to remand the case on the basis of any defect other than lack of subject matter jurisdiction must be made within 30 days after the filing of the notice of removal under section 1446(a). If at any time before final judgment it appears that the district court lacks subject matter jurisdiction, the case shall be remanded."

28 U.S.C. § 1447(d) provides: "An order remanding a case to the State court from which it was removed is not reviewable on appeal or otherwise, except that an order remanding a case to the State court from which it was removed pursuant to section 1443 of this title shall be reviewable by appeal or otherwise."

STATEMENT OF THE CASE

1. This case arises out of a dispute over rights to an alleged invention for using a chemical compound (YC-1) for anti-angiogenic, anti-cancer applications. App. 5a-7a. YC-1 itself is not protected by U.S. patent, and is available from various suppliers. App. 22a. Generally, respondents assert, based on rights assigned by Jong-Wan Park and Yang-Sook Chun, that they hold all rights with respect to the alleged invention and application of YC-1 as an anti-cancer, anti-angiogenesis agent, including several U.S. patent applications. App. 22a-25a. Respondents further allege that, in violation of those rights, CTI agreed to work with the other defendants to develop, commercialize, sell and market YC-1 and its ana-

logues for similar purposes, including filing separate applications for U.S. patents naming different inventors. App. 5a-7a; App. 22a-24a.

In September 2005, respondents filed a complaint in California state court which, as later amended, alleged twelve causes of action. App. 38a-170a. Two sought declaratory judgments with respect to ownership and inventorship of the alleged invention. App. 25a; App.109a-111a. A third cause of action asserted RICO violations under 18 U.S.C. §§ 1961-68. App. 112a-138a. The other nine causes of action were related state law claims alleging slander, conversion, actual and constructive fraud, intentional and negligent interference with contractual relations and prospective economic advantage, breach of implied contract, unfair competition and fraudulent business practices, unjust enrichment, and constructive trust. App. 25a; App. 139a-151a. Respondents sought, *inter alia*, a permanent injunction restraining the defendants from representing themselves as inventors of the alleged invention, and damages of not less than $284 million dollars plus attorneys' fees. App. 25a; App. 151a-155a.

It is undisputed that all asserted claims "form part of the same case or controversy" for purposes of § 1367(a) and "derive from a common nucleus of operative fact." *See United Mine Workers v. Gibbs*, 383 U.S. 715, 725 (1966). Based in part on the federal RICO claim, the case was timely and properly removed to federal district court. App. 7a.

2. After removal, CTI moved to dismiss the amended complaint on grounds that the district court lacked subject matter jurisdiction and because respondents failed to state a claim upon which relief may be granted. App. 25a. As a preliminary matter,

the district court stated that it "declines to exercise supplemental jurisdiction over the state claims in the [the "first amended complaint"]. The [complaint] contains twelve causes of action, eleven of which are state claims. The state claims clearly predominate over the federal RICO claim. The preponderance of state law issues means that a state court is the proper venue to try the state law claims." App. 28a. Hence, the district court viewed each asserted claim except for the RICO claim as arising under state law.

The district court later explained why it concluded that the two declaratory judgment claims were not within its federal jurisdiction. The court held that respondents were seeking declaratory judgment on the issue of inventorship under state common law. App. 29a-30a (citing *Bohlman v. American Paper*, 53 F. Supp. 794 (D.N.J. 1944)). On that basis, the court held that rights of inventorship and ownership of inventions were valid state law claims. App. 30a. Thus, the court concluded that it did not have jurisdiction over the first two causes of action and that those causes should be remanded along with the other nine asserted claims. App. 30a.

Finally, the district court dismissed the federal RICO claim for failure to state a claim. App. 31a-33a. Having declined supplemental jurisdiction over the inventorship and ownership claims and over the other nine asserted claims, the district court then remanded all of the non-RICO claims to the state court. App. 34a.

3. CTI appealed, asserting that the remanded claims necessarily depended upon resolution of a substantial question of federal law. First, CTI argued that the asserted inventorship claim presented an issue of federal patent law and that the asserted

state common law inventorship rights cited by the district court had been preempted. *See Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989). CTI also asserted that the federal inventorship issue permeated the other state law claims, such that each also necessarily depended upon a substantial question of federal law. *See Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 808-09 (1988). Indeed, under Federal Circuit precedent following *Christianson*, such state law causes of action are exclusively for the federal courts and could not have been remanded. See *Hunter Douglas, Inc. v. Harmonic Design*, 153 F.3d 1318, 1328-29 (Fed. Cir. 1998). Moreover, because the PTO had not yet resolved any inventorship or patentability issues concerning the alleged invention, CTI asserted that the non-RICO causes of action could not yet be adjudicated and thus could only have been dismissed.

In its jurisdictional statement, CTI's opening appeal brief cited *Quackenbush v. Allstate Ins. Co.*, 517 U.S. 706, 712-15 (1996), as establishing that the district court's remand order was appealable as a final decision. App. 18a. CTI also cited *Snodgrass v. Provident Life & Accident Ins. Co.*, 147 F.3d 1163, 1165-66 (9th Cir. 1998), to show that there was appellate jurisdiction to review a remand based on declining jurisdiction under the Declaratory Judgment Act. App. 18a n.4. Respondents' brief agreed that the district court "had subject jurisdiction over pendent state claims under 28 U.S.C. § 1367." However, without discussing *Quackenbush* or *Snodgrass* (or citing any cases), respondents merely quoted § 1447(d) as stating that "[a]n order remanding a case to State court from which it was removed is not reviewable on appeal or otherwise."

During the June 2007 oral argument, the Federal Circuit panel did not question its own jurisdiction or whether § 1447(d) applied to this case. Instead, the court of appeals only asked whether its review should be *de novo* or for an abuse of discretion, an inquiry wholly inconsistent with any perceived absence of appellate jurisdiction. Two weeks after the argument, this Court issued its decision in *Powerex*, which the Federal Circuit presumably discovered and analyzed on its own without seeking supplemental briefing. On November 13, 2007, the Federal Circuit issued its opinion holding that § 1447(d) barred any review of the district court's remand order. App. 1a-20a.

4. The Federal Circuit recognized that this Court has "interpreted § 1447(d) to cover less than its words alone suggest." App. 11a (citing *Powerex*, 127 S. Ct. at 2415). Citing the series of this Court's decisions addressing § 1447(d) beginning with *Thermtron Products, Inc. v. Hermansdorfer*, 423 U.S. 336 (1976), the Federal Circuit noted that the jurisdictional bar against reviewing remand orders is limited by § 1447(c). App. 11a-12a (citing, *inter alia*, *Osborn v. Haley*, 127 S. Ct. 881 (2007)).

The Federal Circuit conceded that the district court's remand order was based on declining supplemental jurisdiction. App. 13a, 14a. Accepting (without reviewing) the district court's holding that the inventorship and the ownership of inventions were "valid state law claims," the Federal Circuit agreed that the district court had federal question jurisdiction over the alleged RICO claim and that the RICO claim by itself provided sufficient basis for the district court to exercise supplemental jurisdiction

under § 1367 even though the RICO claim had been dismissed. App. 13a-14a & n.2.

Admittedly deciding "an issue of first impression" in that court, the Federal Circuit posed the issue before it as being "whether a remand based on declining supplemental jurisdiction under § 1367(c) is within the class of remands described in § 1447(c), and thus barred from appellate review by § 1447(d)." App. 14a-15a. Upon undertaking to answer that question, the court of appeals first decided that it was not bound by any controlling precedent in light of this Court's statements in *Powerex* 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)" and that "[w]e have not passed on whether *Cohill* remands are subject-matter jurisdictional for purposes of the post-1988 versions of § 1447(c) and § 1447(d). App. 15a-18a (citing 127 S. Ct. at 2419-19 & n.4).

The Federal Circuit recognized that "several other Courts of Appeals" had relied on *Cohill* in holding that review of a remand order based on declining supplemental jurisdiction is not barred by § 1447(d). App. 15a (citing *Trans Penn Wax Corp. v. McCandless*, 50 F.3d 217, 223-24 (3d Cir. 1995) (listing decisions from eight other federal circuit courts)). In other words, the "several other courts of appeals" described by the Federal Circuit as being a "trend" amounted to a full nine of the other twelve circuits, and they had unanimously held that remands after a discretionary decision to decline jurisdiction did not

implicate the bar on appellate review in § 1447(d).[1] App. 16a.

In *Cohill*, this Court held that district courts have discretion to remand a removed case involving pendant claims rather than being required to dismiss it upon deciding not to retain jurisdiction over the case. 484 U.S. at 357. In a footnote, this Court stated "[s]ection 1447(c) do[es] not apply to cases over which a federal court has pendent jurisdiction. Thus, the remand authority conferred by the removal statute and the remand authority conferred by the doctrine of pendant jurisdiction overlap not at all." 484 U.S. at 355 n.11. As the Federal Circuit itself explained, the other circuit courts have cited that footnote as support when subsequently holding that remands based on declining supplemental jurisdiction are not within the class of remands described in § 1447(c) and are not subject to the jurisdiction bar of § 1447(d). App. 16a.

The Federal Circuit, however, cited this Court's statement in *Powerex* that "[i]t 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)." App. 17a (citing 127 S. Ct. at 2418-19). Because this Court in *Powerex* had also cited Justice Kennedy's concurrence in *Things Remembered, Inc. v. Petrarca*, 516 U.S. 124, 130 (1995), and drew attention to the 1988 statutory amendments, the Federal Circuit viewed this Court as considering the

[1] As of the Third Circuit's *McCandless* decision in 1995, only the D.C., First, and Second Circuits had not yet specifically addressed the issue. Since that time, it does not appear that any of those three circuits have directly addressed the issue in the context of § 1367(c) remands.

question to still be open and as also undercutting the persuasive force of the decisions of the other courts of appeals. App. 17a-18a.

In a footnote, the Federal Circuit observed that, before 1988, § 1447(c) had contemplated remands only where the jurisdictional flaw existed prior to removal and thus, at least from a temporal perspective, § 1367(c) remands under the post-1988 version are now potentially within the class of remands described in § 1447(c). App. 17a n.3. Although that distinction is wholly inapplicable to this case, the Federal Circuit did not otherwise compare the pre-1988 and post-1988 versions of § 1447(c) and § 1447(d). Moreover, the court did not further analyze *Cohill* and did not undertake to address or analyze any decision from the other nine circuits that have interpreted *Cohill* to reach the opposite result on the identical issue.

The Federal Circuit then rejected CTI's reliance on this Court's decision in *Quackenbush* as supporting jurisdiction to review discretionary remands under § 1367(c). App. 18a-19a. In *Quackenbush*, this Court held that § 1447(d) did not bar appellate review of abstention-based remand orders. 517 U.S. at 711-12. While the Federal Circuit conceded that the considerations that underlie abstention may in some cases be similar to those enumerated for declining supplemental jurisdiction under § 1367, and that both are discretionary doctrines that allow a district court to decline jurisdiction, the Federal Circuit discerned "a fundamental difference" between remands based on abstention and those based on declining supplemental jurisdiction. App. 18a-19a.

According to the Federal Circuit, "a court 'abstains' from hearing claims over which it has an *independent*

basis of subject matter jurisdiction, whether it be federal question jurisdiction or diversity jurisdiction." App. 19a (emphasis in original). Absent such "independent" jurisdiction, however, the Federal Circuit reasoned that a remand after a district court exercises its discretion to decline supplemental jurisdiction can, for purposes of *Powerex*, be characterized as being "colorably" based on a lack of subject matter jurisdiction and thus barred by § 1447(d). See App. 18a (citing 127 S. Ct. at 2418).

In the Federal Circuit's view, a court declining supplemental jurisdiction is declining to extend its jurisdiction to claims over which it has no independent basis of subject matter jurisdiction. App. 19a. From those premises, the court held that "because every § 1367(c) remand necessarily involves a predicate finding that the [state law] claims lack an independent basis of subject matter jurisdiction, a remand based on declining supplemental jurisdiction can be colorably characterized as a remand based on lack of subject matter jurisdiction. App. 20a. Thus, the Federal Circuit expressly disagreed with the nine other federal circuit courts that had already decided that very same issue, and became the first to hold that review of a remand order based on declining supplemental jurisdiction under § 1367(c) is barred by § 1447(d).

REASONS FOR GRANTING THE PETITION

The Federal Circuit's decision has created a direct conflict among the circuits over whether a district court's discretionary decision to decline supplemental jurisdiction under 28 U.S.C. § 1367(c) after dismissing all federal claims constitutes a remand for lack of subject matter jurisdiction for purposes of triggering

the statutory bar on appellate review in 28 U.S.C. § 1447(d). This Court's recent statement in *Powerex Corp. v. Reliant Energy Servs., Inc.*, 127 S. Ct. 2411 (2007), that "[i]t 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 [28 U.S.C.] § 1447(c) and § 1447(d)" posed the question presented by this case, but neither suggested nor predetermined its outcome.

Similarly, this Court's related observation in *Powerex* that "[w]e have never passed on whether *Cohill* remands are subject-matter jurisdictional for purposes of post-1988 versions of § 1447(c) and § 1447(d)" should not have been construed as signaling this Court's disagreement with the nine circuits that had uniformly held—both before and after 1988—that such remands are not jurisdictional and are not barred from appellate review by § 1447(d). In contrast to the Federal Circuit here, the Third and Eleventh Circuits had each previously concluded that nothing in the subsequent statutory amendments in 1988 or in 1996 had any effect on the scope of remands authorized by § 1447(c) or on the limits on § 1447(d) established by this Court in *Thermtron*.

More importantly, this Court's statements in *Powerex* should not have authorized the Federal Circuit to disregard this Court's reasoning in *Cohill* or its post-1988 progeny demonstrating that a remand pursuant to § 1367(c) is a discretionary decision declining to exercise expressly authorized jurisdiction rather than a holding that the federal district court lacks the jurisdictional power to decide the remanded claims. Nevertheless, without analyzing *Cohill*, or the decisions of the other nine courts of

appeals that interpreted *Cohill* to support the opposite result on the identical issue, the Federal Circuit held that every § 1367(c) remand necessarily involves a predicate finding that the state law claims lack an "independent" basis of subject matter jurisdiction. App. 20a. That conclusion is fundamentally flawed for at least two critical reasons.

First, the Federal Circuit erred in holding that there must be an "independent" basis of subject matter jurisdiction before a court's discretionary decision to decline such jurisdiction falls outside § 1447(c) and thus outside the jurisdictional bar of § 1447(d). Even as stated in *Powerex*, the governing test is whether the remand in question was colorably based on a "lack of subject-matter jurisdiction." Nowhere does (nor should) that test require that the jurisdiction be "original" or stem from an "independent" basis such as federal question or diversity jurisdiction. Indeed, the whole point of § 1367 is to confer subject matter jurisdiction on federal courts to decide state law claims that derive from the same case or controversy as any claim for which the federal court has original jurisdiction. *See City of Chicago v. Int'l College of Surgeons*, 522 U.S. 156, 167 (1997).

Second, the Federal Circuit erred in disregarding that the existence of subject matter jurisdiction, whether under §§ 1331, 1332, or 1367, is entirely distinct from any subsequent exercise of the discretionary authority allowing courts to relinquish or decline that jurisdiction. The former concerns a court's *power* to decide a case or controversy; the latter only implicates a court's discretion to decline any subject matter jurisdiction that it already has. Absent subject matter jurisdiction, there is no such discretion to be exercised. Thus, only a remand on

the former ground is based on a lack of subject matter jurisdiction while a remand following the latter exercise of discretion is not colorably based on a lack of subject matter jurisdiction at all.

The Federal Circuit's *sua sponte* decision to dismiss Petitioner's appeal for lack of appellate jurisdiction not only incorrectly construes this Court's § 1447(d) precedents, but it improperly authorizes remands of causes of action exclusively within federal jurisdiction to state courts and admittedly conflicts directly with every other federal appellate court to address this issue. As set forth herein, this Court should grant this petition, reverse the Federal Circuit's legal analysis and dismissal, and instruct that court to decide CTI's appeal on the merits.

I. A COURT'S DISCRETIONARY DECISION TO DECLINE SUPPLEMENTAL JURISDICTION IS NOT COLORABLY BASED ON A LACK OF SUBJECT MATTER JURISDICTION

It is settled that the jurisdictional bar to appellate review of remand orders in § 1447(d) applies only to the reasons for remand that are enumerated in § 1447(c). *See Quackenbush v. Allstate Ins. Co.*, 517 U.S. 706, 711-12 (1996) ("[O]nly remands based on grounds specified in § 1447(c) are immune from review under § 1447(d)."); *Things Remembered, Inc. v. Perarca*, 516 U.S. 124, 127-28 (1995). The only reasons for remand enumerated in § 1447(c) are defects in removal procedure and lack of subject matter jurisdiction. Thus, as reiterated in *Powerex*, absent any defect in the removal procedures, "the remand is immunized from review only if it was

based on a lack of subject-matter jurisdiction." See 127 S. Ct. at 2416.

As the Federal Circuit itself pointed out, at least nine other circuits have relied on this Court's decision in *Cohill* in holding that review of a remand order based on declining supplemental jurisdiction is not barred by § 1447(d). App. 15a (citing *Trans Penn Wax Corp. v. McCandless*, 50 F.3d 217, 223-24 (3d Cir. 1965)). While the Federal Circuit relied on this Court's recent statements in *Powerex* as indicating that the question remains an open question in this Court, particularly under the post-1988 version of the relevant statutes, the Federal Circuit never discussed this Court's reasoning in *Cohill* that properly compelled the other circuits' contrary holdings under both the pre- and post-1988 versions of those statutes.

In *Cohill*, after all federal claims in a removed case had been dismissed, the district court remanded the pendent state-law claims to the state court. 484 U.S. at 345-47. The defendant argued that the district court had no authority to remand, only to dismiss. However, this Court disagreed, expressly holding that district courts have discretion to remand "a removed case involving pendent claims upon a proper determination that retaining jurisdiction over the case would be inappropriate." *Id.* at 357.

In reaching that conclusion, this Court's analysis in *Cohill* began with its prior holding in *Gibbs*, 383 U.S. 715, "that a federal court has jurisdiction over an entire action, including state law claims," whenever the federal and state claims derive from a common nucleus of operative fact. 484 U.S. at 349. Under *Gibbs* , federal courts have "a wide-ranging power" to decide state-law claims in cases that also present

federal questions. 484 U.S. at 349. Notably, this Court in *Cohill* pointed out that *Gibbs* distinguished between the power of a federal court to hear state-law claims and the discretionary exercise of that power. 484 U.S. at 349-50. Because the state law claims were clearly within the federal court's jurisdiction, the issue in *Cohill* was thus posed as being whether the court could "relinquish jurisdiction" only by dismissing without prejudice or could remand to the state court as well. *Id.* at 351.

In its oft-cited footnote, this Court in *Cohill* explained that "§ 1447(c) . . . do[es] not apply to cases over which a federal court has pendant jurisdiction. Thus, the remand authority conferred by the removal statute and the remand authority conferred by the doctrine of pendant jurisdiction overlap not at all." 484 U.S. at 355 n.11. The Federal Circuit quoted that same footnote, and conceded that it formed the basis for the holdings by the other courts of appeals that a remand order based on declining supplemental jurisdiction is not within the class of remands in § 1447(c). App. 15a-16a. However, the Federal Circuit sidestepped undertaking any further analysis by declaring that *Powerex* had undercut the persuasive force of those decisions by reopening whether § 1367(c) remands are barred from appellate review under §§ 1447(c) and (d). App. 16a-18a.

This Court's caution in *Powerex* that it had not yet addressed the specific question presented here is a far cry from a holding that every other court of appeals to address the issue had reached the wrong result. The key holdings encompassed within this Court's multiple cited decisions that were either ignored or misapprehended by the Federal Circuit included repeated instances where this Court (1)

expressly distinguished a court's power to hear claims from its separate discretion not to exercise such power, and (2) repeatedly recognized that a district court has the discretionary option to relinquish or decline jurisdiction. Clearly, if a federal court lacked subject matter jurisdiction, there would be no power to exercise and no jurisdiction to relinquish. On their face, therefore, this Court's decisions in *Cohill*, *Gibbs*, and *Quackenbush* should have confirmed that whatever a federal court does after obtaining subject matter jurisdiction, including declining to exercise it, does not stem from or result in a *lack* of such jurisdiction.

Not surprisingly, the Third Circuit's decision in *McCandless* and the decisions of all of the other courts of appeals cited therein expressly rely on that critical distinction. *See, e.g.*, *McCandless*, 50 F.3d at 224 ("The district court's decision was neither for a defect in the removal procedure nor for lack of district court jurisdiction, but rather was based on an exercise of the district court's discretion to decline to exercise supplemental jurisdiction."); *Jamison v. Wiley*, 14 F.3d 222, 233 (4th Cir. 1994) ("[T]he district court was remanding not because it believed it lacked jurisdiction over the removed action, but because it thought it had the discretion to decline to exercise that jurisdiction."); *In re Glass, Molders, Pottery, Plastics & Allied Workers Int'l Union*, 983 F.2d 725, 727 (6th Cir. 1993) ("Such remand was discretionary with the court; it did not stem from lack of subject matter jurisdiction over the remaining claims."); *In re Surinam Airlines Holding Co.*, 974 F.2d 1255, 1257 (11th Cir. 1992) ("A remand order pursuant to § 1367(c) is not premised on § 1447(c) because it is a discretionary decision declining the exercise of *expressly acknowledged jurisdiction.*").

Had the Federal Circuit properly examined *Cohill*, and the decisions of the other courts of appeals uniformly adhering to its reasoning, the Federal Circuit should have realized that the distinction between a court's power to hear a case and its discretion to decline to exercise such power is both clear and completely unaffected by the post-*Cohill* amendments to § 1447(c) and § 1447(d). Hence, the Federal Circuit's "post-*Powerex*" analysis of this issue should not have reached a different outcome than those previously reached by every other federal court of appeals to decide that same issue. On the basis of that circuit conflict alone, this petition should be granted.

II. THE 1988 AND 1996 AMENDMENTS TO § 1447(c) DID NOT AFFECT THE SCOPE OF REMAND ORDERS FOR WHICH APPELLATE REVIEW IS BARRED BY § 1447(d)

In a footnote, the Federal Circuit offered its only basis for reaching a different outcome under the post-1988 version of § 1447(c) than under the pre-1988 version. Pointing out that the pre-1988 version of the statute "only contemplated remands where the jurisdictional flaw existed prior to removal," the Federal Circuit suggested that *Cohill* remands "arguably would not have been within the ambit of [the pre-1988 version of] § 1447(c)." App. 17a n.3. However, that circular analysis improperly assumes the erroneous conclusion that a district court's decision to decline supplemental jurisdiction under § 1367(c) constitutes a "jurisdictional flaw." App. 17a n.3. Hence, the Federal Circuit's assumption that the 1998 amendments to § 1447(c) operated to undercut the persuasive force of *Cohill* on temporal grounds,

i.e., that a jurisdictional flaw can now arise under § 1447(c) at any time before final judgment, is wholly unjustified.

If a discretionary decision to decline jurisdiction does not represent a lack of jurisdiction, it is neither a jurisdictional flaw nor one of the reasons for remand specified in § 1447(c). For that reason, the Federal Circuit's only offered basis for attempting to discern a different result under the post-1988 version of § 1447(c) than under the pre-1988 version of § 1447(c) is without any textual or logical support. Indeed, although apparently not uncovered by the Federal Circuit, the Eleventh Circuit in *Snapper, Inc. v. Redan*, 171 F.3d 1249 (11th Cir. 1999), had exhaustively traced the history and evolution of § 1447(c) and § 1447(d), and concluded that the 1988 and 1996 amendments to the statute had absolutely no effect on the scope of the appellate review bar in § 1447(d) first announced by this Court in *Thermtron*.

As ultimately finalized, the 1948 version of § 1447(c) provided, in relevant part: "If at any time before final judgment it appears that the case was removed improvidently and without jurisdiction, the district court shall remand the case . . . ." See *Snapper*, 171 F.3d at 1254. As chronicled by the Eleventh Circuit, judicial decisions under the 1948 versions of § 1447(c) and § 1447(d) uniformly held that a remand based on a forum selection clause, on abstention, or on declining supplemental jurisdiction did not implicate a removal defect, did not stem from an "improvident" removal, was not a remand based on a ground specified in § 1447(c), and therefore was not a remand insulated from appellate review by § 1447(d). See *Snapper*, 171 F.3d at 1255 & nn.8-10 (and cases cited).

Because the term "improvidently" in the 1948 version of § 1447(c) had caused some interpretation problems and uncertainty, Congress subsequently endorsed the narrower view of the term by replacing it in 1998 with an explicit reference to "any defect in removal procedure." As so amended in 1988, § 1447(c) read in relevant part:

> A motion to remand the case on the basis of any defect in removal procedure must be made within 30 days after the filing of the notice of removal under section 1446(a). If at any time before final judgment it appears that the district court lacks subject matter jurisdiction, the case shall be remanded . . . ."

See *Snapper*, 171 F.3d at 1256 (citing 28 U.S.C. § 1447(c) (1994)). As the House Judiciary Committee indicated at the time: "The amendment is written in terms of a defect in 'removal procedure' in order to avoid any implication that remand is unavailable after disposition of all federal questions leaves only State law claims that might be decided as a matter of ancillary or pendent jurisdiction or that might instead by remanded." H.R. Rep. No. 100-889 at 72 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5982, 6033.

Given that the 1988 amendment intentionally adopted the narrower judicial interpretation of the 1948 version of the statute, subsequent courts remained "unanimous in holding that remands in the contexts of forum selection clauses, abstention, and supplemental jurisdiction were not remands based upon defects in removal procedure, and thus were not remands provided for in § 1447(c)." *Snapper*, 171 F.3d at 1256-57 & nn.14-17. Thus, while the Federal Circuit relied on the 1988 amendment to § 1447(c) as undoing the rationale for the unanimous conclusions

of the other circuits that remands based on declining supplemental jurisdiction under § 1367(c) were not remands affected by § 1447(d), nothing associated with that amendment provides any support for the Federal Circuit's holding.

Although also not analyzed by the Federal Circuit, the first sentence of § 1447(c) was again amended in 1996, this time to eliminate the "removal procedure" language, leaving only the term "defect." See United States District Court, Removal Procedure, Pub. L. No. 104-219, 110 Stat. 3022 (1996). The resulting statutory language is what is now currently in the statute. See supra. The legislative history of the 1996 amendment is sparse. See *Snapper*, 171 F.3d at 1258 (citing H.R. Rep. No. 104-219, at 2 (1996), *reprinted in* 1996 U.S.C.C.A.N. 3417, 2418 (observing that the Bill was viewed as "technical and non-controversial")). For that reason, the Eleventh Circuit interpreted the 1996 version of the statute as perpetuating the well-established caselaw holding that remands in the context of forum selection clauses, abstention, and supplemental jurisdiction are not encompassed within § 1447(c), and thus not insulated from appellate review by § 1447(d). See 171 F.3d at 1259.

The Third Circuit reached the same conclusion in *Hudson United Bank v. LiTenda Mortgage Corp.*, 142 F.3d 151 (3d Cir. 1998). After discussing the amendments to § 1447(c) since this Court's 1976 decision in *Thermtron*, the Third Circuit concluded that the 1996 amendments did not represent "a wholesale rejection of *Thermtron* and a dramatic expansion of § 1447(d)" and that "Congress did not mean to upset the *Thermtron* limits on § 1447(d), and that they remain in effect unchanged by the inter-

vening textual modifications to § 1447(c)." See 142 F.3d at 156 n.8. Citing that analysis by the Third Circuit, the Eleventh Circuit in *Snapper* independently concluded "that the amendment has no effect on the scope of remands authorized by § 1447(c), and therefore no effect on the scope of remand orders with respect to which § 1447(d) bars appellate review. See 171 F.3d at 1259-60.

Based on the above, the only legitimate conclusion that should have been drawn from this Court's observation in *Powerex* is that this Court had not yet specifically had occasion to confirm that there was no substantive difference between the pre-1988 and post-1988 versions of § 1447(c) with respect to the scope of the bar on appellate review in § 1447(d). Moreover, the Federal Circuit's holding that the post-1988 statute both authorizes and warrants a different outcome than under the pre-1988 version of the statute cannot be squared with the statutory language, the Eleventh Circuit's analysis in *Snapper* or the Third Circuit's analysis in *Hudson*. Thus, the Federal Circuit's direct conflict with those circuits over the substantive effect of the 1988 and 1996 statutory amendments provides an additional reason for granting review, in addition to its direct conflict with nine other federal courts of appeals on the ultimate "reviewability" conclusion.

III. THERE IS NO BASIS FOR THE FEDERAL CIRCUIT'S PURPORTED DISTINCTION BETWEEN "INDEPENDENT" JURISDICTION AND SUPPLEMENTAL JURISDICTION

The Federal Circuit recognized that this Court's decision in *Quackenbush*, 517 U.S. at 711-12, held

that § 1447(d) does not bar appellate review of abstention-based remand orders. App. 18a. The Federal Circuit further conceded that "the considerations that underlie abstention may in some cases be similar to those enumerated for declining supplemental jurisdiction under § 1367, and both are discretionary doctrines that allow a district court to decline jurisdiction." App. 18a-19a. The critical point is the latter one—regardless of why or how a court exercises such discretion, both doctrines grant a court the discretion to decline jurisdiction that it already has.

The Federal Circuit instead declared that CTI's reliance on *Quackenbush* overlooked a "fundamental difference" in that "a remand premised on abstention cannot be colorably characterized as a remand based on lack of jurisdiction because in that case the claims at issue have an *independent* basis of subject matter jurisdiction." App. 19a (emphasis added). However, the Federal Circuit's self-devised distinction between "independent" jurisdiction and "supplemental" jurisdiction is non-existent. Whether independent or not, the jurisdiction granted under § 1367(a) gives a federal district court the complete power to decide any state law claims that arise from the same controversy as a federal claim in the same case. See *College of Surgeons*, 522 U.S. at 167. In that regard, the subject matter jurisdiction conferred under § 1367 is no different than that conferred by 28 U.S.C. § 1331 (federal question), 28 U.S.C. § 1332 (diversity) or 28 U.S.C. § 1338 (patents, plant variety protection, copyrights, and trademarks).

For that reason, the Federal Circuit erred in reasoning that "when a district court declines supplemental jurisdiction, it is declining to extend its jurisdiction to claims over which it has no inde-

pendent basis of subject matter jurisdiction." App. 19a. Properly understood, the court is not declining to "extend" jurisdiction, it is only declining to exercise existing jurisdiction. By not exercising the subject matter jurisdiction that Congress conferred under § 1367(a), the remanding court is exercising the separate discretion conferred by Congress under § 1367(c). Because abstaining from exercising jurisdiction and exercising discretion to decline jurisdiction both necessarily occur after jurisdiction has already been established to exist, this Court's clear rationale in *Quackenbush* had been properly viewed by every circuit court as controlling in this context as well—until the Federal Circuit's decision in this case.

The conclusion that § 1367(a) establishes subject matter jurisdiction while § 1367(c) merely provides discretion to decline such jurisdiction is further confirmed by the statutory language. The use of "shall" in § 1367(a) shows that its grant of jurisdiction is mandatory. By using "may" in § 1367(c), a court's separate ability to decline such jurisdiction is left to its discretion. To illustrate, before the 1990 version of § 1367 was enacted, the Third Circuit held, absent extraordinary circumstances, that district courts were powerless to hear claims lacking an "independent" jurisdictional basis. See *McCandless*, 50 F.3d at 224 n.6. After 1990, the Third Circuit recognized that a district court "retained supplemental jurisdiction [over pendant state law claims] until it declined to exercise that jurisdiction under § 1367(c)." See 50 F.3d at 224-25 n.6. For that additional reason, the Federal Circuit erred in according any relevance to whether there was an "independent" basis for federal jurisdiction apart from the supplemental jurisdiction conferred by the current version of § 1367.

The Federal Circuit next discerned support for its conclusion in its own decision in *Voda v. Cordis Corp.*, 476 F.3d 887, 892 (Fed. Cir. 2007), which it characterized as holding that the discretionary considerations under § 1367(c) are an express statutory exception to the authorization of jurisdiction granted by § 1367(a). App. 19a. However, the quoted passage is both dicta and incorrect. As shown elsewhere in the *Voda* opinion, its analytical framework recognizes the distinct inquiries into the presence of jurisdiction under § 1367(a) and into the discretion to decline such jurisdiction afforded under § 1367(c):

> A proper exercise of subject matter jurisdiction pursuant to § 1367 requires both the presence of jurisdiction under subsection (a) and an appropriate decision to exercise that jurisdiction under subsection (c). . . . [W]e conclude that the district court erred under subsection (c).

476 F.3d at 891. While the Federal Circuit is correct in observing that "[w]ithout the cloak of supplemental jurisdiction, state claims must be remanded" (App. 19a-20a), the remand in this case is not because the "cloak" of subject matter jurisdiction was lacking, but because the district court decided not to exercise the existing supplemental jurisdiction. In such circumstances, a court's decision not to exercise subject matter jurisdiction that clearly exists is not colorably a remand for lack of jurisdiction for purposes of § 1447(c) and should not be barred from appellate review by § 1447(d).

Finally, the Federal Circuit dismissed CTI's reliance on the Ninth Circuit's decision in *Snodgrass* on grounds that it was not controlling and not persuasive "because we can find no rationale in the decision to evaluate." App. 18a n.4. Admittedly, CTI's arguments based on *Snodgrass* in the court of

appeals were focused on showing that respondents' declaratory judgment claims of inventorship and ownership were exclusively within the jurisdiction of the federal courts and thus could not be remanded to a state court.[2] However, having undertaken to analyze its jurisdiction on its own, the Federal Circuit erred in not discerning why the Ninth Circuit's jurisdictional rationale of *Snodgrass* should have been highly persuasive here.

Snodgrass involved a suit alleging state law claims, including a declaratory judgment for insurance coverage, which was properly removed for diversity. 147 F.3d at 1164. After the district court remanded, the insurance company appealed. *Id.* at 1165. Upon examining its own jurisdiction, the Ninth Circuit held that a remand order entered pursuant to the discretionary jurisdiction provision of the Declaratory Judgment Act was an "exceptional" remand that was entered pursuant to a doctrine or authority other than § 1447(c), which is limited to lack of subject

[2] As the Federal Circuit recognized, respondents' federal RICO claim provided sufficient basis for supplemental jurisdiction under § 1367(a) over any related state law claims. App 13a n.2. As a result, the dispute over whether the asserted declaratory judgment claims on inventorship and ownership present federal questions exclusively within federal court jurisdiction need not be resolved for this petition. For that reason as well, this petition does not implicate whether the appellate court should or can look beyond the district court's "label" for its remand decision, e.g., *Kircher v. Putnam Funds Trust*, 547 U.S. 633, 641 n.9 (2006), because the district court understood that it had supplemental jurisdiction but remanded under § 1367(c) upon concluding that the "state claims clearly predominate." App. 28a. As the Federal Circuit acknowledged, "the district court's remand order is based on declining supplemental jurisdiction." App. 13a, 14a.

matter jurisdiction or defects in removal procedure. *See* 147 F.3d at 1165.

In so holding, the Ninth Circuit in *Snodgrass* recognized that a court's decision to exercise declaratory judgment jurisdiction involves the same two sequential inquiries into jurisdiction and discretion that a court undertakes before invoking the abstention doctrine or before exercising supplemental jurisdiction under § 1367. As in *Quackenbush* and *Cohill*, the rationale of *Snodgrass* is that a remand order resulting from a decision to decline declaratory judgment jurisdiction is not a remand for lack of jurisdiction. *See Brillhart v. Excess Ins. Co. of Am.*, 316 U.S. 491, 494 (1942) (holding that while the district court had jurisdiction of a declaratory judgment action, it was under no compulsion to exercise it).

The same clear distinction between the existence of subject matter jurisdiction and the discretion to decline it was recently confirmed by this Court in *MedImmune, Inc. v. Genentech, Inc.*, 127 S. Ct. 764, 770-77 (2007), where the Court found jurisdiction over a declaratory judgment action without reaching the court's "unique and substantial" discretion to decline jurisdiction. *See Sony Electronics, Inc. v. Guardian Media Techs., Inc.*, 497 F.3d 1271, 1285-87 (Fed. Cir. 2007) (holding that the district court erred in dismissing three declaratory judgment complaints for lack of subject matter jurisdiction before addressing the discretion to decline jurisdiction).

When a district court exercises its discretion to decline jurisdiction under the abstention doctrine, under the supplemental jurisdiction statute, or under the Declaratory Judgment Act, the use of such discretion does not eliminate the subject matter jurisdiction that must exist before the court has any

discretion to exercise. Because any resulting remand in those circumstances is not colorably based on a lack of jurisdiction under § 1447(c), this petition should be granted and the Federal Circuit's decision dismissing CTI's appeal should be reversed.

IV. THIS ISSUE HAS GREATER IMPORTANCE WHERE, AS HERE, THE DISTRICT COURT IMPROPERLY REMANDS CLAIMS TO STATE COURT THAT ARE EXCLUSIVELY FEDERAL

One policy underlying § 1447(d) is that Congress disfavors interruptions to litigation of the merits that would be created by prolonged litigation over which of two otherwise legitimate courts should resolve the disputes between the parties. See *Kircher v. Putnam Funds Trust*, 547 U.S. 633, 640 (2006). However, if CTI's appeal is well-taken on the merits, there would not be two legitimate courts in which to resolve the claims at issue in this case, and there likely should not even be one.

Unlike in the usual removal situation where jurisdiction over the remanded claims is concurrent between the state and federal courts, CTI's appeal here is based on the district court's error in remanding claims to state court that should have been held to be within the exclusive jurisdiction of federal courts (and which should have been dismissed rather than remanded for not yet being ripe for resolution by any court). As noted, CTI's appeal is based on the asserted inventorship and ownership claims being exclusively within federal court jurisdiction and on the remand of the nine other claims also being legally erroneous (and hence an abuse of discretion) because each claim necessarily depends upon the resolution of a substantial question of federal patent law. See

Christianson, 486 U.S. at 809 (federal jurisdiction extends to those cases in which patent law is a necessary element of one of the well-pleaded claims).

While this Court need not and will not pass on the merits of CTI's appeal in resolving the question presented by this petition, the discretionary remand at issue here highlights the even greater importance of resolving the question left open in *Powerex* when the jurisdiction over the remanded claims is exclusive to federal courts rather than concurrent with state courts. In most instances of concurrent jurisdiction between federal and state courts, the likelihood of a district court abusing its discretion in remanding state law claims under § 1367(c) will be low. However, where a district court erroneously remands claims that are exclusively federal to a state court, the resulting abuse of discretion should be apparent. When such an improper remand occurs, it is not only incorrect and wasteful, but will leave any subsequent actions, decisions, or judgments entered by the state court on remand subject to collateral attack on grounds of lack of jurisdiction. See *Christianson*, 486 U.S. at 518.

As explained in *Kircher*, 547 U.S. at 646-47, a state court to which exclusively federal claims are remanded would not, if appellate review is barred by § 1447(d), be bound by the remanding federal court's determination or assumption that the remanded claims are within the state court's jurisdiction. Nevertheless, the practical reality is that the second court in such circumstances will usually adhere to the first court's ruling, even in the absence of any formal preclusive effect. Cf. *Christianson*, 486 U.S. at 816-87. Indeed, the California state court in this case has already assumed jurisdiction over the remanded claims and embarked upon an aggressive

case management schedule for future proceedings. All such proceedings are being imbued with a fatal flaw if the claims being resolved on remand are actually outside the state court's jurisdiction.

For that additional reason, this case is the most appropriate vehicle for resolving the question left open (or reopened) in *Powerex* and for resolving the direct conflict among the circuits incorrectly created by the Federal Circuit (the appellate court with exclusive jurisdiction over appeals arising under the patent laws). Like the abstention-based remand order in *Quackenbush*, a district court's discretionary remand under § 1367(c) is not a remand for lack of subject matter jurisdiction and therefore should not be subject to the bar of § 1447(d).

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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