No. _____

In the
Supreme Court of the United States

INNOVATIVE FIBERS LLC AND STEIN FIBERS LTD,

Petitioners,

v.

PARKER O'NEIL WIDEMAN, RILEY C. DRAPER, WILLIAM F. DOUGLASS, AND JESSICA L. DOUGLASS,

Respondents.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Fourth Circuit

PETITION FOR WRIT OF CERTIORARI

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QUESTION PRESENTED

When the legislature has prescribed that an agency, not a court, should exercise jurisdiction over a particular dispute, a court faced with such a dispute should decide for itself at the outset whether to entertain the suit and, if not, should promptly dismiss it. That is the rule when a federal court encounters a federal-law claim that Congress has channeled to agency review. And that is the rule when a state court encounters a state-law claim that the state legislature has entrusted to a state agency.

But when a federal court encounters a state-law claim, the rule is the subject of a circuit split. Some circuits hold that the court should dismiss for lack of jurisdiction. But other circuits hold that a state-law jurisdictional problem is actually just a merits issue that can defy early resolution.

The division stems from tension between two lines of this Court's precedent. This Court has long held that state law can "limit[] the power of federal district courts to entertain suits in diversity cases," *Angel v. Bullington*, 330 U.S. 183, 192 (1947)—thus justifying a jurisdiction-based dismissal. But this Court has also treated state-law jurisdictional provisions as merits defenses that should be decided by a jury in federal court even if a judge would have decided them in state court. *See Byrd v. Blue Ridge Rural Elec. Co-op., Inc.*, 356 U.S. 525 (1958).

The question presented is:

When state law vests a state agency with exclusive jurisdiction over a claim, should a federal court decide for itself at the outset whether to dismiss the claim?

PARTIES TO THE PROCEEDING

Innovative Fibers LLC and Stein Fibers LTD are petitioners here and were defendants-appellees below.

Parker O'Neil Wideman, Riley C. Draper, William F. Douglass, and Jessica L. Douglass are respondents here and were plaintiffs-appellants below.

CORPORATE DISCLOSURE STATEMENT

As of September 20, 2024, SFI AIP Borrower LLC, a Delaware Limited Liability Corporation is the parent of Innovative Fibers LLC, a Delaware Limited Liability Corporation. There is no parent or publicly held company owning 10% or more of the stock of Innovative Fibers LLC.

As of September 20, 2024, SFI AIP Borrower LLC, a Delaware Limited Liability Corporation is the parent of Stein Fibers LTD, a Delaware Limited Liability Corporation. There is no parent or publicly held company owning 10% or more of the stock of Stein Fibers LTD.

STATEMENT OF RELATED PROCEEDINGS

The decision below consolidated three actions in an opinion captioned *Wideman v. Innovative Fibers LLC*, Nos. 23-1163, 23-1167, 23-1169 (4th Cir.). The opinion issued and judgment was entered on May 2, 2024, the court denied a timely petition for rehearing on June 13, 2024, and the mandate issued on July 8, 2024).

The district court's decision applied to the three actions captioned *Wideman v. Innovative Fibers LLC*, No. 7:22-cv-418 (D.S.C.); *Draper v. Innovative Fibers LLC*, No. 7:22-cv-419 (D.S.C.); and *Douglass v. Innovative Fibers LLC*, No. 7:22-cv-420 (D.S.C.). The opinion issued December 16, 2022.

There are no additional proceedings in any court that are directly related to this case.

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PETITION FOR WRIT OF CERTIORARI

The principle that courts must respect the legislature's choice about where a plaintiff should pursue legal claims transcends federal and state law. This Court has long held that when Congress creates a "statutory review scheme" requiring a plaintiff to pursue administrative relief, a plaintiff's failure to do so "precludes district court jurisdiction over [the plaintiff's] claims." *Elgin v. Dep't of Treasury*, 567 U.S. 1, 8, 13 (2012). And when a state legislature requires a claimant to seek redress from an agency, that is a "jurisdictional" issue that the court "has the power and duty to review." *E.g.*, *Poch v. Bayshore Concrete Prods/S.C. Inc.*, 747 S.E.2d 757, 760-61, 767 (S.C. 2013). The upshot of this rule is that a court faced with a claim that does not belong in court should decide for itself—and should decide at the threshold—whether to entertain the suit at all.

This rule exists for good reason. When the law of the State that created the claim and governs the dispute instructs that a claim does not belong in court, having a court consider the claim for any longer than is necessary to dismiss the claim violates the legislature's clear command. That is why this Court has recognized that "where jurisdictional questions turn upon further factual development …, the court should normally resolve those factual disputes … as near to the outset of the case as is reasonably possible." *Bolivarian Rep. of Venezuela v. Helmerich & Payne Int'l Drilling Co.*, 581 U.S. 170, 174 (2017).

Yet the operation of this rule when federal courts encounter state-law claims is the matter of a deep, recurring, and acknowledged circuit split. *See, e.g.*,

Cincinnati Indem. Co. v. A & K Constr. Co., 542 F.3d 623, 624 (8th Cir. 2008) (contrasting decisions from the First, Fourth, Seventh, Ninth, Tenth, and Eleventh Circuits). Two circuits correctly hold that when a federal district court is confronted with a state-law claim that the state legislature has committed to a state agency, the court should dismiss the claim for lack of jurisdiction. But four circuits hold that this question is actually a merits issue that should be decided like any other merits dispute under Rule 12(b)(6), or under Rule 56, or at trial. And three circuits have issued conflicting and yet-unresolved decisions.

The decision below highlights the extent of this uncertainty, as well as its importance to the federalism concerns that underpin diversity jurisdiction. Petitioner Innovative Fibers LLC operated a manufacturing plant in South Carolina, and Respondents were injured while working at the plant. Respondents sued Innovative and its alleged affiliate (Petitioner Stein Fibers LTD) in court asserting negligence claims under state law, thus end-running the legislature's directive that redress should come from the South Carolina Workers' Compensation Commission, which has exclusive original jurisdiction over such claims. So when Petitioners moved to dismiss under Rule 12(b)(1), the district court granted the motion after determining that Respondents were "statutory employees" subject to South Carolina's exclusive workers' compensation scheme, despite not being direct employees of Innovative—just as a state court would have done. App.23, App.33-34; *see, e.g.*, *Edens v. Bellini*, 597 S.E.2d 863, 866-67 (S.C. Ct. App. 2004).

But on appeal, the Fourth Circuit *sua sponte* overruled its own precedent to hold that the Rule 12(b)(1) dismissal was improper because state law cannot "strip [a federal court] of subject matter jurisdiction." App.13-14 & n.8. In the court's view, the jurisdictional issue merely raised the question "whether [Respondents] ha[d] stated a valid claim for relief," and that question "should [be] determined pursuant to a Rule 12(b)(6) motion, which does not permit a district court to resolve disputed questions." App.14 n.9.

That about-face brought to a head a deep conflict between two lines of this Court's precedents. The decision below violated this Court's longstanding explanation that "for purposes of diversity jurisdiction a federal court is, in effect, only another court of the State," *Woods v. Interstate Realty Co.*, 337 U.S. 535, 538 (1949)—a principle that "drastically limit[s] the *power* of federal district courts to *entertain* suits in diversity cases that could not be brought in the respective State courts," *Angel v. Bullington*, 330 U.S. 183, 192 (1947) (emphases added). But the Fourth Circuit justified its approach by pointing to another decision—*Byrd v. Blue Ridge Rural Elec. Co-op., Inc.*—which treated the threshold statutory-employee determination as a question to be "decided by … a jury" when the issue arises in federal court. 356 U.S. 525, 539 (1958); *see* App.13.

The tension between those two lines of cases is unavoidable. If, on the one hand, a federal court does not have the "power … to entertain [a] suit[] … that could not be brought in the respective State court[]," *Angel*, 330 U.S. at 192, then immediate Rule 12(b)(1)

dismissal is proper. But if a threshold dispute over whether a worker is a statutory employee whose claim is subject to the exclusive jurisdiction of an agency is just another merits question, then the Fourth Circuit's holding conforms to that rule, notwithstanding that the result flies in the face of the clear policy choice of the state legislature to vest a state agency with exclusive jurisdiction over Respondents' claims.

This Court should resolve the question now. The split is deeply entrenched. It involves a recurring question about the gateway power of federal courts to intrude upon state agencies and disrupt reticulated administrative schemes, thereby inviting plaintiffs to sue in federal court instead of state court. And this case is an ideal vehicle to resolve the split because the Fourth Circuit addressed only the threshold jurisdictional issue without opining on the underlying matter of whether Respondents were statutory employees at the time of their injuries.

OPINIONS BELOW

The Fourth Circuit's opinion is reported at 100 F.4th 490 and reproduced at App.1-15. The district court's opinion is unreported but available at 2022 WL 18716471 and reproduced at App.18-37.

JURISDICTION

The Fourth Circuit issued its opinion on May 2, 2024, and denied a timely petition for rehearing on June 13, 2024. On September 3, 2024, The Chief Justice extended the time for filing a petition for certiorari to and including November 10, 2024. This Court has jurisdiction under 28 U.S.C. §1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

28 U.S.C. §1652 provides:

The laws of the several states, except where the Constitution or treaties of the United States or Acts of Congress otherwise require or provide, shall be regarded as rules of decision in civil actions in the courts of the United States, in cases where they apply.

28 U.S.C. §1332(a) provides:

The district courts shall have original jurisdiction of all civil actions where the matter in controversy exceeds the sum or value of $75,000, exclusive of interest and costs, and is between—

(1) citizens of different States;

(2) citizens of a State and citizens or subjects of a foreign state, except that the district courts shall not have original jurisdiction under this subsection of an action between citizens of a State and citizens or subjects of a foreign state who are lawfully admitted for permanent residence in the United States and are domiciled in the same State;

(3) citizens of different States and in which citizens or subjects of a foreign state are additional parties; and

(4) a foreign state, defined in section 1603(a) of this title, as plaintiff and citizens of a State or of different States.

STATEMENT OF THE CASE

Petitioner Innovative Fibers LLC operated a South Carolina manufacturing plant that converted plastic waste into polyester fibers. App.2. The

conversion process generated plastic dust that accumulated on surfaces in the plant. App.3. Innovative's direct employees routinely cleaned the dust, but in the fall of 2021 Innovative hired a third-party company to assist Innovative's employees with a cleaning. App.3-4.

Respondents are direct employees of that third-party company. App.4-5. As they were working, a cloud of dust ignited when it came into contact with an open flame in an industrial oven, and Respondents were injured in the resulting fire. App.5. Respondents sued Innovative and its alleged affiliate Stein, asserting state-law negligence claims. App.5-6.

Petitioners moved to dismiss under Federal Rule of Civil Procedure 12(b)(1). App.6. Petitioners explained that Respondents were Innovative's "statutory employees" under South Carolina's workers' compensation regime, which broadly covers employees of subcontractors who "perform or execute any work which is the part of [a defendant's] trade, business or occupation," S.C. Code Ann. §42-1-400, and which vests exclusive jurisdiction in the South Carolina Workers' Compensation Commission. *See id.* §42-1-540.

Consistent with that framework, after the parties took limited discovery, the district court dismissed the suit under Rule 12(b)(1). It determined that Respondents were statutory employees given the nature of their work and its relationship to Innovative's business. App.29-34. And because Fourth Circuit precedent then-held that a court cannot exercise "jurisdiction" when a worker's "sole remedy is pursuant to" a workers' compensation

scheme, *Evans v. B.F. Perkins Co.*, 166 F.3d 642, 653 (1999), the district court concluded that it "lack[ed] subject matter jurisdiction" because Respondents' "only recourse [was] under the Workers' Compensation [Law]." App.33-34.

Respondents appealed on the ground that they were not statutory employees, but the Fourth Circuit declined to address the issue. App.7. Instead, it *sua sponte* reconsidered its own precedent to hold that the Rule 12(b)(1) dismissal was improper because state law "cannot strip federal court of subject matter jurisdiction over any category of claims." App.7.

In the Fourth Circuit's view, "the district court possessed subject matter jurisdiction over this dispute" simply because Respondents' claims "satisfied all of the requirements of diversity jurisdiction": diversity of citizenship plus an amount-in-controversy exceeding $75,000. App.9. The court acknowledged that controlling South Carolina law "vests the [Workers' Compensation] Commission with 'exclusive original jurisdiction' over covered claims." App.10. But it nevertheless reasoned that "even though states can define the substantive rights that are enforced in diversity jurisdiction, they cannot limit the subject matter jurisdiction of federal courts," which "draw[] [their] power to hear cases and controversies … exclusively from Article III and federal statutes." App.12.

The Fourth Circuit thus categorized South Carolina law as simply dictating "the *substantive right of action* enforce[able]" in federal court that "only determines whether [Respondents] have stated a claim upon which relief can be granted." App.11,

App.14 That determination of whether Respondents have a viable claim, the court further explained, should be made under federal procedure instead of state-law procedure. Although South Carolina requires a court at the outset to decide whether a plaintiff is a statutory employee who must seek relief from an agency instead of the judiciary, *see, e.g.*, *Poch*, 747 S.E.2d at 760-61, the Fourth Circuit held that the statutory-employee issue "should have been determined pursuant to a Rule 12(b)(6) motion, which does not permit a district court to resolve disputed questions of material fact," or perhaps via a Rule 56 summary-judgment motion. App.13-14 & n.9. In support of that view, the Fourth Circuit cited this Court's decision in *Byrd*, which the Fourth Circuit construed to hold "that whether a plaintiff was a statutory employee under South Carolina's workers' compensation law should be decided by a federal jury instead of a federal judge." App.13-14.

REASONS FOR GRANTING THE PETITION

The courts of appeals are deeply divided on how a federal court should approach a state law that allocates state-law claims between agency and court. Some circuits treat state law as requiring jurisdictional dismissal in federal court, just as in state court; others hold that state law has no impact on a federal court's jurisdiction; and still others have issued irreconcilable decisions. Only this Court can resolve the dispute, which stems from a conflict between its precedents holding that state law can limit the power of federal courts, but also that state-law issues should be decided by juries instead of judges.

The correct resolution is that when a state law channels claims to an agency, a federal court should dismiss the suit at the outset: either under Rule 12(b)(1), or by following the corresponding state procedure. That rule advances federalism by respecting clear state-law policy preferences for resolving claims created by state law, and it minimizes forum-shopping—an especially serious concern where a state has, typically for efficiency reasons, directed certain claims to the exclusive jurisdiction of a state agency. This case is on point, as it involves a workers' compensation claim that South Carolina and countless states across the country channel to a state agency for resolution. And this case is an ideal vehicle for resolving the question presented because the Fourth Circuit addressed only the threshold issue.

I. The Circuits Are Split On How A Federal Court Should Address Jurisdiction-Channeling Provisions.

The circuits are in disarray about how a federal court should address a claim that state law entrusts to a state agency. Three camps have emerged. The Second and Eleventh Circuits dismiss suits for lack of jurisdiction. But the Seventh, Eighth, and Ninth Circuits—and now the Fourth Circuit—treat such issues as ordinary merits questions. Meanwhile, the First, Third, and Tenth Circuit have issued inconsistent decisions that cannot be reconciled.

A. The Second And Eleventh Circuits Require Dismissal For Lack Of Jurisdiction.

For decades, the Second and Eleventh Circuits have respected state laws that commit state-law

claims to the jurisdiction of state agencies, ensuring consistent treatment of such claims in both state and federal court.

The Second Circuit has long and consistently held that "a state law depriving its courts of jurisdiction over a state law claim also operates to divest a federal court of jurisdiction to decide the claim." *Moodie v. Fed. Rsrv. Bank of N.Y.*, 58 F.3d 879, 884 (1995). In *Moodie*, a plaintiff asserted workplace-discrimination claims under New York law, but the Second Circuit concluded that the law's prohibition on "commencing an action in court" "pose[d] an insuperable jurisdictional bar to the advancement of [the] state law claims." *Id.* at 880, 882, 884. In *McGullam v. Cedar Graphics, Inc.,* the Second Circuit similarly affirmed the rejection of the plaintiff's federal workplace claims on the merits, but explained that "the district court lacked subject matter jurisdiction over" her state "claims pursuant to the New York State Human Rights Law" and its jurisdictional bar. 609 F.3d 70, 72, 74 & n.3 (2010). Likewise, in *Holt v. Town of Stonington*, the Second Circuit held that "the district court lacked jurisdiction" over a diversity case where the state-law plaintiff failed to "first exhaust available and adequate administrative remedies … as required by Connecticut law." 765 F.3d 127, 129 (2014) (per curiam). And in *Promisel v. First American Artificial Flowers, Inc.*, the Second Circuit confirmed that "[i]f a state would not recognize a plaintiff's right to bring a state claim in state court," a federal court should "follow" suit. 943 F.2d 251, 257 (1991).

The Eleventh Circuit takes a similar approach. In *Connolly v. Maryland Casualty Co.*, a worker injured on the job sued under Florida law, and the Eleventh Circuit affirmed the dismissal of "the complaint for lack of subject matter jurisdiction on the ground that the exclusive remedy for a Florida employee covered by workers' compensation insurance is found in the Florida Workers' Compensation Act." 849 F.2d 525, 525 (1988). Since then, the Eleventh Circuit has repeatedly reiterated "that a federal court does not have diversity subject-matter jurisdiction over a claim for which a state court would not have jurisdiction," *Fox v. Ritz-Carlton Hotel Co.*, 977 F.3d 1039, 1050-51 (2020) (affirming dismissal of a Florida tax-refund claim when plaintiff "did not follow th[e] administrative process" necessary for a Florida court to entertain the claim), and—in the workers' compensation context specifically—has consistently affirmed dismissal of such claims "where [state] courts lack jurisdiction over an employee's work-related claims," *e.g.*, *Ebeh v. St. Paul Travelers*, 459 F. App'x 862, 864 (2012) (per curiam); *Prine v. Chailland Inc.*, 402 F. App'x 469, 471 (2010) (per curiam) ("[W]e conclude that the district court correctly found that it did not have jurisdiction to order the defendants to pay Georgia workers' compensation benefits because the [state agency] has exclusive jurisdiction over claims under Georgia's Workers' Compensation Act …."); *Rance v. D.R. Horton, Inc.*, 392 F. App'x 749, 751 (11th Cir. 2010) (per curiam) ("We conclude from the record that the district court correctly determined that because Rance did not sufficiently allege an independent tort, the exclusivity of Florida's workers'

compensation scheme deprived it of subject matter jurisdiction.").

B. The Fourth, Seventh, Eighth, And Ninth Circuits Treat State-Law Jurisdictional Issues As Ordinary Merits Questions.

By contrast, the decision below joined three other circuits that treat state-law jurisdiction questions as routine merits issues, resulting in different treatment of claims brought in state court (where they are subject to early dismissal) and in federal court (where they remain in court until disposition on the merits).

The Seventh Circuit has repeatedly held that state jurisdictional provisions do not prevent a federal court from entertaining a claim. In *Beach v. Owens-Corning Fiberglas Corp.*, a worker sued the company that had hired his direct employer to perform a construction project. 728 F.2d 407, 408 (7th Cir. 1984). Although the company protested that "Indiana law vests exclusive jurisdiction over cases such as this one in its Industrial Disputes Board," the Seventh Circuit saw no problem with the district court "exercis[ing] jurisdiction." *Id.* at 409. Since then, the Seventh Circuit has reaffirmed its rule, including in the workers' compensation context, holding that "[t]he exclusivity provision of [a] worker's compensation statute does nothing to affect [a federal court's] jurisdictional authority." *Goetzke v. Ferro Corp.*, 280 F.3d 766, 779 (2002); *see also, e.g.*, *Thompson v. Cope*, 900 F.3d 414, 425 (7th Cir. 2018) ("A jurisdictional label under state law does not affect a federal court's subject matter jurisdiction."); *Dunlap v. Nestle USA, Inc.*, 431 F.3d 1015, 1017 (7th Cir. 2005) ("The exclusivity provisions of Illinois's workers'

compensation statute do not (indeed, may not) affect the scope of the jurisdictional authority granted to the federal courts by Congress.").

The Ninth Circuit agreed in *Began v. Kerr-McGee Corp.*, which considered the workplace-injury claims of former uranium miners. 682 F.2d 1311 (1982). The court rejected the defendant's theory "that the Arizona workers' compensation statues, by vesting exclusive jurisdiction in the Arizona Industrial Commission, deprive[d] the district court of diversity jurisdiction." *Id.* at 1316. "Although the states have the power to prevent [a] federal court from granting relief in a diversity case by denying the substantive right of action asserted, they have no power to enlarge or contract the federal jurisdiction." *Id.* at 1315. Thus, the propriety of the suit was just a merits dispute over whether the complaint had "state[d] a claim upon which relief could be granted." *Id.* at 1317.

So too in the Eighth Circuit. Faced with a workers' compensation-related claim in *Cincinnati Indemnity*, the court reversed the district court's dismissal "for lack of subject matter jurisdiction," explaining that the lower court had "jurisdiction to try an original action concerning a state workers' compensation claim, if the requisites of diversity jurisdiction are met." 542 F.3d at 624. In doing so, however, the Eighth Circuit acknowledged the messy split. *See id.* (collecting cases).

C. The First, Third, And Tenth Circuits Have Issued Irreconcilable Rulings.

The depth and extent of the split is confirmed by the courts of appeals that have reached inconsistent

and irreconcilable decisions about the proper approach.

Take the Third Circuit, which has long held that when state law grants a non-court adjudicator "exclusive primary jurisdiction" over a claim, "exercise of diversity jurisdiction [is] improper." *Edelson v. Soricelli*, 610 F.2d 131, 133 (1979); *see also id.* at 133, 138-41 (rejecting that *Byrd* "require[s] the federal courts to grant the plaintiffs immediate access to federal court"); *Hamilton v. Roth*, 624 F.2d 1204, 1208-12 (3d Cir. 1980) (holding "that the district court was without subject matter jurisdiction to hear [a] medical malpractice claim" when the plaintiff attempted to circumvent Pennsylvania's "elaborate administrative scheme for the resolution of medical malpractice claims"). Yet in 2017—and without citing *Edelson* or *Hamilton*—the Third Circuit took a different approach in *Blanyar v. Genova Products Inc.*, 861 F.3d 426. There, a manufacturer sought dismissal of former employees' claims as "barred by workers' compensation exclusivity." *Id.* at 431 n.5. The Third Circuit recognized that "workers' compensation exclusivity is a threshold jurisdictional concern in state court," but "held that state substantive law cannot deprive a federal court of its diversity jurisdiction." *Id.* The court thus treated the "assertion of workers' compensation exclusivity simply [as] another potential ground for dismissal … on the merits" and "not as a threshold jurisdictional issue." *Id.*

Or take the Tenth Circuit. In *Stuart v. Colorado Interstate Gas Co.*, the district court had dismissed the claim of an injured worker "under Rule 12(b)(1),

concluding that the immunity afforded [to the defendant] under the Colorado Workers' Compensation Act … removed the court's power to hear the case." 271 F.3d 1221, 1224 (10th Cir. 2001). The Tenth Circuit agreed: "even if diversity of citizenship exists, a federal court will not take jurisdiction unless the plaintiff has asserted a claim cognizable in the state courts." *Id.* at 1225. So when an "exclusive remedy provision applies," a "court properly treat[s] the issue as one falling under the province of a 12(b)(1) dismissal, rather than a dismissal for failure to state a claim." *Id.*

Yet in *Odom v. Penske Truck Leasing Co.*, the Tenth Circuit tried to walk back *Stuart* without overruling it. 893 F.3d 739 (2018). Faced with another suit by an injured worker, the court this time decided that a motion to dismiss under an "exclusive-remedy provision" "*did not* constitute a challenge to the district court's subject-matter jurisdiction." *Id.* at 742. The opinion reasoned that "when a state proscribes its own courts' jurisdiction over particular subject matter, it does not divest the authority of federal courts within its borders." *Id.* True, *Stuart* had reached the opposite conclusion—so *Odom* tried to distinguish it as "[p]erhaps" expressing "a *prudential refusal* to exercise subject-matter jurisdiction," or perhaps because the exclusive-jurisdiction provision in *Stuart* was not really "an obstacle to state court jurisdiction." *Id.* at 743. But in either event, the Tenth Circuit strained to "construe [*Stuart*] narrowly" without actually overruling it. *Id.*

The First Circuit has its own unreconciled decisions. In *Armistead v. C & M Transport, Inc.*, the

First Circuit considered Maine's workers' compensation scheme—which "does not permit a *de novo* state court action for workers' compensation benefits"—to hold that a "state[] rule barring suitors from bringing such an action *de novo* in its own courts must be applied to bar an original diversity action in the forum's federal courts." 49 F.3d 43, 47 (1995). Yet in *MRCo, Inc. v. Juarbe-Jimenez*, the First Circuit categorically asserted that "[o]nce Congress has conferred subject matter jurisdiction on the federal courts, state law cannot expand or contract that grant of authority." 521 F.3d 88, 95-96 (2008) (repeatedly citing the Seventh Circuit's *Goetzke* decision). Thus a potential state-law jurisdictional hurdle merely concerned "[w]hether there [was] a viable cause of action" and should be addressed under Rule "12(b)(6), rather than [addressed as] lack of subject matter jurisdiction pursuant to [Rule] 12(b)(1). *Id.* at 96.

And, of course, the Fourth Circuit's approach is internally inconsistent. Even setting aside its prior decisions addressing workers' compensation exclusivity under Rule 12(b)(1), *e.g.*, *Evans*, 166 F.3d at 644-45, the Fourth Circuit has held that a state law that "closes the doors of [a state's] courts for suits" can "deprive[] [a federal] district court of *jurisdiction*," *Proctor & Schwartz, Inc. v. Rollins*, 634 F.2d 738, 739-40 (1980) (emphasis added), and that a plaintiff's failure to satisfy a state-law "administrative exhaustion" requirement merits "dismissal for lack of subject matter jurisdiction," *Balfour Beatty Infrastructure, Inc. v. Mayor & City Council of Balt.*, 855 F.3d 247, 249 (2017). The decision below did not attempt to square those holdings with its absolutist premise that state law "cannot limit the subject

matter jurisdiction of federal courts, even in diversity cases." App.12.

II. The Decision Below Is Erroneous.

The Fourth Circuit's approach was erroneous, but it tried to find a foothold in a line of this Court's precedent that cannot be reconciled with other cases from this Court. The decision below was wrong to forbid the district court to dismiss Respondents' state-law claims under Rule 12(b)(1), because the dismissal adhered to this Court's longstanding rule that a federal court sitting in diversity does not have "the power … to entertain suits … that could not be brought in the respective State courts." *Angel*, 330 U.S. at 192. But the Fourth Circuit's desire to treat the state-law rule as a merits issue was based in part on this Court's view in *Byrd* that a statutory-employee question should be decided by a jury because the federal preference for jury determination supersedes the state-law procedure of a judge deciding the issue.

Only this Court can clarify that a state-law jurisdictional issue requires a district court to decide for itself whether to dismiss at the outset under Rule 12(b)(1). It can do so by reiterating that *Angel* controls. Or, the Court can go a step further and overrule *Byrd* so that federal courts may follow the relevant state-law procedure for determining jurisdictional issues, even if that procedure does not perfectly fit the Rule 12(b)(1) mold. Either approach would promote respect for state law, protect core federalism interests, and deter forum shopping.

A. Rule 12(b)(1) Permits A Federal Court To Dismiss State-Law Claims Entrusted To Agency Jurisdiction.

The district court was correct to dismiss under Rule 12(b)(1) because Petitioners' assertion of workers' compensation exclusivity "challeng[ed] the federal court's ability to proceed with the action." 5B Wright & Miller, *Federal Practice & Procedure,* §1350 (4th ed. 2024). This Court has long held that "for purposes of diversity jurisdiction a federal court is, in effect, only another court of the State." *Woods*, 337 U.S. at 538. So when state law provides that a claim does not belong "in the respective State courts," that directive "limit[s] the power of federal district courts to entertain" such claims "in diversity cases." *Angel*, 330 U.S. at 192.

Woods illustrates that a state law restricting a plaintiff's ability to sue in state court should impose the same restriction in federal court. There, this Court held that a Mississippi prohibition on unregistered foreign corporations "bring[ing] or maintain[ing] any action or suit in any of the courts of th[e] state" foreclosed a Tennessee company from bringing a diversity suit in a federal district court in Mississippi. *Woods*, 337 U.S. at 535 & n.1. Crucially, that prohibition extended to federal court even though the law merely "withh[eld] the aid of state-maintained courts from a noncomplying corporation" *without* "depriv[ing] contracts of their validity or … foreclos[ing] foreign corporations from resort to federal courts or to any self-enforcing remedies they may have." *Id.* at 539 (Jackson, J., dissenting). But despite the statute's lack of effect on substantive law,

Woods nonetheless functionally treated Mississippi's decision to "clos[e] its own courts to [noncompliant] foreign corporations" as "also closing the federal courts … that could otherwise take jurisdiction." *Id.* In other words, a limitation on state-court power was a limitation of federal-court power irrespective of the underlying merits of a claim.

Indeed, the only way this Court could reach that result in *Woods* was to disavow an earlier decision resting on the very reasoning the Fourth Circuit adopted here: that a "state could not prescribe the qualifications of suitors in the courts of the United States." *David Lupton's Sons Co. v. Auto. Club of Am.*, 225 U.S. 489, 500 (1912). *Lupton* addressed a similar New York law that prohibited unregistered corporations from "su[ing] upon [a] contract in the courts of New York," but that otherwise left "the contract [] valid and effective in all other respects" such that "the foreign corporation could sue upon [it] in any court of competent jurisdiction other than a court of the state of New York." *Id.* at 496, 499. Given the statute's limited effect of imposing "a disability to sue in the courts of New York" without altering basic contractual rights, this Court determined that an unregistered company "had the right to bring [its] suit in the Federal court," *id.* at 500, and thus proceeded "to the merits of the claim," *id.* at 500-01. But *Woods* rejected that approach as "obsolete" under *Angel*'s intervening rule "preclud[ing] maintenance in the federal court in diversity cases of suits to which the State had closed its courts." *Woods*, 337 U.S. at 537.

In addition to conforming to precedent, the district court's approach here of dismissing agency-

bound claims under Rule 12(b)(1) has the additional advantage of avoiding any *Erie*-doctrine choice between ostensibly conflicting federal and state procedures: *i.e.*, the South Carolina approach of judicial determination, versus the supposed federal-law preference for jury determination. That is because Rule 12(b)(1) permits a federal court to engage in the very determinations that a South Carolina court would make, as under Rule 12(b)(1) "[t]he district court, not a jury, must weigh the merits of what is presented." Wright & Miller, *supra,* §1350.

Finally, this approach harmonizes the treatment of state and federal law while eliminating incentives for forum-shopping. *Cf. Exxon Mobil Corp. v. Saudi Basic Indus. Corp.*, 544 U.S. 280, 283 (2005) (noting "Congress'[s] conferral of federal-court jurisdiction concurrent with jurisdiction exercised by state courts"). A federal court that encounters a federal law committing disputes to the agency pathway should "dismiss for lack of jurisdiction" instead of addressing the plaintiff's "claims on the merits." *Elgin*, 567 U.S. at 8, 23. When the legislature has identified an "exclusive means of review" and closed the door to "wasteful and irrational" extraneous litigation, that legislative "objective of creating an integrated scheme of review would be seriously undermined" by the exercise of "district court jurisdiction" depriving everyone "of clear guidance about the proper forum for the [plaintiff's] claims." *Id.* at 8, 14-15, 21.[1] Federal

[1] *See also, e.g.*, *Global Rescue Jets, LLC v. Kaiser Found. Health Plan, Inc.*, 30 F.4th 905, 912 (9th Cir. 2022) ("[F]ederal courts generally lack subject matter jurisdiction to review the denial of a claim for Medicare benefits unless the beneficiary exhausts all

courts should not treat state laws differently, especially in the diversity-jurisdiction context where federalism concerns are at their apex.

B. Alternatively, This Court Should Overrule *Byrd*.

This Court could also resolve the split by overruling *Byrd*. Doing so would moot the question whether Rule 12(b)(1) is a proper mechanism for rejecting claims that face state-law jurisdictional hurdles, because federal courts could simply follow the relevant state-law procedure for dismissing disputes that are committed to agency jurisdiction under state statutory law.

Overruling *Byrd* is warranted. *Byrd* was wrong on its basic premise that judicial assessment of whether a worker is covered by a workers' compensation scheme is not "an integral part of [a] special relationship created by the statute … and not a rule intended to be bound up with the definition of the rights and obligations of the parties." 356 U.S. at 536. *Byrd* was also wrong that countervailing federal policy requires submitting such questions to the jury. And *Byrd* has only produced judicial confusion. Overruling it would provide courts with a straightforward and pro-federalism rule.

Starting with the merits of *Byrd*, the decision rested on the erroneous premise that judicial

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available levels of administrative review."); *Daly v. Citigroup, Inc.*, 939 F.3d 415, 418 (2d Cir. 2019) ("[T]he district court lacked subject matter jurisdiction inasmuch as the plaintiff failed to exhaust her administrative remedies under the statute, which constitutes a jurisdictional bar to suit in federal court.").

factfinding was "merely a form and mode of enforcing" workers' compensation exclusivity and "not bound up with rights and obligations." 356 U.S. at 536-38. Since *Byrd*, state court decisions have repeatedly illustrated that judicial factfinding is integral to the workers' compensation system. "The Workers' Compensation Act is a comprehensive scheme … designed to supplant tort law by providing a no-fault system focusing on *quick recovery*, relatively ascertainable awards, and *limited litigation*." *Machin v. Carus Corp.*, 799 S.E.2d 468, 471 (S.C. 2017) (emphases added). Under this regime, it is the obligation of "the trial judge [to] h[o]ld as a matter of law" whether defendants are "statutory employers of the [plaintiff]" and thus "*immune* from [a] tort action." *Parker v. Williams & Madjanik, Inc.*, 267 S.E.2d 524, 526-27 (S.C. 1980) (emphasis added); *see, e.g.*, *Edens*, 597 S.E.2d at 867-68. This "swift and sure" process is inherently intertwined with "the broader *quid pro quo* arrangement imposed upon the employer and employee by the Act." *Harrell v. Pineland Plantation, Ltd.*, 523 S.E.2d 766, 772 (S.C. 1999).

In fact, early judicial resolution of gateway questions promotes *this* Court's own—and more recent—recognition of the fundamental purpose of workers' compensation schemes: "the essential character of [these] regimes" includes eliminating the "heavy costs generated by tort litigation." *Howard Delivery Serv., Inc. v. Zurich Am. Ins. Co.*, 547 U.S. 651, 663 (2006). The *Byrd* approach, by contrast, replaces that swiftness and clarity with all "the uncertainties of a trial for damages." *Peay v. U.S. Silica Co.*, 437 S.E.2d 64, 65 (S.C. 1993). By turning the crucial *threshold* question of whether the workers'

compensation scheme applies into an *ultimate* merits question, *Byrd* renders "the employer's liability uncertain and indeterminate," *Parker*, 267 S.E.2d at 529, and supplants "limited litigation" with full-blown jury trials, *Machin*, 799 S.E.2d at 471. That uncertainty is particularly offensive to "the special relationship created by the statute," *Byrd*, 356 U.S. at 536, given that the policies behind the workers' compensation scheme require that "[a]ny doubts as to a worker's status [as a covered employee] should be resolved in favor of including him or her under the Worker's Compensation Act"—a policy effectuated by the "[c]ourt ha[ving] the power and duty to review the entire record and decide the jurisdictional facts" to "determin[e] … the employer-employee relationship." *Poch*, 747 S.E.2d at 761-62.

Byrd also rested on a second erroneous premise: that there is an "essential" federal policy in favor of jury determination of threshold issues concerning whether a claim belongs in court. 356 U.S. at 537-39. In reality, when there is uncertainty about whether a case belongs in court that requires "factual development, the trial judge may take evidence and resolve relevant factual disputes"—and "should normally resolve those factual disputes … as near to the outset of the case as is reasonably possible." *Helmerich*, 581 U.S. at 174; *see also id.* at 185 (noting the risks of "increased delay" and "increased burdens of time and expense"); *Gilbert v. David*, 235 U.S. 561, 568 (1915) ("[I]t was the privilege of the court, if it saw fit, to dispose of the issue upon the testimony which was fully heard upon that subject."). Deciding which claims belong in court is a typical function of the judge.

Moreover, since *Byrd*, Congress has affirmatively indicated that federal policy supports keeping workers' compensation claims under state-law control. In 1958, Congress amended 28 U.S.C. §1445 to prohibit removal of claims "arising under the workmen's compensation laws of [any] State." *See* Pub. L. No. 85-554, 72 Stat. 415 (July 25, 1958). That, too, is a strong signal that *judges* should aggressively police attempts to circumvent state-law workers' compensation regimes.

Finally, overruling *Byrd* would restore much-needed simplicity to the law. It would functionally moot the circuit split by allowing federal courts simply to follow the state-law practice of dismissing improper suits instead of needing to fit that dismissal within the federal rules. And it would eliminate the now-powerful incentives for parties to engage in forum shopping.

III. This Is An Important Issue In A Clean Vehicle.

Any circuit split involving the threshold relationship between federal courts and state law is important—an importance confirmed by the depth and breadth of the split presented here. But this split is especially critical given the workers' compensation context and the strong incentives that the decision below creates for countless plaintiffs to circumvent state-law frameworks and flood federal courts with suits that Congress has said should be left to the states.

According to the U.S. Department of Labor, "[p]rivate industry employers reported *2.8 million* nonfatal workplace injuries and illnesses in 2022"

alone. U.S. Dep't of Labor, Bureau of Labor Statistics, *Employer-Reported Workplace Injuries & Illnesses – 2021-2022* (Nov. 8, 2023), *available at* https://www.bls.gov/news.release/pdf/osh.pdf (emphasis added). "[E]very state in the country" has thus adopted "a workers' compensation system" that "represents a public-policy tradeoff": "[e]mployees receive guaranteed compensation," and employers (and the judicial system) enjoy the "minimiz[ation of] the expense and administrative burden of litigation." *Rudisill v. Ford Motor Co.*, 709 F.3d 595, 601 (6th Cir. 2013); *accord Howard*, 547 U.S. at 663 (discussing the "tradeoff" in which employers avoid the "heavy costs generated by tort litigation"). But the legislative design means little if an injured worker can instead sue in federal court and, rather than face prompt dismissal, tie up a case for years until a merits determination—or until extracting a settlement from an employer unable to bear the "heavy costs" and uncertainties of litigation. *Howard*, 547 U.S. at 663.

The problem also extends far beyond the workers' compensation context. State legislatures have created countless schemes channeling myriad claims of local concern to agency review. *See, e.g.*, *Houston Mun. Emps. Pension Sys. v. Ferrell*, 248 S.W.3d 151, 158 (Tex. 2007) ("Article 6243h does not give the trial court jurisdiction to review any pension board decision regarding the 29 plaintiffs' request for retirement service credit."); *Bellamy v. Gillis*, 722 N.E.2d 905, 909 (Ind. Ct. App. 2000) ("The cause must be reversed for dismissal of Gillis's motion for reinstatement of his driver's license based upon Gillis's failure to exhaust the available administrative remedies."); *Lone Oak Racing, Inc. v. Oregon*, 986 P.2d 596, 602 (Or. Ct. App.

1999) ("[B]ecause Lone Oak's declaratory judgment action concerned licensing, a subject within the exclusive jurisdiction of [the Oregon Racing Commission], we conclude that the circuit court did not have subject matter jurisdiction to entertain Lone Oak's complaint for a declaratory judgment."). Rather than unnecessarily federalize such claims—and give future plaintiffs a strong incentive to evade legislative choices—this Court should resolve the circuit split now.

The decision below is an ideal vehicle for doing so, because the Fourth Circuit addressed only the gateway legal question whether 12(b)(1) dismissal was proper and declined to opine on the underlying question whether Respondents are statutory employees. App.13-14 & n.9. And because only this Court can resolve the uncertainty created by its conflicting precedents, the split is going nowhere without this Court's intervention.

CONCLUSION

This Court should grant the petition for certiorari.

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