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

BRIEF FOR THE PETITIONER

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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 to decline supplemental jurisdiction under 28 U.S.C. § 1367(c). Last Term, 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, thereby disagreeing with at least nine other federal courts of appeals that construe *Cohill* as distinguishing between remands for lack of subject matter jurisdiction and remands based on declining to exercise jurisdiction that already exists. Thus, the question presented is the one posed but left unanswered in *Powerex*:

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

Consistent with its prior statement set forth in the petition, Petitioner CTI reaffirms 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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BRIEF FOR THE PETITIONER

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

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. The Petition for Writ of Certiorari was filed on May 8, 2008 and was granted on October 14, 2008. The jurisdiction of this Court was invoked 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

A. The Underlying Complaint

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 analogues 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 after removal, alleged twelve causes of action. App. 38a-170a. Two of the twelve causes of action 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 causes of action were related state law claims alleging slander of title, conversion, actual and constructive fraud, both 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 defendants from representing themselves as inventors of the alleged

invention, and damages of not less than $284 million 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. For present purposes, therefore, there was no defect in the removal procedure.

B. The District Court Proceedings

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.[1] App. 25a. In resolving that motion, the district court first declared that it would not exercise jurisdiction over any non-federal claims:

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[1] CTI's "lack of jurisdiction" position was based on respondents' claims being unripe for judicial resolution because respondents had not pled any existing property rights. Respondents' claims concerned undetermined rights in an alleged "invention" which were based entirely on pending patent applications in the U.S. Patent and Trademark Office ("PTO"). Until the PTO acted on those pending applications, and any resulting patents had issued, CTI asserted that no court had jurisdiction to address whether an "invention" existed or to resolve the alleged claims involving the patentability, ownership, and inventorship of any such invention. See, e.g., *GAF Bldg. Materials Corp. v. Elk Corp.*, 90 F.3d 479, 482 (Fed. Cir. 1996).

> As a preliminary matter, the Court 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 other than respondents' RICO claim as arising under state law.

The district court later explained why it had concluded that the two declaratory judgment claims were not within its federal jurisdiction. According to the court, the 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 alone, the court held that rights of inventorship and ownership of inventions are 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 state law claims.[2] App. 30a.

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[2] The district court did not separately discuss whether any of the state law claims necessarily depended upon a substantial question of federal law. *See Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 808-09 (1988).

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 state law claims, the district court then remanded all of the non-RICO claims to the state court. App. 34a.

C. CTI's Appeal To The Federal Circuit

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*, 486 U.S. at 808-09. Indeed, under subsequent Federal Circuit precedent following and applying this Court's decision in *Christianson*, such state law causes of action are exclusively within the jurisdiction of 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 rather than remanded.

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 to state court that was 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, based on its understanding of this Court's statements in *Powerex*, the Federal Circuit issued its opinion holding that § 1447(d) barred any review of the district court's remand order in this case. App. 1a-20a.

D. The Federal Circuit's Opinion

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 acknowledged that the jurisdictional bar in § 1447(d) against reviewing remand orders had to be read *in pari materia* with, and thus limited to, the grounds enumerated in § 1447(c). App. 11a-12a (citing, *inter alia*, *Thermtron*, 423 U.S. at 345-46; *Osborn v. Haley*, 549 U.S. 225 (2007)).

The Federal Circuit expressly recognized that "the district court's remand order is 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 further recognized that the district court had federal question jurisdiction over the alleged RICO claim and that the RICO claim by itself was sufficient to confer supplemental jurisdiction on the district court under § 1367 even though the RICO claim had been dismissed for failure to state a claim. App. 13a-14a & n.2 (citing *Arbaugh v. Y & H Corp.*, 546 U.S. 500, 514 (2006)).

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).[3] App. 15a-18a (citing 127 S. Ct. at 2419-19 & n.4).

The Federal Circuit conceded 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)). However, the "several other courts of appeals" described by the Federal Circuit as being a "trend" amounted to a full nine of the other twelve

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[3] When a federal district court elects to remand a removed case to state court after declining to exercise its supplemental jurisdiction under § 1367(c), such a remand has been referred to as a "*Cohill* remand" after this Court's decision in *Carnegie-Mellon Univ. v. Cohill*, 484 U.S. 343, 357 (1988), which held that a district court has the discretion to remand in such circumstances rather than being required to dismiss. See *infra* section II.

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).[4] 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

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[4] As of the Third Circuit's 1995 decision in *McCandless*, only the D.C., First, and Second Circuits had not yet addressed the issue. Since then, it does not appear that those three circuits have directly addressed § 1447(d) in the context of § 1367(c) remands. However, each has reviewed remand orders based on non-§ 1447(c) grounds. See *Barksdale v. Washington Metro. Area Transit Auth.*, 512 F.3d 712, 714-15 (D.C. Cir. 2008) (holding § 1447(d) did not bar review of discretionary decision to remand for convenience of counsel); *Connolly v. H.D. Goodall Hospital, Inc.*, 427 F.3d 127 (1st Cir. 2005) (jurisdiction over appeal of remand of supplemental state law claims); *Williams v. Beemiller, Inc.*, 527 F.3d 259, 263 (2d Cir. 2008) (reviewing remand ordered by a magistrate); *Carvel v. Thomas & Agnes Carvel Found.*, 188 F.3d 83, 85-86 (2d Cir. 1999) (reviewing absention-based remand). For present purposes, CTI will use "nine" as the number of circuits in direct conflict with the Federal Circuit.

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 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 that premise, 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).

CTI timely filed a combined petition for rehearing and rehearing *en banc* in the Federal Circuit, which was denied without substantive comment. App. 36a-37a. CTI then filed a petition for writ of certiorari seeking review of the Federal Circuit's decision dismissing CTI's appeal for lack of appellate jurisdiction. The petition was granted by this Court on October 14, 2008.

SUMMARY OF ARGUMENT

The Federal Circuit erred in holding that 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 that can be colorably characterized as 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 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.

Until the Federal Circuit's decision in this case, nine other circuits that had uniformly held—both before and after 1988—that remands upon declining supplemental jurisdiction under § 1367(c) are not for lack of jurisdiction and thus are not barred from appellate review by § 1447(d). While this Court observed 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)," this Court's caution should not have authorized the Federal Circuit to disregard this Court's reasoning in *Cohill* or its post-1988 progeny.

This Court in *Powerex* recognized that it had held under the 1988 amendments to the removal

statutes meant that § 1447(d) precluded appellate review only of remands for lack of subject-matter jurisdiction and for "a defect in removal procedure." This Court also assumed that the 1996 amendments changing the latter phrase to "any defect" also had no effect on *Thermtron*. As to the reserved question of whether those amendments affected the reviewability of *Cohill* remands, the Federal Circuit never identified the relevant questions. In contrast, the First, Third and Eleventh Circuits have each 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*. For purposes of the current version of § 1447(c), this Court should confirm its assumption in *Powerex* that a remand under § 1367(c) does not constitute a "defect" and expressly hold that it is not a remand for lack of subject-matter jurisdiction.

As confirmed by this Court's analysis when allowing appellate review of an abstention-based remand in *Quakenbush*, 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 tried to distinguish *Quakenbush* on grounds that 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.

Finally, the Federal Circuit's *sua sponte* decision to dismiss Petitioner's appeal for lack of appellate jurisdiction not only incorrectly construes the applicable statutes as well as 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 reverse the Federal Circuit's legal analysis and dismissal, and instruct that court to decide CTI's appeal on the merits.

ARGUMENT

I. THIS COURT IN *POWEREX* POSED BUT DID NOT ANSWER THE QUESTION PRESENTED HERE

Last term, this Court in *Powerex* summarized and refined its jurisprudence regarding the limits imposed by 28 U.S.C. § 1447(d) on appellate review of district court orders remanding removed cases to state court. In that decision, this Court identified additional issues concerning the meaning and scope of the current version of § 1447(c) and § 1447(d) that are now presented by this case. Initially, therefore, it is useful to trace this Court's key decisions construing § 1447(d) since *Thermtron* to provide the proper backdrop for this case.

This Court in *Powerex* summarized the post-*Thermtron* evolution of the language of § 1447(c) and § 1447(d) in a manner that illustrates both what is and is not at issue here. While it yields a lengthy quotation, petitioner sees no reason to rephrase this Court's explanation reproduced below:

> In *Thermtron*, we held that § 1447(d) should be read *in pari materia* with § 1447(c) so that only remands based on the grounds specified in the latter are shielded by the bar on review mandated by the former. At the time of *Thermtron*, § 1447(d) stated 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. [423 U.S.] at 342.
>
> Consequently, *Thermtron* limited § 1447(d)'s application to such remands. *Id*., at 346. In 1988, Congress amended § 1447(c) in relevant part as follows: "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 [28 U.S.C. §] 1444(a). If at any time before final judgment it appears that the district court lacks subject matter jurisdiction, the case shall be remanded." § 1016(c)(1), 102 Stat. 4670.

> When that version of § 1447(c) was in effect, we thus interpreted § 1447(d) to preclude review only of remands for lack of subject-matter jurisdiction and for defects in removal procedure. See *Quackenbush v. Allstate Ins. Co.*, 517 U.S. 706, 711-12 (1996); *Things Remembered, Inc. v. Petrarca*, 516 U.S. 124, 127, 128 (1995).
>
> Although § 1447(c) was amended yet again in 1996, 110 Stat. 3022, we will assume for purposes of this case [*i.e.*, Powerex] that the amendment was immaterial to *Thermtron*'s gloss on § 1447(d), so that the prohibition on appellate review remains limited to remands based on the grounds specified in *Quackenbush*. We agree with petitioner that the remand order was not based on a defect in removal procedure, so on the foregoing interpretation of *Thermtron* the remand is immunized from review only if it was based on a lack of subject-matter jurisdiction.

Powerex, 127 S. Ct. at 2415-16. From that perspective provided in this Court's most recent pronouncement on § 1447(d), certain parameters frame the question presented by this case.

First, this Court in *Powerex* recognized that it had applied the post-1988 versions of § 1447(c) and § 1447(d) in a manner that did not alter the holding or rationale of *Thermtron*. See *Quackenbush*, 517 U.S. at 711-12 ("[O]nly remands based on grounds specified in § 1447(c) are immune from review under § 1447(d)."); *Things Remembered*, 516 U.S. at 127-28

(same). Second, as in *Powerex*, the remand order in this case is indisputably not based on a defect in removal procedure. Under the assumption used in *Powerex* regarding the effect of the 1996 amendments to the removal statute, the remand here also could be immunized from appellate review only if the district court's decision to decline supplemental jurisdiction under § 1367(c) is properly characterized as resulting in a remand that is based on a lack of subject-matter jurisdiction.[5]

Turning to the specific holdings rendered in *Powerex*, this Court first rejected the petitioner's assertion that the remand at issue in that case was not based on "subject-matter jurisdiction" within the meaning of § 1447(c). 127 S. Ct. at 2416. In doing so, the Court rejected the petitioner's argument that the statute should be construed as applying only to a defect in subject-matter jurisdiction existing at the time of removal that rendered the removal itself jurisdictionally improper. *Id*. Instead, this Court concluded that "[n]othing in the text of § 1447(c) supports the proposition that a remand for lack of subject-matter jurisdiction is not covered so long as the case was properly removed in the first instance." 127 S. Ct. at 2416.

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[5] As explained *infra* in section III, this Court's assumption in *Powerex*, 127 S. Ct. at 2416, that the 1996 amendment to § 1447(c) was also immaterial to *Thermtron*'s gloss on § 1447(d) is in fact correct but will need to be expressly confirmed in this case, given that the Federal Circuit reached the opposite conclusion, seemingly as to both the post-1988 and post-1996 versions of § 1447(c). See App. 16a-17a & n.3.

Holding that argument both lacked explicit textual support and was disproved by the contemporaneous addition of § 1447(e) in 1988, this Court in *Powerex* held that "when a district court remands a properly removed case because it nonetheless lacks subject-matter jurisdiction, the remand is covered by § 1447(c) and thus shielded from review by § 1447(d). 127 S. Ct. at 2416-17. In this case, however, there is no dispute that the district court had subject-matter jurisdiction at the time of the removal due to respondents' RICO claim, and it is equally clear that a district court's discretionary decision to remand the state law claims always will occur after the case has been removed. Thus, the question presented here regarding whether a post-removal remand based on declining supplemental jurisdiction is based on a lack of subject-matter jurisdiction does not and cannot turn on the post-removal timing of the remand decision.

Upon concluding that the lack of subject matter jurisdiction giving rise to a remand could be created or arise post-removal, this Court then proceeded to decide whether the particular remand in *Powerex* has been one for lack of subject-matter jurisdiction. In that case, the Court viewed the district court as clearly purporting to remand on that ground, given that its orders explicitly stated that the court's lack of subject-matter jurisdiction required remand pursuant to § 1447(c). 127 S. Ct. at 2417. Determining that it was not necessary to decide whether a district court's "jurisdictional" label for its remand should always be enough by itself to bar any appellate review under § 1447(d), this Court again assumed that § 1447(d) would permit appellate

courts some leeway to look behind the district court's characterization. See *Kircher v. Putnam Funds Trust*, 547 U.S. 633, 641 (2006). In *Powerex*, however, the Court did not have to look very far, holding that there was only one plausible explanation for the legal ground on which the district court had actually relied for its remand. 127 S. Ct. at 2417-18.

Specifically, this Court determined that the remand in *Powerex* could only have resulted due to "the [district] court's lack of *power* to adjudicate the claims against petitioner once [the court] concluded both that petitioner was not a foreign state capable of independently removing and that the claims against the other removing cross-defendants were barred by sovereign immunity." 127 S. Ct. at 2418 (emphasis in original). Once the Court discerned that the remand resulted from the district court's conclusion that it did not have the *power* to decide any of the asserted claims, § 1447(c) was deemed applicable. Under *Powerex*, therefore, if a district court determines that it lacks the *power* to decide a removed case, then its resulting remand can be plausibly viewed as resulting from a lack of subject-matter jurisdiction.

Reflecting its conclusion that the jurisdictional underpinnings of the remand need be no more than plausible, this Court in *Powerex* clarified that to the extent that review of a court's characterization of its remand as resting on subject-matter jurisdiction is permissible at all, any such review "should be limited to confirming that that characterization was colorable." 127 S. Ct. at 2418. For purposes of

deciding *Powerex*, this Court did not need to pass on whether § 1447(d) permits appellate review of a district-court remand order "that dresses in jurisdictional clothing a patently nonjurisdictional ground" because the district court had relied upon a ground that could colorably be characterized as subject-matter jurisdiction. 127 S. Ct. at 2418.

Finally, in the most important discussion in *Powerex* for present purposes, this Court rejected the petitioner's attempt to come within *Carnegie-Mellon Univ. v. Cohill*, 484 U.S. 343, 357 (1988), by belatedly trying to characterize the district court's remand as having actually resulted from a discretionary decision to decline some form of supplemental jurisdiction. 127 S. Ct. at 2418. In rejecting that attempt in hindsight to devise grounds to avoid the bar of § 1447(d), this Court in *Powerex* stated the following:

> It is far from clear … (1) that supplemental jurisdiction was even available in the circumstances of this case;[3] and (2) 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).[4] Assuming these points, however, there is no reason to believe that the District Court's remand was actually based on this unexplained discretionary decision. The District Court itself *never mentioned* the possibility of supplemental jurisdiction. … Moreover, it does not appear from the record that petitioner ever even argued to the District Court that

> supplemental jurisdiction was a basis for retaining the claims against it. There is, in short, no reason to believe that an unmentioned nonexercise of *Cohill* discretion was the basis for the remand.

127 S. Ct. at 2418-19 (emphasis in original; text of footnotes 3 and 4 omitted).

In contrast to *Powerex*, there is no dispute here that the only stated and plausible basis for the district court's remand of all eleven non-RICO claims was its discretionary decision under 28 U.S.C. § 1367(c) to decline to exercise its supplemental jurisdiction over all state law claims. As even the Federal Circuit characterized it, "the district court's remand order is based on declining supplemental jurisdiction." Pet. 13a. There is also no plausible basis for believing that the district court had invoked its discretion to decline supplemental jurisdiction under § 1367(c) as a guise to obscure some other reason for remanding, so this case also does not require this Court to decide whether or how far a reviewing court can look behind the district court's stated reason for its remand.

Because the remand here was indisputably based solely on the district court declining to exercise supplemental jurisdiction, footnote 4 of *Powerex* provided the premise for the Federal Circuit's reasoning now at issue. In that footnote, this Court stated the following:

> We have never passed on whether *Cohill* remands are subject-matter jurisdictional for

> purposes of post-1988 versions of § 1447(c) and § 1447(d). See *Things Remembered, Inc. v. Petrarca*, 516 U.S. 124, 129-30 (Kennedy, J., concurring) (noting that the question is open); cf. *Cohill*, 484 U.S. at 355 n.11 (discussing the pre-1988 version of § 1447(c)).

127 S. Ct. at 2419 n.4. As noted above, the Federal Circuit interpreted that footnote as (1) undercutting the persuasive force of the decisions of the other courts of appeals relying on *Cohill* to hold that remand orders based on § 1367(c) are reviewable on appeal and (2) reopening the question of whether § 1367(c) remands are barred from review under § 1447(c) and § 1447(d). App. 17a-18a. However, the Federal Circuit's analysis went no further.

As explained below, the Federal Circuit never examined the reasons why this Court's reasoning in *Cohill* was and remains persuasive to the other courts of appeals that have held that § 1447(d) does not bar review of remand decisions under § 1367(c). Moreover, the Federal Circuit never identified, much less analyzed, the language in the post-1988 amendments to § 1447(c) had caused this Court to issue its caveat that it had not yet addressed the jurisdictional status of *Cohill* remands under the most recently amended versions of the removal statutes. Believing itself free to chart its own course because *Powerex* had left that question open, the Federal Circuit erred in failing to follow the clear signals within this Court's existing precedent that had properly guided the reasoning of every other courts of appeals to address the issue.

II. BECAUSE THE AUTHORITY FOR REMANDS UNDER § 1367(c) DOES NOT OVERLAP WITH THAT FOR REMANDS UNDER § 1447(c), REMANDS BASED ON DECLINING SUPPLEMENTAL JURISDICTION ARE NOT WITHIN THE APPELATE REVIEW BAR OF § 1447(d)

By the Federal Circuit's own count, at least nine other circuits have relied on this Court's decision in *Cohill* when 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 cited and relied on this Court's statements in *Powerex* that the question remains an open question in this Court under the post-1988 versions of § 1447(c) and § 1447(d), the Federal Circuit never discussed this Court's reasoning in *Cohill* that properly compelled the other circuits' directly 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. Moreover, this Court further explained

that such discretion to remand "is precluded neither by the removal statute nor by our decision in *Thermtron*." *Id.*

In reaching that conclusion, this Court's analysis in *Cohill* began with its holding in *United Mine Workers v. Gibbs*, 383 U.S. 715 (1986), "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* expressly pointed out how *Gibbs* had 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 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* responded to the dissent's assertion that removed cases could be remanded only for the reasons set forth in the removal statutes:

> The remand power that we recognize today derives from the doctrine of pendent jurisdiction and applies only to cases involving pendent claims. Sections 1441(c) and 1447(c), as the dissent recognizes, do 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 avoided any further substantive analysis upon declaring that footnote 4 in *Powerex* had undercut the persuasive force of those decisions and had reopened whether § 1367(c) remands are barred from appellate review under §§ 1447(c) and (d). App. 16a-18a.

Had the Federal Circuit proceeded to analyze this Court's rationale in *Cohill*, the court of appeals should have realized that this Court's cautionary footnote 4 in *Powerex* regarding the unresolved jurisdictional status of *Cohill* remands under the post-1988 statutes did not support a different result in this case. Indeed, this Court's distinction in footnote 4 between the pre- and post-1988 versions of the removal statute reflects its recognition that *Cohill* had at least settled that such "*Cohill* remands" under § 1367(c) were not the type of remands encompassed by the pre-1988 version of § 1447(c) and thus, under *Thermtron*, also were not the type of remands subject to the appellate review bar in § 1447(d).

Footnote 11 in *Cohill* expressly stated that the remands listed in § 1447(c) do not apply to cases over which a federal court has pendent jurisdiction. 484 U.S. at 355 n.11. Moreover, given that footnote 11 in *Cohill* also holds that the remands specified in § 1447(c) do not stem from the same authority as the remands authorized by § 1367(c), then the question reserved in *Powerex* over whether or how post-*Cohill* amendments to § 1447(c) may have altered the scope of remands encompassed by § 1447(c) could not have affected a district court's unrelated authority to remand upon declining supplemental jurisdiction. Because remands under § 1367(c) stem from a different authority than the remands for a defect in removal procedure or for lack of subject matter jurisdiction authorized by § 1447(c), the former are not barred from appellate review by § 1447(d), which only applies to the latter remands specified in § 1447(c).

Properly analyzed, this Court's caveat in footnote 4 of *Powerex* that it had not yet passed on whether *Cohill* remands are subject matter jurisdictional for purposes of post-1988 versions of § 1447(c) and § 1447(d) provides no support for the Federal Circuit's otherwise unsupported conclusion that every other court of appeals to address that issue before and after those amendments had reached the wrong result. The Federal Circuit's assumption that this Court's decision in *Powerex* had completely wiped the slate in *Cohill* clean should be rejected. No matter how the 1988 and 1996 amendments to the removal statutes may have altered the scope of the remands covered by § 1447(c), those amendments did not change the

source of a district court's separate and distinct remand authority in cases involving pendent jurisdiction.

III. THE 1988 AND 1996 AMENDMENTS TO § 1447(c) DID NOT CAUSE THE SCOPE OF REMAND ORDERS FOR WHICH APPELLATE REVIEW IS BARRED BY § 1447(d) TO INCLUDE *COHILL* REMANDS UNDER § 1367(c)

As noted, this Court in *Powerex* recognized that it had already held, after the post-1988 version of § 1447(c) and § 1447(d) was in effect, that § 1447(d) precluded appellate review only of remands for lack of subject-matter jurisdiction and for defects in removal procedure. See 127 S. Ct. at 2416 (citing *Quackenbush* and *Things Remembered*). At that same time, this Court in *Powerex* also assumed for purposes of that case that the 1996 amendments were similarly immaterial to *Thermtron*'s gloss on § 1447(d). 127 S. Ct. at 2416. Nevertheless, the Federal Circuit reached the opposite conclusion in both instances with respect to the amendments' effect on the reviewability under § 1447(d) of remands under § 1367(c) authorized by *Cohill*.

In its quest to answer the question posed in *Powerex* as to whether *Cohill* remands are subject-matter jurisdictional under the post-1988 versions of § 1447(c) and § 1447(d), the Federal Circuit never acknowledged this Court's holding that the 1988 amendment had no substantive effect on the interplay between § 1447(c) and § 1447(d) with respect to the limits on the appellate review bar in

§ 1447(d). As shown, if the 1988 statutory amendment had no substantive effect on this Court's analysis in *Thermtron*, then neither the 1988 or the 1996 amendments could possibly have undone this Court's holding in *Cohill* that the remand authority conferred by the removal statute and the remand authority conferred by the doctrine of pendant jurisdiction overlap not at all.

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 to exercise supplemental jurisdiction under § 1367(c) constitutes a "jurisdictional flaw." App. 17a n.3.

Presumably, the Federal Circuit had recognized that this Court in *Powerex* rejected the assertion that the lack of jurisdiction giving rise to a remand must have existed at the time of the removal in order to come within § 1447(c). See 127 S. Ct. at 2416. Nevertheless, 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 insufficient by itself to

resolve whether post-removal remands under § 1367(c) are properly characterized as being for one of the reasons for remand specified in the current version of § 1447(c).

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 now specified in § 1447(c). In other words, the Federal Circuit's only offered basis for attempting to discern a different result for *Cohill* remands 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*.

1. *Cohill* Remands Under § 1367(c) Do Not Fall Within § 1447(c) As Amended In 1988

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 thus was not a remand insulated from appellate review by § 1447(d). See 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 1988 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.

The fact that Congress specifically clarified that the new "defect in removal procedure" language in the amended 1988 version of the statute was not intended to encompass remands decided as a matter of pendent jurisdiction should confirm that Congress also did not view such remands as arising from a lack of subject-matter jurisdiction, the other type of remand covered by the amended § 1447(c). Otherwise, such clarification would have been wholly unnecessary. Clearly, therefore, Congress was not acting in the 1988 amendments to undermine this Court's holding in *Cohill* or to modify § 1447(c) and § 1447(d) to encompass remands authorized under the doctrine of pendant jurisdiction.

Given that the 1988 amendment by Congress had 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 in the amended text or the legislative history associated with that amendment provides any support for the Federal Circuit's holding.

2. *Cohill* Remands Under § 1367(c) Do Not Fall Within § 1447(c) As Amended In 1996

Although not mentioned and also not analyzed by the Federal Circuit, the first sentence of § 1447(c) was again amended in 1996, this time to eliminate the "any defect in 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 had 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 intervening 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.

The First Circuit in *Autoridad de Energia Electrica de Puerto Rico v. Ericsson, Inc.*, 201 F.3d 15, 16-17 (1st Cir. 2000), later agreed with the Eleventh Circuit in *Snapper* (and implicitly with the Third Circuit in *Hudson*) in holding that the 1996 amendments to § 1447(c) did not alter this Court's prior analysis in *Thermtron*. Unlike the Federal Circuit's unsupported assumption that a decision to remand under § 1367(c) constituted a "jurisdictional flaw" (App. 17a n.3), the First Circuit recognized that the amended 1996 version of § 1447(c) now provided that a motion to remand "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." (Emphasis added.)

In the *Autoridad* case, the First Circuit therefore addressed whether the term "defect" in the new statutory language should be construed to encompass a remand based on a forum selection clause in a contract. See 201 F.3d at 17 (citing, *inter alia*, Thomas R. Hrdlick, *Appellate Review of Remand Orders in Removed Cases: Are They Losing A Certain Appeal?*, 82 Marq. L. Rev. 535, 561-69

(1999)).[6] The First Circuit held that it could not, holding that the term "defect" was more reasonably construed to refer to a failure to satisfy the various requirements for a successful removal in § 1446(a) and (b). 201 F.3d at 17. In addition, the First Circuit concluded that Congress would not have used such oblique means if it had truly intended to

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[6] An alternate view of the post-1996 language of § 1447(c) described by Hrdlick, based on another article also cited in *Autoridad*, is that Congress' 1996 amendment to § 1447(c) inadvertently caused the provision to encompass the entire universe of remand orders, *i.e.*, jurisdictional and all the rest, so as to undermine *Thermtron*'s rationale. See 82 Marq. L. Rev. at 567 (citing David D. Siegel, *Commentary on 1996 Revision of Section 1447(c), 28 U.S.C.A. § 1447* (1998)). However, the premise posited therein that § 1447(c) has now divided the universe of remand orders into two types is incorrect. To the extent that the Federal Circuit seemingly accepted that view (App. 13a), the court of appeals was incorrect as well.

By its terms, the revised § 1447(c) creates at least three categories of remand motions: (1) for lack of subject matter jurisdiction, (2) for any other defect brought within 30 days of removal, and (3) for any other defect brought more than 30 days after removal. Because only the first two motions fall within the terms of § 1447(c), the third type of remand motion is not barred from appellate review under § 1447(d). Cf. *Things Remembered*, 516 U.S. at 497 n.3 (noting compliance with 30-day time limit for remand motion was required to bring case within the 1988 version of § 1447(c)); *Air-Shields, Inc. v. Fullam*, 891 F.2d 63, 65-66 (3d Cir. 1989) (applying same 30-day limit where judge's remand occurred *sua sponte* without a motion to remand). Moreover, even if a remand under § 1367(c) could be construed as a "defect" under the 1996 version of § 1447(c), respondents here never moved to remand and the district court's remand order was issued well more than 30 days after removal (see App. 7a-8a), so this remand still could not be subject to the bar of § 1447(d).

overrule *Thermtron* and its progeny, and thus joined the Eleventh Circuit in *Snapper* in holding that § 1447(d) is not a bar to a review of a remand order based on a forum-selection clause. *Id*.

The same reasoning applies to remands under § 1367(c), which are no more a "defect" under the current statute than they were "a defect in removal procedure" under the 1988 version. Similarly, remands under § 1367(c) are no more a "defect" under the current statute than are remands under forum-selection clauses or for abstention grounds as in *Quackenbush*. While the Federal Circuit never even identified the relevant issue, the Third Circuit in *Hudson* reached exactly that conclusion when addressing the reviewability of a remand under § 1367(c). As that court explained:

> Although the sharp distinction between remands authorized by § 1367(c) and remands authorized by § 1447(c) is often misunderstood, the reason behind their different treatment is clear. Review of § 1447(c) remands is barred to keep parties to state court actions from making dubious allegations of federal jurisdiction in order to forestall the prompt resolution of state cases. Thus, § 1447(c) remands are warranted only when a federal court has no rightful authority to adjudicate a state case that has been removed from state court. …
>
> In contrast, § 1367(c) serves no such corrective purpose. Remands authorized by § 1367(c) may be entered only when federal

> subject matter jurisdiction has been affirmatively established, via 28 U.S.C. § 1367(a), and are entered independently of whether the case originated in state or federal court. See *International College of Surgeons*, [522 U.S. at 167]. Thus, a district court's decision to remand pursuant to § 1367(c) does not imply that the case was improperly filed in federal court. Rather, it reflects the court's judgment, reviewable on appeal for abuse of discretion … that at the present stage of the litigation it would be best for supplemental jurisdiction to be declined so that state issues may be adjudicated by a state court. See [*Gibbs*, 383 U.S. at 726-27]. In such circumstances, there is no pressing need to block the mechanisms of review that are generally afforded civil litigants.
>
> Thus, the bar to review codified at § 1447(d) is entirely inapplicable when the basis of the remand was the district court's discretion pursuant to § 1367(c).

Hudson, 142 F.3d at 157-58. As further confirmed by the fact that Congress viewed the 1996 amendments as being "technical and non-controversial," this Court should adopt the Third Circuit's reasoning in *Hudson* and not construe a district court's discretionary decision to decline to exercise supplemental jurisdiction under § 1367(c) as constituting a "defect" as that term is used under the post-1996 version of § 1447(c).

Based on the above, the Federal Circuit's holding that the post-1988 versions of the removal statute both authorize and warrant a different outcome as to the reviewability of remands under § 1367(c) than under the pre-1988 version cannot be squared with the statutory language itself or with the detailed analyses of that issue by the Eleventh Circuit in *Snapper*, the Third Circuit in *Hudson*, and the First Circuit in *Autoridad*. Simply put, a remand under § 1367(c) is not a "defect" under the current version of § 1447(c). Finally, as held in *Hudson* and as established below, a remand under § 1367(c) should further be held to result from a district court's discretionary decision to decline jurisdiction that has already been affirmatively established, and thus cannot be colorably characterized as being due to a lack of subject-matter jurisdiction for purposes of § 1447(c) and *Powerex*.

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

As explained in *Cohill*, this Court in *Gibbs* recognized "a wide-ranging power in federal courts to decide state-law claims in cases that also present federal questions." 484 U.S. at 349 (citing *Gibbs*, 383 U.S. at 726). As this Court explained in *Powerex*, it was the district court's "lack of power to adjudicate the claims" in that case that caused its remand to be one for lack of subject-matter jurisdiction. 127 S. Ct. at 2418. In short, if a federal district court has the power to decide a case, then any subsequent remand

that results after the court exercises its discretion not to decide the case has nothing to do with there being a lack of subject-matter jurisdiction.[7]

In contrast, this Court most recently reiterated the distinction between a court's power to hear a case and its discretion not to exercise such power when it recognized in *Osborn* that "[e]ven if only state-law claims remained after resolution of the federal question, the District Court would have discretion, consistent with Article III, to retain jurisdiction." 127 S. Ct. at 896 (citing *Cohill*). Moreover, further reflecting the "power vs. discretion" distinction, this Court in *Quackenbush* properly discerned no need to elaborate on its holding that a district court's absention-based remand order "does not fall into either category of remand order described in § 1447(c), as it is not based on lack of subject matter jurisdiction or defects in removal procedure." 517 U.S. at 711-12.

The key distinction as consistently drawn within this Court's decisions that was either ignored or misapprehended by the Federal Circuit is that this Court (1) expressly distinguishes a court's power to hear claims from its separate discretion not to

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[7] As one set of commentators aptly summarized, "[t]he existence of judicial power is a yes or no question." Deborah J. Challener & John B. Howell, III, Remand and Appellate Review When A District Court Declines To Exercise Supplemental Jurisdiction under 28 U.S.C. § 1367(c), 81 Temple L. Rev. ____ (2008), SSRN: http://ssrn.com/abstract=1266879, at 44 (Sept. 11, 2008) (hereinafter "Challener"); see also *id*. at 46 ("judicial power either exists or it does not").

exercise such power, and (2) repeatedly recognizes that a district court has the discretionary option to relinquish or decline jurisdiction in appropriate circumstances. 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 revealed to the Federal Circuit 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*."); see also Challener, at 29-33 & n.130 (and cases cited).

Had the Federal Circuit properly examined this Court's decisions in *Cohill* and *Quackenbush*, or any of the decisions of the other courts of appeals uniformly adhering to their 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 any of the post-*Cohill* amendments to § 1447(c) and § 1447(d). Hence, the Federal Circuit's "post-*Powerex*" analysis should not have reached a different outcome than those previously reached by every other federal court of appeals to decide that same issue.

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

The Federal Circuit did acknowledge this Court's decision in *Quackenbush*, 517 U.S. at 711-12, as holding 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, however, 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 reliance on the distinction between "independent" jurisdiction and "supplemental" jurisdiction is irrelevant for purposes of the question presented here. 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 independent basis of subject matter jurisdiction." App. 19a. Properly understood, the court is not declining to "extend" jurisdiction, it is only declining to exercise or retain 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 instead drew support for its conclusion from 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 existence 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 that "[w]ithout the cloak of supplemental jurisdiction, state claims must be remanded" (App. 19a-20a), the remand in this case occurred 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 has been affirmatively established and 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.[8] However, having undertaken to analyze its appellate 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

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[8] 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 by this Court. For that reason as well, this case does not implicate whether the appellate court should or can look beyond the district court's "label" for its remand decision, e.g., *Kircher*, 547 U.S. at 641 n.9, 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.

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 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.*, 549 U.S. 118, 125-35 (2007), where the Court found jurisdiction over a declaratory judgment action without reaching the court's "unique and substantial" discretion to decline jurisdiction. *See Wilton v. Seven Falls Co.,* 515 U.S. 277, 282 (1995)

(federal courts have "discretion in determining whether and when to entertain an action under the Declaratory Judgment Act, even when the suit otherwise satisfies subject matter jurisdictional prerequisites"). Post-*MedImmune*, even the Federal Circuit has distinguished between the existence of subject matter jurisdiction and the discretion to decline it in the context of patent declaratory judgment cases. 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 district court's separate discretion to decline such jurisdiction).

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 is not subject to the bar of § 1447(d). 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), the Federal Circuit's decision dismissing CTI's appeal is incorrect as a matter of law and should therefore be reversed.

VI. THE POLICY TO AVOID PROLONGED LITIGATION OVER JURISDICTION IS NOT SERVED WHEN, AS HERE, A DISTRICT COURT IMPROPERLY REMANDS EXCLUSIVELY FEDERAL CLAIMS TO STATE COURT

One oft-cited 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*, 547 U.S. at 640. 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 because respondents' asserted "state" causes of actions would be within the exclusive jurisdiction of the federal courts. See *Christianson*, 486 U.S. at 808-09; *Hunter Douglas*, 153 F.3d at 1328-29.

Unlike in the usual removal situation where jurisdiction over the remanded claims is concurrent between the state and federal courts, CTI's appeal to the Federal Circuit 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 the federal courts (and which also should have been dismissed rather than remanded because they were not yet ripe for resolution by any court). As to the former, CTI's appeal explained that respondents' asserted inventorship and ownership claims were exclusively within federal court jurisdiction and that the remand of the nine other claims was also 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 should not decide the merits of CTI's appeal when resolving the question presented, it nevertheless should appreciate the abuse of discretion inherent in a district court's discretionary decision to decline supplemental jurisdiction and to remand a removed case when its existing jurisdiction over the remanded claims is actually 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 quite low. However, where a district court erroneously remands claims that are exclusively within federal court jurisdiction to a state court, the resulting abuse of discretion is both clear and warrants appellate review at the first opportunity. Otherwise, such an improper remand may engender even more prolonged litigation over jurisdiction or could leave any subsequent actions, decisions, or judgments entered by the state court in the remanded case 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 state court in such circumstances will usually adhere to the federal court's remand decision, 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 assumed jurisdiction over the remanded claims and initiated a case management schedule for future proceedings without reexamining its own jurisdiction.[9] All such proceedings in the state court would be imbued with a fatal flaw if the claims being resolved on remand are actually outside the state court's jurisdiction.

If the state court understood under *Kircher* that it was not bound by the federal court's remand decision and could independently decide that the remanded claims were within the exclusive jurisdiction of the federal courts, any dismissal by the state court could itself be appealed within the state court system. The same questions that were presented to the Federal Circuit in this case—*i.e.*, whether the asserted claims arose under the patent laws or necessarily depended upon the resolution of a

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[9] Following the remand from the district court, the California Superior Court initially granted a stay during the Federal Circuit appeal. The Superior Court subsequently lifted the stay to allow the parties to conduct jurisdictional discovery in both Taiwan and California for the purpose of resolving issues of personal jurisdiction over certain foreign defendants. In July 2008, in light of CTI's petition for certiorari, the Superior Court reinstated its stay until this Court finally resolves CTI's petition.

substantial question of patent law—would be the same questions that would have to be decided by the state trial and appellate courts. Thus, a remand by a federal district court without appellate review under such circumstances does not serve to avoid prolonged litigation over subject-matter jurisdiction and may actually serve to compound it.

Moreover, if the state courts were to hold that some or all of the asserted claims in question were exclusively within federal court jurisdiction, the claims would have to be refiled in federal court, presumably in the district court which had already remanded them in the first place. Because appellate review was available from the dismissal in state court, and to the extent that the federal court would be required under this Court's rationale in *Christianson* to accept the jurisdictional decision of the state court, one result would be that the state courts could end up being the final arbiter of the federal court's jurisdiction. Even if the federal court decided not to defer to the state court jurisdictional decision and then to reach the opposite conclusion, § 1447(d) would not bar another, direct appeal of any resulting dismissal within the federal system.

Where a decision declining supplemental jurisdiction involves an improper remand of exclusively federal claims to state court, the bar of § 1447(d) would ensure rather than avoid prolonged jurisdictional proceedings. Any concern that a decision in this case confirming that § 1447(d) does not bar appellate review of discretionary decisions declining to exercise supplemental jurisdiction would enable or encourage such appeals being taken for

improper purposes in cases truly involving claims subject to concurrent jurisdiction between the state and federal courts should be handled through the existing mechanisms for sanctioning improper appeals. See R. Wasserman, *Rethinking Review of Remands: Proposed Amendments to the Federal Removal Statute*, 43 Emory L. J. 83, 137 & nn.207-09 (1994).

Finally, it is noteworthy to recognize that the remand in this case occurred not because the federal court concluded that it lacked subject-matter jurisdiction, but merely because the federal court incorrectly decided or assumed that the subject-matter jurisdiction that it had over the remanded claims was not exclusive to the federal courts. The district court's holding that the inventorship and ownership declaratory judgment claims constituted valid state law claims (App. 29a-30a) cannot be construed to mean that they were outside the federal court's supplemental jurisdiction, it just meant that once those claims were so characterized as state law claims, the federal district court was not the exclusive forum in which those claims had to be tried. See 28 U.S.C. § 1338.

If a complaint in state court included an express patent infringement claim, and such case were removed to federal court, no federal district court would likely ever remand to state court because federal court jurisdiction over such infringement claims "shall be exclusive of the courts of the states." See 28 U.S.C. § 1338. While respondents' amended complaint did not allege an exclusively federal claim as clearly as an express

claim for patent infringement, CTI's appeal was based in part on the district court's abuse of discretion in declining to retain jurisdiction over what in fact were exclusively federal claims. Here, the district court never addressed or decided whether any of the eleven state law claims had been preempted by federal patent law or necessarily required resolution of a substantial question of federal patent law.

For present purposes, the district court's conclusion that respondents' non-RICO claims were valid state law claims merely signified that jurisdiction over those claims was not exclusive to the federal courts and that, because a state court also had jurisdiction to hear them, the federal court had discretion under § 1367(c) to decline its concurrent supplemental jurisdiction. Such a remand is not the result of a lack of subject-matter jurisdiction at all and is thus is outside what Congress provided in § 1447(c) and § 1447(d) and their predecessors. See *Thermtron*, 423 U.S. at 352 ("[w]e decline to construe § 1447(d) so woodenly as to reach that result"). By any stretch of the imagination, such a discretionary remand is not colorably for lack of subject-matter jurisdiction, but was rendered merely because the federal court believed that its existing subject-matter jurisdiction was not exclusive.

CONCLUSION

The Federal Circuit's decision dismissing CTI's appeal should be reversed and the case remanded for further appellate proceedings in that court.

Respectfully submitted.

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