No. 24-724

In the Supreme Court of the United States

THE HAIN CELESTIAL GROUP, INC., *et al.*,
Petitioners,
v.

SARAH PALMQUIST, INDIVIDUALLY AND AS NEXT FRIEND OF E.P., A MINOR, *et al.*,
Respondents.

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

BRIEF OF AMERICAN ASSOCIATION FOR JUSTICE AS AMICUS CURIAE IN SUPPORT OF RESPONDENTS

DEEPAK GUPTA
JONATHAN E. TAYLOR
Counsel of Record
GUPTA WESSLER LLP
2001 K Street NW
Suite 850 North
Washington, DC 20006
(202) 888-1741
jon@guptawessler.com

Counsel for Amicus Curiae

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INTEREST OF AMICUS CURIAE[1]

The American Association for Justice (AAJ) is a national voluntary bar association founded in 1946 to strengthen the civil-justice system, preserve the right to trial by jury, and protect access to the courts for those who have been wrongfully injured. With members in the United States, Canada, and abroad, AAJ is the world's largest plaintiff trial bar association. Throughout its 79-year history, AAJ has served as a leading advocate of the right to access the courts for legal redress for wrongful injury, and has long defended the principles that the plaintiff is the master of the complaint and state courts have primary authority to decide matters of state law. As part of this advocacy, AAJ opposes efforts to broaden removal and diversity jurisdiction in ways that seek to improperly transfer local disputes to federal court and to diminish the power of state courts to interpret state law.

SUMMARY OF ARGUMENT

The petitioners ask the Court to adopt a radical new view of the law, under which a removing party may create diversity jurisdiction—despite non-diverse parties—simply by persuading the district court to hold that such jurisdiction exists. As the petitioners see it, so long as appellate review of the district court's holding (however wrong it may be) is postponed until after final judgment, "principles of finality, fairness, and judicial economy" kick in and confer jurisdiction even if it wasn't previously there.

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[1] No counsel for a party authored this brief in whole or in part and no person other than amicus and its counsel made a monetary contribution to its preparation or submission. Further, unless otherwise specified, all internal citations, quotation marks, omissions, and alterations are omitted in quotations throughout the brief.

The respondents provide a powerful account of why that view cannot be right as a matter of law. But, as this brief explains, it would also prove undesirable in practice and run counter to the very policies of finality, fairness, and judicial economy to which the petitioners appeal. It is the petitioners' rule that would treat the parties unfairly and produce inefficiencies in the long run. Under their rule, defendants would be able to escape the consequences of their own strategic removal decisions, while plaintiffs would have to hope for an interlocutory appeal to preserve their right to review an incorrect jurisdictional holding. The result would be an illegitimate and unwarranted expansion of federal jurisdiction over state-law claims, depriving state courts of their ability to interpret their own law. This Court should not bless that approach.

ARGUMENT

I. There is nothing "unfair" about vacating a judgment in a removed case when the parties lack, and have always lacked, complete diversity.

The animating theme of the petitioners' brief—explicit in the first sentence of their introduction (at 2)—is that it would violate "principles of fairness" to vacate the district court's judgment and remand this case to state court. But even if fairness were a relevant consideration, it would not help the petitioners. There is nothing unfair about vacating a judgment in a diversity case when the parties are not, and have never been, completely diverse. If anything, fairness concerns only reinforce that conclusion.

A. To see why, rewind this case to its beginning. Texas plaintiffs brought Texas claims against two defendants—one from Texas—in Texas state court. A case with those characteristics should generally stay in state court. In our federal system, state courts are the "ultimate expositors

of state law." *Mullaney v. Wilbur*, 421 U.S. 684, 691 (1975); *see Bell v. Maryland*, 378 U.S. 226, 240 (1964). And, for centuries, establishing diversity jurisdiction under 28 U.S.C. § 1332 has meant establishing complete diversity. *See Strawbridge v. Curtiss*, 7 U.S. (3 Cranch) 267 (1806). Absent complete diversity, the "principal justification" for state-law cases being in federal court—concern that states will favor their own—is drained of its force. *Exxon Mobil Corp. v. Allapattah Servs., Inc.*, 545 U.S. 546, 554 (2005).

That is true even if the plaintiff could have sued only diverse defendants (or could have brought federal claims as well). "The plaintiff is the master of the complaint" and "gets to determine which substantive claims to bring against which defendants," a choice that "can establish—or not—the basis for a federal court's subject-matter jurisdiction." *Royal Canin U.S.A., Inc. v. Wullschleger*, 604 U.S. 22, 35 (2025). "She may, for example, name only defendants who come from a different State." *Id.* Or she may "instead add one from her own State and thereby destroy diversity of citizenship." *Id.* The choice is hers.

The plaintiffs in this case made their choice. Rather than sue in a state to which they no connection, they sued in their home state. And rather than bring state-law claims against two different defendants in two different forums—including a federal forum where a court would have to make a prediction about how the state court would apply its law—the plaintiffs sued in a single forum, where the state court could simply apply its own law. In doing so, the plaintiffs made the decision that best advanced "principles of fairness and efficiency." *Contra* Pet. Br. 2.

Except that Hain Celestial did not like that decision. So it took a gamble: It removed the case to federal court, invoking the so-called fraudulent-joinder exception. When it chose this path, Hain knew that it would have to show

that the in-state defendant (Whole Foods) had been improperly joined for the federal court to have jurisdiction over the case. That, in turn, would require Hain to show that the claims against Whole Foods had no possibility of success. The stakes were thus clear: Federal jurisdiction would depend entirely on Hain's ability to prevail on its fraudulent-joinder theory. If it prevailed, there would be complete diversity (and jurisdiction). If it did not prevail, there would be incomplete diversity (and no jurisdiction).[2]

Hain Celestial did not prevail on its fraudulent-joinder theory. The Fifth Circuit held that the claims against Whole Foods had a possibility of success under Texas law—a holding that is not at issue before this Court—and rejected Hain's bid for fraudulent joinder. With the key jurisdictional prerequisite having been eliminated, the Fifth Circuit ordered that the case be remanded to state court. In short, Hain's gamble did not pay off.

B. Hain Celestial contests none of this. Still, it urges this Court to hold that there *is* federal jurisdiction—and that fairness principles require the existence of federal jurisdiction—based on its *initial* success at persuading the district court to adopt its theory of fraudulent joinder.

But convincing a district court to make a jurisdictional error in an interlocutory order does not insulate that error from further review. Any interlocutory order is "subject to reconsideration … up to the passing of a final decree." *Gen. Inv. Co. v. Lake Shore & Mich. S. Ry. Co.*, 260 U.S. 261, 267 (1922); *see* Fed. R. Civ. P. 54(b) (providing that

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[2] Most circuits have held (rightly) that the standard for fraudulent joinder is "even more favorable to the plaintiff than the standard for ruling on a motion to dismiss under [Rule] 12(b)(6)." *See, e.g.*, *Johnson v. Am. Towers, LLC*, 781 F.3d 693, 704 (4th Cir. 2015); *but see Smallwood v. Ill. Cent. R.R. Co.*, 385 F.3d 568, 573 (5th Cir. 2004) (en banc) (adopting "a Rule 12(b)(6)-type analysis" for fraudulent joiner).

"any [interlocutory] order … may be revised at any time before the entry of a [final] judgment"). That includes an order declining to remand a case to state court, which the district court has an independent obligation to revisit as the case unfolds. *See Caterpillar Inc. v. Lewis*, 519 U.S. 61, 76–77 (1996) ("Despite a federal trial court's threshold denial of a motion to remand, if, at the end of the day and case, a *jurisdictional* defect remains uncured, the judgment must be vacated."); 28 U.S.C. § 1447(c) ("If at any time before final judgment it appears that the district court lacks subject matter jurisdiction, the case shall be remanded."); *see also* Fed. R. Civ. P. 12(h)(3) ("If the court determines at any time that it lacks subject-matter jurisdiction, the court must dismiss the action."). At the end of the case, that interlocutory order will "merge into the final judgment" and can then (and generally only then) be appealed. *Dupree v. Younger*, 598 U.S. 729, 735 (2023); *see* 28 U.S.C. § 1291; *Microsoft Corp. v. Baker*, 582 U.S. 23, 36–37 (2017). That is exactly what happened here.

So when Hain Celestial complains about unfairness (or relatedly, about inefficiency), what it is really complaining about is the predictable consequence of the final-judgment rule and its own strategic decision to remove this case. District courts make interlocutory decisions all the time. And sometimes, they will turn out to be wrong. When that is so, it can mean that the district court allowed a case to proceed that should have instead proceeded elsewhere. If the court goes on to produce a final judgment that resolves the merits—even one that is correct on the merits—that judgment can then be appealed, and if appealed, vacated.

A vacated judgment is, in a sense, always inefficient. It usually means that a mistake was made and that work was wasted. Sometimes a do-over will even be necessary. But overall, fidelity to the final-judgment rule "promotes the

efficient administration of justice." *Microsoft*, 582 U.S. at 36–37. And, in any event, when the error is jurisdictional, concerns about fairness and efficiency go out the window: A federal court's duty to stay within jurisdictional lines exists "regardless of the costs it imposes." *Grupo Dataflux v. Atlas Glob. Grp., L.P.*, 541 U.S. 567, 571 (2004) (vacating district-court judgment entered after "a 6-day jury trial" because the court lacked diversity jurisdiction).

Take, for example, Article III standing. Say a district court concludes that a plaintiff (or class of plaintiffs) has standing and later conducts a jury trial on the merits and enters a final judgment, which is what happened in *TransUnion LLC v. Ramirez*, 594 U.S. 413 (2021). If an appellate court were to later conclude that the district court's standing analysis was wrong, as this Court did in *TransUnion*, it should vacate the judgment and dismiss the claims for lack of jurisdiction, allowing them to be refiled in state court. *See id.* at 442; *see also id.* at 459 n.9 (Thomas, J., dissenting) (noting that state courts could exercise jurisdiction over such claims despite the lack of Article III standing). Moreover, because Article III standing is jurisdictional, this same result should obtain on appeal *regardless* of who had prevailed at trial. *See FW/PBS, Inc. v. City of Dallas*, 493 U.S. 215, 231 (1990) ("The federal courts are under an independent obligation to examine their own jurisdiction, and standing is perhaps the most important of the jurisdictional doctrines.").

This case is no different. The Fifth Circuit held that the district court's fraudulent-joinder analysis was wrong, so there was no subject-matter jurisdiction. The fact that the district court improperly proceeded to resolve the claims on the merits is thus neither here nor there. The improper *exercise* of federal jurisdiction cannot serve as the sole *authority* for exercising federal jurisdiction.

II. In contrast to the petitioners' proposed rule, the respondents' approach treats the parties fairly, respects the relative roles of the state and federal judiciaries, and ultimately promotes efficiency.

Nor can the district court's jurisdictional error justify itself in another way—by the inefficiencies that it created. No doubt, the error produced some amount of waste and inefficiency for the parties (though not nearly as much as Hain Celestial claims, *see* Resp. Br. 34; *Grupo Dataflux*, 541 U.S. at 581). But those costs, whatever they were, were incurred by both parties. And unlike Hain Celestial, which willingly chose to bear these risks in removing the case to federal court, the plaintiffs did no such thing. They were forced to litigate their claims before a tribunal that lacked jurisdiction over the claims, just so they could appeal the district court's jurisdictional analysis and have the case sent back to state court, where it should have been all along. That is far more unfair than holding Hain to the consequences of its own strategic decisions.

Could the plaintiffs have taken an interlocutory appeal under 28 U.S.C. § 1292(b)? Perhaps. But they would have had to meet the requirements of that statute and convince both the district court and the Fifth Circuit to certify such an appeal. And regardless, they were not required to pursue this course "in order to avoid waiving [their] ultimate appeal right." *Caterpillar*, 519 U.S. at 74.

Nor were they the only party who could have sought immediate appellate review. As the respondents point out (at 33), the petitioners could have requested a partial final judgment under Rule 54(b) as to the dismissed claims against Whole Foods. That approach would have allowed the Fifth Circuit to take up the jurisdictional issue before the district court resolved the merits of the claims against Hain. The petitioners, however, did not do so.

Yet now they clamor for a rule that would make resort to an interlocutory appeal all but required for plaintiffs to preserve their appellate rights. "Routine resort to § 1292(b) requests would hardly comport with Congress' design to reserve interlocutory review for exceptional cases." *Caterpillar*, 519 U.S. at 74. In this context, in particular, Congress has expressed a desire to avoid routine appeals. Had the district court below correctly applied Texas state law and declined to exercise federal jurisdiction, that order would not have been reviewable. *See* 28 U.S.C. § 1447(d) (generally eliminating appellate review of any "order remanding a case to the State court from which it was removed"). Hain's proposed rule clashes with these design choices. It would effectively require plaintiffs to seek interlocutory appeals from every denied remand request, lest they lose their right to challenge the court's exercise of jurisdiction following a final judgment. There is no basis for such a nonsensical rule.

The respondent's rule, in contrast, is the more efficient one in the end, because it creates the right incentives. When a district court is faced with a motion to remand a case to state court for lack of complete diversity, and the defendant opposes the motion by invoking the fraudulent-joinder exception, the court will have every reason to be as careful as possible in its analysis (and to enter a partial final judgment under Rule 54(b) to the extent that there is doubt about the correctness of its conclusion). Should it decline jurisdiction, the case will still proceed apace on remand, where the state court can apply its own state law to the parties before it. But if the district court were to improperly exercise jurisdiction based on a misapplication of state law, the risks of that mistake would be felt by everyone, enhancing the possibility of an appeal under Rule 54(b) or section 1292(b). Nobody wants to go to trial in the face of jurisdictional uncertainty.

The same cannot be said of the petitioners' proposed rule. Under their rule, defendants would have an incentive to get to judgment, because that is what would insulate the court's jurisdictional error from review (thereby forcing the plaintiffs to pursue their state-law claims against the defendants in two different forums, even if those claims arise out of the same set of facts, as they do here). By the same token, the district court would have no particular incentive to greenlight an appeal if the costs of its error would be paid by the plaintiff alone, and not by everyone.

Unlike the petitioners' rule, the respondents' rule is also party-neutral. In this case, the rule happens to have benefited the plaintiffs, ensuring that they are not bound by a judgment issued by a court that lacked jurisdiction over their claims. But in another case, it might well benefit the defendants—and for the same reason: They too cannot be bound by a judgment issued by a court that lacked jurisdiction over the claims against them. So, if Hain had lost on the merits, as the defendant did in *American Fire & Casualty Co. v. Finn*, 341 U.S. 6 (1951), Hain could have appealed from that judgment, and the judgment could have been affirmed on appeal only if the district court's jurisdictional analysis were correct. If the Fifth Circuit held that the jurisdictional analysis was incorrect, as it did below, it would have been required to vacate the judgment and remand the case to state court notwithstanding Hain's position below. Which is exactly what this Court did in *Finn*. *See id.* at 17–18 (vacating a judgment "because of the presence on each side of a citizen of Texas" and remanding the case to Texas state court, even though the judgment had been for the plaintiff and the defendant had argued the opposite below). And it is what courts often do in an analogous context—an appeal from a pro-defendant judgment where the plaintiff ultimately lacked Article III standing. Even though the defendant prevailed on the

merits, if the appellate court concludes that the plaintiff lacked standing, the judgment must be vacated. *See, e.g.*, *Frank v. Autovest, LLC*, 961 F.3d 1185 (D.C. Cir. 2020).

To sum it all up: Although the petitioners' rule runs aground on the law, it would also disserve the very policy rationales that the petitioners use to justify their rule. Whereas the respondents' rule treats the parties fairly and promotes judicial efficiency through aligned incentives, the petitioners' rule would do the opposite. It would asymmetrically harm plaintiffs and distort the incentives. And it would do so toward an end that is especially pernicious in our system of dual sovereignty—allowing a federal court's misreading of state law to serve as the basis for stripping from the state courts the power to say what state law is. This Court shouldn't let that happen.

CONCLUSION

The Fifth Circuit's judgment should be affirmed.

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Respectfully submitted,

DEEPAK GUPTA
JONATHAN E. TAYLOR
Counsel of Record
GUPTA WESSLER LLP
2001 K Street NW
Suite 850 North
Washington, DC 20006
(202) 888-1741
jon@guptawessler.com

Counsel for Amicus Curiae