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

REPLY BRIEF FOR THE PETITIONER

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TABLE OF CONTENTS

TABLE OF AUTHORITIES

Page(s)

CASES

RULES

STATUTES

OTHER AUTHORITIES

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As expressly summarized in the Question Presented by Petitioner Carlsbad Technology, Inc. ("Petitioner" or "CTI"), this Court in *Powerex Corp. v. Reliant Energy Servs., Inc.*, 127 S.Ct 2411, 2416 (2007), identified two open issues when it 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)." Yet, Respondents' opposition never directly confronts either of those two issues.

As Petitioner set forth, this Court's first reserved question in *Powerex* can be easily resolved by adhering to the oft-recognized distinction between a federal court's power to decide a case and its separate discretion to decline to exercise any such power that it already has. Absent the jurisdictional power to hear a case, a court cannot have any discretion to decline it. Jurisdiction in this context can never merely be colorable; such power either exists or it does not. Thus, a remand following a court's discretionary decision to decline to exercise its existing supplemental jurisdiction cannot properly be deemed to have been "colorably" based on "a lack of subject-matter jurisdiction" for purposes of *Powerex*.

Petitioner further demonstrated how the clear distinction between a court's jurisdictional power and its separate discretion authorized appellate review of the abstention-based remand in *Quackenbush v. Allstate Ins. Co.*, 517 U.S. 706 (1996), and supported similar appellate reviews of remands following discretionary decisions to decline declaratory judgment jurisdiction. CTI Br. 49-50. Without addressing the "power vs. discretion" distinction, Respondents assert that declining to exercise supplemental jurisdiction and a lack of subject matter jurisdiction should be deemed to be "equivalent." Resp. Br. 2. However, the cessation of a district court's jurisdiction once the court dismisses, remands, or enters judgment in a case cannot transform every such action into being one that was undertaken based on a lack of subject-matter jurisdiction.

Respondents also ignore the reasoning in the decisions of the nine other courts of appeal that have recognized the determinative distinction between a court's power to decide and its discretion not to exercise such power in holding that "*Cohill*-remands" under 28 U.S.C. § 1367(c)(3) do not fall within the scope of the appellate review bar in § 1447(d). See CTI Br. 43-44 (and cases cited). Instead, conceding that "[s]upplemental jurisdiction is unquestionably a type of subject matter jurisdiction" (Resp. Br. 2), Respondents invent possible reasons for why and how this Court might hold that declining existing jurisdiction should be treated the same as never having it at all. None provide any legitimate justifications for overriding the statutory language, this Court's precedents, or the analyses of the other nine circuits.

The other question reserved in *Powerex* concerned "whether *Cohill* remands are subject-matter jurisdictional for purposes of post-1988 versions § 1447(c) and § 1447(d)." See 127 S. Ct. at 2416. That question is squarely presented here, and its answer should require comparing the current language of § 1447(c) to the pre-1988 version applicable when *Thermtron Products, Inc. v. Hermansdorfer*, 423 U.S. 336 (1976), was decided and to the post-1988 version in effect when *Quackenbush* was decided. Respondents never examine the specific post-*Thermtron* statutory language changes. Instead, they overstate *Powerex* as questioning the general applicability of § 1447(d)'s review ban to *Cohill*-remand orders rather than merely identifying it as an open question under only the current statutory language. Resp. Br. 2.

By its terms, this Court's caution in *Powerex* encompassed the reviewability of § 1367(c) remands only under the present version of § 1447(c). In *Powerex*, this Court recognized that its decision in *Quackenbush* had already affirmed that *Thermtron*'s statutory construction remained applicable to the post-1988 statute when it interpreted § 1447(d) to preclude review only of remands for lack of subject matter jurisdiction and for defects in removal procedure, as stated in the post-1988 version of § 1446(c) in effect when *Quackenbush* was decided. See 127 S. Ct. at 2416. Moreover, because it was not argued otherwise, this Court in *Powerex* assumed that Congress's expansion of the remands subject to a 30-day removal period in the post-1996 version of § 1447(c)—from "any defect in removal procedure" to "any defect other than subject matter jurisdiction"—also did not alter *Thermtron*'s gloss on § 1447(d). See 127 S. Ct. at 2416.

At most, this case requires this Court to confirm its assumption in *Powerex* that the review bar in § 1447(d) still applies only to the grounds for remand specified in the current, post-1996 version of § 1447(c). Implicit in Respondents' failure to analyze the statutory language changes since *Thermtron* is their recognition that no basis exists for holding that a district court's discretionary decision to remand under § 1367(c) constitutes a "defect" for purposes of the current version of § 1447(c). Absent a remand based on any such "defect" or a "lack of subject matter jurisdiction," the appellate review bar in § 1447(c) does not apply.

Finally, this Court should reject Respondents' implicit, belated, and unsupported suggestion to overrule Thermtron's now-settled gloss on § 1447(d). Since *Thermtron* was decided in 1976, Congress has twice amended § 1447(c), and both times did not alter this Court's statutory construction and affirmatively adhered to this Court's analytical approach. In light of those post-*Thermtron* amendments, Respondents' suggestion that the review ban in § 1447(d) need not have been limited to the grounds for remand enumerated in § 1447(c) provides no basis for altering the legal conclusion of both Congress and this Court that the review ban is indeed exactly so limited.

ARGUMENT

Since first established in *Thermtron*, this Court has repeatedly affirmed that "[o]nly remands based on grounds specified in § 1447(c) are immune from review under § 1447(d)." *Quackenbush*, 517 U.S. at 711-12; *Things Remembered, Inc. v. Petrarca*, 516 U.S. 124, 127-28 (1995). Under the current version of § 1447(c), the specified grounds for remand are (1) "lack of subject matter jurisdiction," and (2) "any defect other than lack of subject matter jurisdiction," provided that a motion to remand on such latter ground is made within 30 days after the filing of the notice of removal. Because neither of those specified grounds in § 1447(c) applies to this case, the Federal Circuit erred in holding that § 1447(d) barred it from resolving CTI's appeal of the district court's remand order.

Stated conversely, the appellate review bar of § 1447(d) does not apply if a district court's remand order is based (1) on a defect other than subject matter jurisdiction where the motion to remand based on such defect is filed more than 30 days after the notice of removal, or (2) on any other ground not specified in § 1447(c). Under this Court's precedent, examples of the latter "not specified in § 1447(c)" grounds include the "crowded docket" remand held to be reviewable in *Thermtron*, and the abstention-based remand held to be reviewable in *Quackenbush*. Here, because the remand was indisputably based on the district court's discretionary decision under § 1367(c)(3) to decline to exercise its supplemental jurisdiction after dismissing Respondents' federal RICO claim, such remand was also not based on a ground specified in § 1447(c).

Like the abstention-based remand held to be reviewable in *Quackenbush*, a remand entered in accordance with a court's discretion afforded in § 1367(c)(3) should not be deemed to have been based either on a lack of subject matter jurisdiction or on any other "defect" as that term is used in § 1447(c). Notably, Respondents do not argue that the district court's remand entered under § 1367(c)(3) could be characterized as resulting from a "defect" for purposes of § 1447(c). Hence, under *Powerex*, the remand here could be insulated from appellate review under § 1447(d) only if it was "colorably" based on a lack of subject-matter jurisdiction.

Respondents agree that subject-matter jurisdiction includes the supplemental jurisdiction granted by § 1367(a). This in turn should compel the

conclusion that a district court's subsequent discretionary decision to decline to exercise its existing supplemental jurisdiction in a removed case does not result in a remand that is "colorably" based on a lack of subject-matter jurisdiction for purposes of *Powerex*. Indeed, every other federal court of appeals faced with this issue has concluded that a remand order entered pursuant to § 1367(c) does not implicate § 1447(c) because such remand results from a discretionary decision declining the exercise of expressly acknowledged jurisdiction. See CTI Br. 43-44 (and cases cited).

Moreover, the other courts of appeal have followed this Court's reasoning in *Quackenbush* in holding similarly that appellate review is available for remands resulting from exercising discretion to decline declaratory judgment jurisdiction and from enforcing forum selection clauses, which also do not implicate a ground for remand specified in § 1447(c). See CTI Br. 36-40, 48-50 (and cases cited). As shown below, Respondents' attempts to defend the Federal Circuit's mischaracterization of *Cohill*-remands as resulting from a lack of subject-matter jurisdiction should be rejected.

I. A DISCRETIONARY DECISION TO DECLINE EXISTING SUPPLEMENTAL JURISDICTION IS NOT EQUIVALENT TO A LACK OF SUBJECT-MATTER JURISDICTION

Having properly conceded that supplemental jurisdiction is a type of subject matter jurisdiction (Resp. Br. 2, 14), Respondents further agree that

§ 1367(a) "casts the exercise of supplemental jurisdiction in mandatory terms …, requiring that district courts exercise supplemental jurisdiction in the absence of one of the statutory grounds for declining it." Resp. Br. 15. Without more, it follows that the supplemental jurisdiction conferred under § 1367(a) provides a federal district court with complete subject matter jurisdiction over the removed case unless and until the court later declines to exercise such jurisdiction. See *City of Chicago v. Int'l College of Surgeons*, 522 U.S. 156, 167 (1997).

Nevertheless, Respondents assert that a district court's decision to decline to exercise supplemental jurisdiction should be the equivalent of the court never having such jurisdiction in the first place. As shown below, Respondents' reasons for equating a discretionary decision to decline to exercise jurisdiction as being the same as a lack of such jurisdiction are unpersuasive.

1. Remands Under Any Subsection Of § 1367(c)(3) Should Be Treated The Same For Reviewability Under § 1447(d)

Respondents recognize that 28 U.S.C. § 1367(c)(3) correlates to the "*Cohill* remand" situation which results when a district court dismisses all claims in a removed case over which the court had original jurisdiction. Resp. Br. 16. That scenario, which leaves only state law claims to be resolved by the federal court, reflects the status of this case at least as the district court viewed it after

dismissing Respondents' federal RICO claim. Resp. Br. 16; see App. 28a. Notably, the district court's dismissal of Respondents' RICO claim did not occur until months after the court had already exercised jurisdiction over the entire removed case containing all twelve of Respondents' asserted causes of action.

What Respondents overlook, however, is that subsection (2) of § 1367(c) parallels the scenario underlying this Court's earlier decision in *Quackenbush*, which expressly held that a district court's remand based on "*Burford*" abstention is reviewable on appeal notwithstanding the provisions of § 1447(d).[1] See 517 U.S. at 712. Given that this Court in *Quackenbush* has already held that an abstention-based remand generally tracking the grounds specified in § 1367(c)(2) is reviewable on appeal, there should be no reason to treat a district court's discretionary remand rendered pursuant to a parallel subsection, § 1367(c)(3), any differently for purposes of § 1447(d).

Respondents try to distinguish § 1367(c)(3) from the other three subsections of § 1367(c) on grounds that "the exercise of discretion under Subsection (3) is unrestricted." Resp. Br. 16.

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[1] See *Burford v. Sun Oil Co.*, 319 U.S. 315 (1943); see also 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 Temp. L. Rev. ____ (2008), SSRN: http://ssrn.com/abstract=1266879, at 43 n.200 (Sept. 11, 2008) (hereinafter "Challener") (discussing similarities between this Court's abstention various doctrines and the other subsections of § 1367(c)).

However, the discretion afforded to district courts under subsection (3) is no different in character and is no less reviewable on appeal than is the discretion afforded to the district courts under the other three subsections. Moreover, Respondents' attempt to characterize the discretion under § 1367(c)(3) as allegedly creating "a bright-line rule for declining jurisdiction" is equally unfounded. Resp. Br. 16. The very concept of affording discretion to district courts is the antithesis of creating a bright-line rule.

Given its clear rationale and relationship to a parallel subsection of § 1367(c), this Court's holding in *Quackenbush* should compel a consistent holding in this case. Abstaining from exercising original jurisdiction and making a discretionary decision not to exercise supplemental jurisdiction both necessarily occur after such jurisdiction has already been conferred, such that the resulting remand in each instance does not occur because the federal court lacked jurisdiction or would not have had the power to decide the case. Hence, this Court should hold that a court's discretionary decision under § 1367(c)(3) to decline to exercise its supplemental jurisdiction granted under § 1367(a) is not based on a lack of subject matter jurisdiction.

2. The Discretion To Decline To Exercise Jurisdiction Under § 1367(c)(3) Is Not An Exception To The Jurisdiction Granted Under § 1367(a)

As shown by CTI, the Federal Circuit erred in conceptualizing a district court's decision not to

exercise its supplemental jurisdiction as meaning that the court is not "extending" its jurisdiction to claims over which it has no independent basis for subject matter jurisdiction. See CTI Br. 45-46 (citing App. 19a). Instead, the court in that situation is not declining to "extend" jurisdiction, it is only declining to exercise the existing jurisdictional power conferred by Congress to hear the case.

Respondents nevertheless insist that the mandatory jurisdictional grant in § 1367(a) should be construed as subject to an "exception" because § 1367(a) is prefaced by the phrase "[e]xcept as provided in subsections (b) and (c)." Resp. Br. 17. On that basis, Respondents assert that the exercise of discretion under § 1367(c) is "tantamount" to the "elimination" of subject matter jurisdiction. Resp. Br. 18. However, the contrasting language within the referenced subsections (b) and (c) demonstrates that Respondents are putting more weight on the "except" language in the preface of § 1367(a) than it can bear.

In § 1367(b), Congress provided that where a district court's original jurisdiction is based solely on diversity under 28 U.S.C. § 1332, such court "shall not have supplemental jurisdiction under subsection (a)" over certain types of specified claims brought by plaintiffs or involuntary plaintiffs "when exercising supplemental jurisdiction over such claims would be inconsistent with the jurisdictional requirements of section 1332." Subsection (b) thus limits the supplemental jurisdiction granted under subsection (a) by stating that a court may not allow any plaintiffs to add additional claims that would defeat

the district court's diversity jurisdiction. In that manner, subsection (b) operates to preserve rather than undo a district court's existing subject matter jurisdiction under § 1332.

In contrast, subsection (c) of § 1367 does not bar or eliminate any existing jurisdiction and does not utilize any mandatory "shall" or "shall not" language at all. Instead, subsection (c) states that a district court "may" decline to exercise the supplemental jurisdiction granted under subsection (a) in the circumstances specified within its own subsections. As CTI's brief also explained, the use of the permissive "may" in § 1367(c) reflects that a court's separate ability to decline to exercise the jurisdiction conferred by Congress under § 1367(a) is left to the court's discretion. CTI Br. 46 (citing *Trans Penn Wax Corp. v. McCandless*, 50 F.3d 217, 224 n.6 (3d Cir. 1995)). Thus, the "except" language in subsection (a) does not itself create an exception to or limitation on the jurisdiction granted, which attaches only as separately provided in the language of subsection (b) but not in the discretionary language of subsection (c).

The plain language of § 1367(a) read in conjunction with the plain language of § 1367(c) shows that "full and exclusive subject matter" jurisdiction is granted by § 1367(a) while the "exception" in its preface does not alter the discretion that § 1367(c) allows to district courts to decline to exercise such jurisdiction. Respondents' only other authority for characterizing § 1367(c) as eliminating the jurisdiction granted by § 1367(a) is *Voda v. Cordis Corp.*, 476 F.3d 887, 898 (Fed. Cir. 2007), the

same case relied on by the Federal Circuit. See Resp. Br. 18. As already shown at CTI Br. 47, the cited passage from *Voda* is both dicta and incorrect, and is inconsistent with the statute and other passages in the same opinion.

When a district court elects not to exercise the subject matter jurisdiction conferred under § 1367(a), the remanding court is merely exercising the separate discretion reserved to the court by Congress under § 1367(c), and is not eliminating or refusing to extend any jurisdiction expressly conferred by Congress. Thus, Respondents' statutory analysis provides no basis for why this Court's clear rationale in *Quackenbush* should not be controlling in this context as well.

3. The Fact That Discretion In Other Contexts Can Eliminate Jurisdiction Does Not Mean That Discretionary Remands Under § 1367(c)(3) Are Based On A Lack Of Jurisdiction

CTI's position that the discretion afforded under § 1367(c) to decline supplemental jurisdiction does not result in a remand for lack of subject matter jurisdiction is not undermined by Respondents' citation of other instances where a district court's exercise of discretion can result in a remand for lack of subject matter jurisdiction. In each instance, the relevant issue is not whether the court has been given or exercises discretion, but whether the remand that follows from its exercise of discretion is one based on lack of jurisdiction or not.

28 U.S.C. § 1447(e) authorizes district courts to allow the joinder of additional defendants who would defeat diversity jurisdiction under § 1332, which thus requires the case be remanded to state court. Under § 1447(e), the court's discretionary decision to allow such joinder upon concluding that the claims against the new defendants should be heard in one case before one court does lead to a remand for lack of subject matter jurisdiction and thus is not reviewable under § 1447(d).[2] Under § 1367(c), however, the district court's discretionary decision that the case should be heard by a state court after all federal claims have been dismissed does not eliminate the federal court's power to hear the case, but merely reflects a decision not to exercise such power. Thus, unlike under § 1447(e), the court's discretionary decision under § 1367(c)(3) does not eliminate the court's subject matter jurisdiction to hear the case and thus the resulting remand is not based on a lack of subject matter jurisdiction.

Respondents cite two other types of remands also arguably resulting from district court discretionary decisions. See Resp. Br. 24-25 & nn.27-28. However, neither example justifies treating discretionary decisions as a ground for remand implicated by § 1447(c), and both examples merely illustrate remands resulting from a lack of subject

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[2] See, e.g., *Blackburn v. Oaktree Capital Management, LLC*, 511 F.3d 633, 636-37 (6th Cir. 2008) (remand pursuant to § 1447(e) is for lack of jurisdiction and is thus unreviewable on appeal); *Alvarez v. Uniroyal Tire Co.*, 508 F.3d 639, 640-41 (11th Cir. 2007) (same).

matter jurisdiction. For example, if a district court holds that the "artful pleading" doctrine is inapplicable, then there never was a federal claim that justified the removal or any federal jurisdiction over the state law claim being remanded. Similarly, if the federal court revises the pleading language that transformed a state law claim into a federal claim, there again was never a federal claim or any basis for subject matter jurisdiction in the federal court. Unlike the present situation, such remands are for lack of subject matter jurisdiction and would be barred from review under § 1447(d), but neither conclusion can be tied to the district court having exercised discretion.

Finally, Respondents' attempts to suggest that remands under the "defect" prong of § 1447(c) may be discretionary also misses the point. See Resp. Br. 25-27. For purposes of the review bar in § 1447(d), it does not matter whether remands for a "defect other than lack of subject matter jurisdiction" are discretionary or mandatory. Instead, when such remands have been ordered, the issue under § 1447(d) is whether such remands were entered based on a motion to remand made within 30 days after the filing of the notice of removal. See CTI Br. 38 n.6. As explained in that footnote, a remand for such a "defect" based on a motion filed within 30 days would be within the terms of § 1447(c) and thus barred from review under § 1447(d). However, a remand for such a defect entered on a motion filed more than 30 days after the notice of removal would be outside the remand grounds authorized by § 1447(c) and hence would not be barred from review under § 1447(d).

In each instance, the mere existence of a discretionary decision by the district court does not have any bearing on the inquiry before this Court. Thus, this Court should reject Respondents' suggestion that any remand that follows a district court's exercise of discretion should be construed as one that is "colorably" based on a lack of subject matter jurisdiction.

II. RESPONDENTS' EFFORTS TO DISPROVE A REQUIRED "CHRONOLOGICAL SEQUENCE" FOR THE REMAND DECISION ARE IRRELEVANT

Respondents undertake considerable effort in trying to establish that there is no need for a "chronological sequence" for the decision to remand based on a lack of subject matter jurisdiction and that it is not necessary that any lack of jurisdiction be established solely from "a finding of adjudicative facts." Resp. Br. 22-23. Petitioner never advanced either contention, and Respondents' attempts to create "strawmen" on such issues should be disregarded.

1. A Remand Under § 1367(c)(3) Is Not "Colorably" Based On Lack Of Jurisdiction Merely Because The Remand Order Divests The Court Of Jurisdiction

Respondents' overarching premise appears to be that all remands should be treated as being based on a lack of subject matter jurisdiction because every remand causes the district court's jurisdiction to

cease.[3] Resp. Br. 22. However, that premise is clearly invalid. Otherwise, no remand by a district court could ever have been reviewed on appeal because every such remand order ends the district court's jurisdiction and thus every remand would be based on a lack of subject matter jurisdiction for purposes of § 1447(d). Because the remands in *Thermtron* and *Quackenbush* were held by this Court to be reviewable on appeal, this Court has never interpreted "lack of subject matter jurisdiction" for purposes of § 1447(c) as being applicable to every remand merely because the district court's jurisdiction over the remanded case ceased after its own remand order.

Respondents' theory cannot be squared with *Thermtron* and *Quackenbush*. Nevertheless, they still assert that a discretionary decision remanding a case to state court under § 1367(c)(3) could be broadly viewed as being "colorably" based on a lack of subject-matter jurisdiction because the court's "decision to remand, and entry of the remand order, divest[s] the court of jurisdiction." Resp. Br. 22. However, every disposition which ends a court's jurisdictional power cannot be transformed into one

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[3] Respondents acknowledge that this assertion implicates conflicting decisions regarding whether a district court can reconsider its own remand decision entered for one of the grounds in § 1447(c) which would be unreviewable under § 1447(d). Resp. Br. 22 n.24. As Respondents further concede, whether a district court has such "reconsideration" jurisdiction cannot answer whether the remand here was based on a lack of jurisdiction for purposes of § 1447(c) because that is the very question before this Court. See Resp. Br. 22 n.24.

that was "colorably" based on a lack of subject-matter jurisdiction.

Jurisdiction over a single case can only reside in one court at any one time.[4] See, e.g., *Griggs v. Provident Consumer Discount Co.*, 459 U.S. 56, 58-59 (1982). This is true whether the two courts are a trial court and a court of appeals, as in *Griggs*, or whether the two courts are a federal court and a state court, as in this situation. Once jurisdiction passes from one court to another, the court that relinquished jurisdiction no longer has the power to take any action in the case once jurisdiction resides in the other court.

That fact cannot mean that "the words 'lack of subject matter jurisdiction' should encompass any means by which the district court may be lawfully divested of jurisdiction." Resp. Br. 23. If that position were to be accepted, every remand of a removed case to state court and every final disposition of a case by a federal court would have to be characterized as having been rendered for lack of subject matter jurisdiction simply because a court always loses the jurisdictional power to take further action in the case once any final order dismissing, remanding, transferring, or terminating the case has been entered.

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[4] This situation can be contrasted with two separate cases raising the same issues being concurrently pending in two different courts, such as a patent infringement case brought by a patentee in one district and a mirror-image declaratory judgment action by an alleged infringer in another district.

For example, a district court will be divested of jurisdiction upon transferring a case or upon entering a final judgment (or upon denying post-judgment motions under Fed. R. Civ. P. 50 and 59), but every such disposition that concludes the litigation and finally terminates a case in that court cannot be characterized has having been "colorably" based on a lack of subject-matter jurisdiction. Clearly, vitally important ramifications attach to a district court's disposition being a judgment on the merits as opposed to being only a dismissal for lack of jurisdiction. The resulting effect on the doctrines of finality, claim and issue preclusion, and the like would be chaotic. To avoid such problems, this Court cannot accept that "lack of subject matter jurisdiction" encompasses any means by which a district court "may be lawfully divested of jurisdiction." Resp. Br. 23.

2. A Discretionary Remand Under § 1367(c)(3) Will Always Arise After Removal

There is also no merit to Respondents' assertion that "there is no logical necessity that the existence of facts establishing a lack of jurisdiction chronologically precede the decision to remand." Resp. Br. 23. Even if the sequence were relevant in other situations, a *Cohill*-remand of the type in question here will always be preceded by the district court's decision to dismiss all federal claims, and the subsequent discretionary decision to remand, by itself, cannot be viewed as stemming from "a finding of adjudicative facts."

Here, to the extent that the district court's decision to remand here was even arguably related to any post-removal adjudication of facts, any such adjudication pertained only to the court's decision to dismiss the federal RICO claim under Fed. R. Civ. P. 12(b)(6). App. 30a-33a. While dismissal of Respondents' RICO claim necessarily preceded the district court's decision to exercise its discretion to remand, that sequence will always exist under § 1367(c)(3) because that subsection only authorizes the district court to exercise its discretion to decline supplemental jurisdiction if "the district court has dismissed all claims over which it has original jurisdiction."

CTI has not relied on the timing of the district court's remand decision. CTI acknowledged that this Court in *Powerex* held that a lack of subject matter jurisdiction that causes a federal court to remand a removed case back to state court is not limited, for purposes of the appellate review bar in § 1447(d), to jurisdictional defects that existed at the time of removal. See CTI Br. 21-22 (citing 127 S. Ct. at 2416). As this Court explained, nothing in the statutory text "supports the proposition that a remand for lack of jurisdiction is not covered so long as the case was properly removed in the first instance." 127 S. Ct. at 2416.

Here, Respondents' "sequential" distinction does not matter because it was undisputed that the district court had subject matter jurisdiction over this case at the time of removal due to Respondents' federal RICO claim. Respondents have never contested that their RICO claim presented a federal

question which provided a valid basis for removal. Respondents have also never contested that their federal RICO claim was sufficient for subject matter jurisdiction in the district court without regard for whether any of their other asserted causes of action should have been deemed to arise under the patent laws or to depend on a substantial question of patent law. See App. 13a n.2.

Similarly, there is no dispute that a district court's discretionary decision to remand the remaining state law claims will always occur after the case has been removed. CTI Br. 22. In other words, unless and until the existing federal claims are dismissed post-removal, there is no opportunity or reason for a district court to exercise its discretion under § 1367(c) to decline its supplemental jurisdiction and remand. For that reason, the question presented here cannot be resolved on the basis that the reason for the remand arose post-removal. Thus, there is no significance to Respondents' attempts to disprove a required chronological sequence for a district court's decision to decline to exercise supplemental jurisdiction and then remand.

Finally, Respondents' attempt to characterize Petitioner's position as depending upon this Court's rationale in *Waco v. United States Fidelity & Guaranty Co.*, 293 U.S. 140, 143 (1934), is misplaced. See Resp. Br. 27-28. As explained in *Powerex*, this Court in *Waco* held that appellate jurisdiction existed to review the order of dismissal, although the resulting remand order itself could not be set aside. 127 S. Ct. at 2419 (citing 293 U.S. at 143-44).

However, this Court in *Powerex* also pointed out that *Kircher v. Putnam Funds Trust*, 547 U.S. 633, 644 n.13 (2006), determined that *Waco* does not permit an appeal when there is no order separate from the unreviewable remand order. See 127 S. Ct. at 2419.

Accordingly, CTI had no reason to cite or attempt to invoke *Waco* because no order was issued in this case separate from the remand order. Moreover, CTI is indisputably seeking through its appeal to set aside the district court's order remanding this case to state court. On that basis as well, Respondents' attempts to disprove that there is any significance in the sequence of the district court's non-existent "lack of jurisdiction" finding relative to the entry of its remand order makes no sense and should be disregarded.

III. RESPONDENTS' IMPLICIT REQUEST FOR THIS COURT TO OVERRULE *THERMTRON* SHOULD BE REJECTED

Respondents' final arguments implicitly request this Court to revisit and undo its long-settled statutory construction in *Thermtron*. Not only has the Court declined explicit requests to overrule *Thermtron* or to limit its holding to its facts during the past two terms in *Kircher* and *Powerex*, but Respondents' request merely rehashes the history of § 1447(c) and § 1447(d) reflected in this Court's pre-*Thermtron* decisions. See Resp. Br. 33-46. Because that such history constitutes the same template upon which *Thermtron* was decided, Respondents have provided no reason for this Court to revisit that established precedent now.

1. The 1988 And 1996 Amendments To § 1447(c) Confirm That Congress Has Adopted This Court's *Thermtron* Decision

As already discussed, Congress has twice amended § 1447(c) since *Thermtron* was decided in 1976. As Petitioner has shown, and as this Court has at least implicitly recognized, those statutory amendments in 1988 and 1996 did not alter this Court's statutory construction approach set forth in *Thermtron*. In fact, Congress implemented its later amendments in a manner that reflected its acceptance rather than an intent or design to alter this Court's statutory construction. See, e.g., *Bragdon v. Abbott*, 524 U.S. 624, 645 (1998) ("When … judicial interpretations have settled the meaning of an existing statutory provision, repetition of the same language in a new statute indicates, as a general matter, the intent to incorporate its … judicial interpretations as well"); *Lorillard v. Pons*, 434 U.S. 575, 580-81 (1978).

As explained at CTI Br. 34-35 & 37-39 & n.6, other courts of appeal have examined the legislative histories of the 1988 and 1996 amendments and concluded that Congress did not intend in either instance to make substantive changes to this Court's *Thermtron* analysis. In *Snapper, Inc. v. Redan*, 171 F.3d 1249, 1256-60 (11th Cir. 1999), the Eleventh Circuit held that neither the 1986 nor the 1996 amendments altered the scope of the remands authorized by § 1447(c) or the scope of the appellate review bar in § 1447(d). That court further explained that its conclusion was supported by the

statutory language, the legislative history, and "the well-established case law from which it is clear that Congress had no intention of departing." See 171 F.3d at 1260.

Among others, the Eleventh Circuit in *Snapper* cited *In re Medscope Marine Ltd.*, 972 F.2d 107, 109-10 (5th Cir. 1992), in which the Fifth Circuit held that the 1988 amendments were "a mere reconstitution of the existing statute and jurisprudence." See 171 F.3d at 1257 n.14. The court in *Snapper* also relied on the Third Circuit's analysis in *Hudson United Bank v. LiTenda Mortgage Corp.*, 142 F.3d 151, 156 n.3 (3d Cir. 1998), which had concluded that the 1996 amendments were not "a wholesale rejection of *Thermtron* and a dramatic expansion of § 1447(d)" and assumed "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 171 F.3d at 1259.

Similarly, the First Circuit in *Autoridad de Energia Electrica de Puerto Rico v. Ericsson, Inc.*, 201 F.3d 15, 17 (1st Cir. 2000), concluded "[i]f Congress had truly desired to overrule *Thermtron* and its progeny, we think it would have chosen less oblique means" and agreed with the Eleventh Circuit in *Snapper* "that Congress had no such intent." However, the Federal Circuit never discovered, much less analyzed, the detailed reasoning of its sister circuits discussed above. See CTI Br. 31-41. Notably, Respondents also never acknowledge or address the analyses of the statutory amendments set forth in these decisions.

As explained at CTI Br. 36, Congress viewed its 1996 amendments as "technical and non-controversial." In light of the unanimous conclusions that Congress's 1988 and 1996 amendments fully adhered to *Thermtron*'s gloss and imposed no substantive change to the scope of § 1447(d), it is too late for Respondents to suggest here that the review ban in § 1447(d) did not have to be limited to the grounds for remand enumerated in § 1447(c) as held in *Thermtron*. This Court has already held and Congress has already reaffirmed that the review ban is so limited, and there is nothing in the current statute that was intended to or that supports any different conclusion.

2. It Is Not For The Judiciary To Decide Whether Appellate Review Of Remands Under § 1367(c) Is A Good Idea

Contrary to Respondents' misplaced policy arguments, it is not this Court's obligation or role to decide whether appellate review of § 1367(c) remands will be worthwhile or whether such reviews will result in few or many reversals. Moreover, even if it were, Respondents themselves cite numerous examples where a district court abused its discretion in remanding a case to state court. See Resp. Br. 20 & nn.21-22, 44 & n.43. Thus, Respondents disproved their own assertion that such instances would be "extremely rare." Resp. Br. 44.

Moreover, since the Federal Circuit's decision in this case, the Fifth Circuit has reached the same conclusion as the Ninth Circuit on remand in the

Powerex case itself[5] by also declining to follow the Federal Circuit's jurisdictional analysis of § 1447(c) and § 1447(d). See *Brookshire Bros. Holding, Inc. v. Dayco Prods., Inc.*, No. 07-21154, 2009 WL 22876, at *2-3 (5th Cir. Jan. 6, 2009). More importantly, after adhering to its precedent holding that discretionary remands pursuant to § 1367(c) are reviewable on appeal, the Fifth Circuit expressly determined in that particular case that the district court's remand constituted an abuse of discretion.

First, in addressing the same appellate jurisdiction issue currently before this Court, the Fifth Circuit in *Brookshire* recognized—as the Federal Circuit conceded in the present case (App. 13a)—that the district court's order of remand was clearly based on the discretionary standard set forth in 28 U.S.C. § 1367(c). See 2009 WL 22876, at *3. As in this case, no other rationale had even been suggested by the district court. Where that discretionary decision indisputably forms the basis for the district court's remand, the Fifth Circuit held that, for purposes of this Court's standard in *Powerex*, an order of remand under § 1367(c) "cannot be 'colorably characterized' as being based on lack of subject matter jurisdiction under § 1447(d). See

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[5] *California Dept. of Water Resources v. Powerex, Inc.*, 533 F.3d 1087 (9th Cir. 2008); see also *Bates v. Missouri & Northern Arkansas Railroad Co.*, 548 F.3d 634, 636 & n.2 (8th Cir. 2008) (another post-*Powerex* decision declining to follow the Federal Circuit' and adhering to the Eighth Circuit's precedent that a remand based on a refusal to exercise supplemental jurisdiction under § 1367(c) is not based on a determination that the district court lacked subject matter jurisdiction).

2009 WL 22876, at *3. For the reasons stated herein, this Court should reach that same conclusion and reverse the Federal Circuit.

Brookshire further undermines Respondents' misplaced assertion that it will be "extremely rare" that district courts will abuse their discretion in ordering remands. Given that the federal claim in *Brookshire* was dismissed on the eve of trial after almost four years of litigation, and after rulings on 41 dispositive motions, the Fifth Circuit held that the district court abused its discretion by remanding the remaining state claims after having already expended a significant amount of judicial resources and in the face of a significant risk that the plaintiff would attempt in state court to relitigate the rulings that the federal district court had already entered against it. See 2009 WL 22876, at *4-6.

The Fifth Circuit in *Brookshire* also cited at least two other decisions in that circuit where a similar abuse of discretion in remanding to state court had been discerned, and several other instances where a district court had not abused its discretion in failing to remand after the federal claims providing the basis for removal had been eliminated. 2009 WL 22876, at *4-5. However, regardless of whether those individual decisions were correct, they demonstrate that appellate review of discretionary remand decisions is both warranted and beneficial. Respondents' policy assertions thus provide no reason to expand the scope of Congress's bar to appellate review or to reverse this Court's settled precedent to reach a result unwarranted by the current versions of the statutes.

3. Respondents' Suggestion That There Is No Exclusively Federal Claim At Issue Is Both Premature And Misleading

Respondents assert that the "central" holding of *Thermtron*, *i.e.*, that a federal court's original jurisdiction cannot be abdicated by remand, would not be compromised by an expanded reading of the appellate review bar in § 1447(d). Resp. Br. 44. While this Court will not review the merits, CTI's appeal shows otherwise. CTI asserted that the district court erred by remanding Respondents' claims that were actually within the exclusive jurisdiction of the federal courts; *i.e.*, in remanding claims that a state court did not have jurisdiction to hear. See CTI Br. 51-52 (citing *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800 (1988)).

Petitioner explained the inherent abuse of discretion in remanding exclusive federal claims to state court. CTI Br. 52. Indeed, Respondents agree that federal courts should not remand cases within their "original" jurisdiction, and it is an abuse of discretion to remand a case involving an exclusively federal question. *See* Op. 19, 44 & n.43 (and cases cited). But according to Respondents, district courts will not regularly remand exclusively federal claims to state court so appellate review of discretionary remands is not needed. Of course, that policy choice is for Congress, and this Court has already determined that the existing statutory language allows discretionary remands under § 1367(c)(3) to be reviewed because they are not based on lack of subject-matter jurisdiction or any other "defect."

Here, the district court did not remand this case because the court believed that it lacked subject matter jurisdiction, it remanded the case because the court incorrectly assumed or concluded that Respondents' remaining non-RICO claims arose under state law and that the state court would also have subject matter jurisdiction. See CTI Br. 55-56. The district court's analysis did not indicate or even suggest that it lacked subject-matter jurisdiction over the remanded claims. Instead, the court merely exercised its discretion to remand the remaining non-RICO claims under the assumption that the state court would also have jurisdiction to resolve them. A federal court's decision that its subject-matter jurisdiction is not exclusive but is merely concurrent with the state courts cannot be deemed to have resulted in a remand that is based on *lack* of subject-matter jurisdiction.

Finally, Respondents try to denigrate Petitioner's position on grounds that CTI merely desires to have a federal forum in which to assert a "defense" that "tangentially" raises a federal issue. Resp. Br. 45. That is untrue. Petitioner has never relied on any of its own possible defenses as its basis for asserting that the district court had exclusive jurisdiction over any remanded claims. Instead, Petitioner's assertions on appeal were properly based solely on Respondents' own asserted causes of action, not any potential defenses to them.

Respondents have no basis for asserting that "federal question jurisdiction … is admittedly lacking in this case." Resp. Br. 45. The disputed existence of exclusive federal jurisdiction under the patent laws

with respect to each of Respondents' remaining causes of action is the central premise of CTI's underlying appeal. For the reasons stated herein, that appeal should have been addressed on the merits by the Federal Circuit.

CONCLUSION

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

Respectfully submitted.

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