No. 25-245

IN THE
Supreme Court of the United States

FIRE-DEX, LLC,
Petitioner,
v.
ADMIRAL INS. CO.,
Respondent.

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

REPLY IN SUPPORT OF PETITION FOR A WRIT OF CERTIORARI

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CORPORATE DISCLOSURE STATEMENT

The corporate disclosure statement in the petition for a writ of certiorari remains accurate.

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INTRODUCTION

This Court should grant certiorari to resolve the acknowledged circuit split regarding when a district court may exercise discretion to deny jurisdiction over a declaratory claim that is paired with coercive claims.

The plain text of the Declaratory Judgment Act should make that an easy question: The statute provides that a federal court "may"—not must—"declare the rights and other legal relations of any interested party," "whether or not further relief is or could be sought." 28 U.S.C. § 2201(a). Accordingly, the Eighth Circuit has recognized that a district court retains discretion to decline jurisdiction whenever a declaratory judgment claim forms the "essence of the suit," even when it is paired with claims for "further relief" like money damages or an injunction. *Royal Indem. Co.* v. *Apex Oil Co.*, 511 F.3d 788, 793-794 (8th Cir. 2008) (citation omitted). And the Third, Seventh, and Ninth Circuits have all held that a district court may decline jurisdiction over a declaratory claim so long as the coercive claims are not "independent." *Rarick* v. *Federated Serv. Ins. Co.*, 852 F.3d 223, 228-229 (3d Cir. 2017).

The court below, however, held that a district court's statutory discretion to decline jurisdiction over a declaratory claim is erased where the complaint also presses coercive claims. This rule resembles the rule applied by the Second, Fourth, and Fifth Circuits. In these circuits, it does not matter whether a declaratory claim involving a novel question of state law substantially predominates over coercive claims. And it does not matter whether the substance of the declaratory and coercive claims is so overlapping that the coercive claims are not substantively independent. All that matters is that the complaint contains coercive claims sufficient to establish diversity jurisdiction. That alone means that the state-law suit must be decided by the federal court in its entirety.

This Court's intervention is necessary to correct this erroneous understanding of the Declaratory Judgment Act and to establish unanimity in the circuits regarding this important question of federal jurisdiction. It is also necessary to address the important sovereignty concerns raised by the amicus brief filed by the State of Ohio and fourteen other states. The Declaratory Judgment Act grants courts discretion to decline jurisdiction in service of state courts' sovereign right to interpret their own law. Federal courts should not take it upon themselves to withdraw that discretion.

In asserting otherwise, Admiral cannot and does not dispute the existence of a circuit split. It instead contends that the split is not outcome-determinative here because jurisdiction would be mandatory under any circuit's approach. That is not what Admiral said below, when it urged the district court to reject the Eighth Circuit's approach because it permitted the discretionary denial of jurisdiction in cases precisely like this one. Pet. App. 55a. It is also simply wrong. Numerous courts applying contrary approaches have found that federal courts have discretion to deny jurisdiction over mixed claims like the one presented here. Courts applying the bright-line rule hold the opposite.

Admiral's attempts to defend the mandatory rule disregard the plain text of the Declaratory Judgment Act in favor of policy-based argument that out-of-state defendants must be given a federal forum to resolve claims—even when they involve novel questions of state law. But diversity jurisdiction has always been a narrow exception to the basic rule that state courts decide state-law questions. An out-of-state defendant does not have a right to a federal forum in the absence of complete diversity, where the amount-in-controversy requirement is not met, or where a question is certified to state court. So too here: The plain text of the Declaratory Judgment Act gives courts

discretion to decline jurisdiction, even in suits seeking "further relief." 28 U.S.C. § 2201(a). This Court should grant certiorari to reverse the court of appeals' decision artificially constraining that congressionally granted discretion.

ARGUMENT

I. AS ADMIRAL CONCEDES, THE CIRCUITS ARE DIVIDED REGARDING THE APPROPRIATE TREATMENT OF MIXED ACTIONS.

Admiral acknowledges (at 8-12) that the circuits are split on how to handle mixed cases. Admiral could hardly claim otherwise; as the petition explained, multiple courts (including the court below) and commentators have described the conflict and recognized the need for its resolution. Pet. 9-14. Admiral contends, however, that the conflict does not matter here because *every* circuit would require the district court to retain jurisdiction when a declaratory claim is paired with claims for breach of contract or bad faith. Admiral conceded otherwise below. *See* Pet. App. 55a. Its former position is correct. Its current position is not.

As the petition for certiorari explained, there is a well-recognized circuit split regarding "the question of which abstention standard applies when *both* declaratory and nondeclaratory relief are sought." Pet. 9 (quoting 12 *Moore's Federal Practice - Civil* § 57.42 (2025)). Three circuits—the Second, Fourth, and Fifth—apply a bright-line rule requiring district courts to retain jurisdiction over declaratory claims whenever they are paired with non-frivolous coercive claims. The court below adopted a version of this approach. Three other circuits—the Third, Seventh, and Ninth—permit district courts to decline jurisdiction if the coercive claims are "independent." The Eighth Circuit applies a more flexible test, allowing remand

where the "essence of the suit remains a declaratory judgment action." *Royal Indem.*, 511 F.3d at 793-794.

While Admiral does not dispute this split, it erroneously contends (at 8-12) that the split is not outcome-determinative. Admiral asserts (at 8) that, under any approach, a district court must retain jurisdiction over declaratory claims paired with "breach-of-contract and/or bad-faith damages claims" like the ones in this suit. That is wrong. As Admiral itself admitted below, the Eighth Circuit's approach permits declining jurisdiction where, as here, a declaratory claim overlaps with a breach-of-contract claim. Courts applying the "independent claim" test have reached the same result.

1. Start with the Eighth Circuit. Admiral concedes (at 11) that the Eighth Circuit applies the "essence of the suit" test. Below, Admiral "acknowledge[d]" that this test "allows a court to abstain from jurisdiction if 'breach of contract and declaratory relief are the same' "; it therefore "argue[d] that the Sixth Circuit [should] reject[ ]" the Eighth Circuit's "approach." Pet. App. 55a. Admiral now contends, however (at 11), that the Eighth Circuit invariably requires jurisdiction when a declaratory judgment claim appears "alongside 'other claims such as bad faith [or] breach of contract.' " That misreads the Eighth Circuit's precedent.

Royal Indemnity did not hold that its flexible test becomes a bright-line rule in breach-of-contract cases. To the contrary, it *affirmed* a district court's decision to decline jurisdiction where declaratory claims were paired with monetary damages, explaining that the damages claims were so tied to the declaratory claim that the Declaratory Judgment Act made it appropriate to abstain from both. The Court then rejected Ninth Circuit precedent as "not binding" and distinguishable because those cases involved damages claims "entirely separate and

distinct from the claim for declaratory judgment." 511 F.3d at 795. While the court described those distinct claims as involving breach of contract and bad faith, it did not suggest that *every* breach-of-contract claim would be "entirely separate and distinct." *Id.* And it certainly did not hold that courts must retain jurisdiction where—as here—the declaratory and breach-of-contract claims are tightly intertwined.

District courts applying the Eighth Circuit's test have recognized that it does not require retaining jurisdiction in cases involving breach of contract and money damages. In one representative case, a Nebraska court rejected the proposition that it was *required* to exercise jurisdiction over "an otherwise-paradigmatic declaratory judgment case involving the construction of a contract, simply because the plaintiff tagged 'and enjoin the defendant from enforcing the contract' onto its prayer for relief." *Johnson* v. *Experian Mktg. Sols., Inc.*, No. 8:15-CV-0125, 2015 WL 3407855, at *3 (D. Neb. May 27, 2015). While the court exercised its discretion to retain the case, it emphasized that "*Wilton* would be a dead letter if it could be avoided" by appending related contracts claims. *Id.*

2. Even under the "independent claim" test applied by the Third, Seventh, and Ninth Circuits, a district court could find it had discretion to decline jurisdiction in a case like this. As the Third Circuit explained in *Rarick* v. *Federated Serv. Ins. Co.*, 852 F.3d 223 (2017), "[n]on-declaratory claims are 'independent' of a declaratory claim when they are alone sufficient to invoke the court's subject matter jurisdiction *and* can be adjudicated without the requested declaratory relief." *Id.* at 228 (quoting *R.R. St. & Co., Inc.* v. *Vulcan Materials Co.*, 569 F.3d 711, 715 (7th Cir. 2009)) (emphasis added). In *Rarick*, the breach-of-contract claims were independent because they were alone sufficient to satisfy "the requirements for diversity jurisdiction," and because the plaintiffs "could have obtained their

desired relief in federal courts without requesting a declaratory judgment." *Id.* at 229. The court therefore found that the plaintiffs had added the declaratory claims to "evad[e] federal jurisdiction through artful pleading," a tactic at odds with the purposes of the Declaratory Judgment Act. *Id.*

Here, there is no contention Fire-Dex added the declaratory judgment claim to manipulate jurisdiction. The declaratory judgment claim—first brought by Admiral—is the foundation of the suit; Fire-Dex appended tag-along breach-of-contract and bad-faith claims to promote judicial efficiency and comply with state rules against claim-splitting. *See* Pet. 6; Pet. App. 34a-35a. Moreover, resolving the coercive claims depends on the declaratory judgment claim, which turns on a novel question of state law. *See* Pet. 22; Pet. App. 33a. As a result, a district court applying the "independent claim" test might well find the coercive claims dependent because there is no practical way to adjudicate them "without the requested declaratory relief." *Rarick*, 852 F.3d at 228 (citation omitted).

Admiral protests (at 10-11) that district courts applying the "independent claim" test simply ask whether coercive claims can independently support federal jurisdiction. But the actual practice is not so clear. While some courts find that jurisdictional independence alone removes discretion, *see*, *e.g.*, *Griggs Rd., L.P.* v. *Selective Way Ins. Co. of Am.*, No. 4:17-CV-00214, 2017 WL 2645542, at *4 (M.D. Pa. June 19, 2017), others perform a more nuanced inquiry that looks to substantive overlap in the claims, *see*, *e.g.*, *Cont'l Cas. Co.* v. *Westfield Ins. Co.*, No. 16-5299, 2017 WL 1477136, at *3-5 (E.D. Pa. Apr. 24, 2017) (applying two-step independent claim test that assesses "jurisdictional independence" and "substantive independence" (capitalization altered)).

As a result, several courts applying the "independent claim" test have declined jurisdiction in cases like this one, where the declaratory judgment and coercive claims are tightly linked. *See*, *e.g.*, *VXI Global Sols.* v. *Onni Times Square*, No. CV 16-8562, 2017 WL 3579877, at *4 (C.D. Cal. June 16, 2017) (staying action where coercive claims were "inextricably entwined" with declaratory claims where request for damages under Section 1982 depended on declaratory request for contract interpretation at "the heart of th[e] case"); *N. Pac. Seafoods, Inc.* v. *Nat'l Union Fire Ins. Co.*, No. C06-795RSM, 2008 WL 53180, at *4 (W.D. Wash. Jan. 3, 2008) ("[w]hile this Court would have jurisdiction over a simple breach of contract claim due to the diversity of the parties, the breach of contract claim here [was] not truly 'independent' " as it was "necessarily dependent upon a declaration of coverage as requested in the first claim").

3. By contrast, all agree that under the bright-line rule applied below, a district court must retain jurisdiction in any mixed case with coercive claims. As a result, whether a district court is forced to retain jurisdiction over declaratory claims like this one turns entirely on geography. In Maryland, New York, and Texas, the court must hear the case despite the novel state-law question at its core. In Missouri, Minnesota, and Washington, the federal court can do what the district court tried to do here—remand so the state-law question can be decided in state court. This Court should intervene to establish uniformity.

II. THE SIXTH CIRCUIT'S DECISION IS WRONG.

Intervention is also warranted because the Sixth Circuit's decision is wrong. As the petition explained, the plain text of the Declaratory Judgment Act provides that a court "may" decide a declaratory claim "whether or not further relief is or could be sought." Pet. 3 (quoting 28 U.S.C. § 2201(a)). The meaning of that text is clear: The

discretionary "may" establishes that the court can decide whether to hear a declaratory judgment claim, and the subsequent text clarifies that the discretion exists "whether or not" the complaint seeks "further relief."

1. Admiral has no real response. It asserts (at 20-21) that this Court has recognized that, despite the discretionary "may," in some cases a court "may not" deny jurisdiction in a declaratory judgment suit because of some distinct jurisdictional bar (emphasis omitted). Admiral reasons that a court can similarly be required to exercise jurisdiction by some distinct jurisdictional mandate. That might well be true *if* Admiral could point to some mandate; but there is none. Instead, Admiral relies on the general principle that federal courts have a "virtually unflagging obligation * * * to exercise the jurisdiction given them" unless some recognized abstention doctrine applies. *Colo. River Water Conservation Dist.* v. *United States*, 424 U.S. 800, 817 (1976). But Admiral ignores the premise of this principle: *Congress* controls the scope of federal jurisdiction, so where Congress has decided that federal courts should have jurisdiction over a case, a court generally cannot disregard that legislative choice. *Id.*

Here, by contrast, Congress itself has granted courts discretion to decline jurisdiction over declaratory claims "whether or not" they are paired with requests for "further relief." There is no basis for overriding that congressional judgment based on the principle that, where Congress does *not* convey such discretion, jurisdiction is mandatory. Fire-Dex is not asking this Court to recognize a new judicially created abstention doctrine; it is asking it to vindicate Congress's decision to allow courts to abstain in declaratory judgment suits.

2. Admiral asserts (at 16-17) that it would be wrong to permit courts to abstain in diversity cases like this one because out-of-state defendants have an absolute right to

a federal forum. This is an incorrect statement of the law. Diversity jurisdiction is a narrow exception to the basic rule that state courts are the proper entities to decide state-law claims because of the important sovereign interests involved. As Ohio's amicus brief emphasizes, when important state-law issues are decided by federal courts in the first instance, it infringes on the state's authority to declare its own laws. Ohio Amicus Br. at 7-12. Accordingly, while an out-of-state defendant can obtain a federal forum for state-law claims *if* there is complete diversity and *if* he meets the amount-in-controversy requirement, he is not entitled to have the federal court resolve undecided and important questions of state law.

To the contrary, this Court has encouraged federal courts to use procedures for certifying novel state-law questions to state courts, explaining that certification "save[s] 'time, energy, and resources and hel[ps] build a cooperative judicial federalism.' " *Arizonans for Off. Eng.* v. *Arizona*, 520 U.S. 43, 77 (1997) (citation omitted); *see Clay* v. *Sun Ins. Office Limited*, 363 U.S. 207, 212 (1960) (discussing state certification procedures approvingly). The availability of such procedures undermines the suggestion that a federal court cannot use its Declaratory Judgment Act discretion to remand claims involving novel state-law issues to state courts.

III. THIS CASE IS AN IDEAL VEHICLE.

This case presents an ideal opportunity for the Court to resolve a long-standing and recognized disagreement in the circuits regarding when a federal court is required to exercise jurisdiction over mixed claims. The court below acknowledged that disagreement, discussed the various approaches, and expressly adopted a test that deepens the split and conflicts with the plain text of the Declaratory Judgment Act. Indeed, the *only* vehicle problem Admiral

presses is its unfounded assertion that the outcome would be the same under any court of appeals' approach.

Not only is that assertion wrong, the suggestion that the question presented is not outcome-determinative ignores the procedural posture of this case. Here, the district court *granted* Fire-Dex's request to remand the declaratory judgment claim to the state court so that it could resolve the important question of state insurance law at the heart of the suit, and the district court stayed the other coercive claims pending resolution of the state proceedings. Pet. App. 5a. The court of appeals reversed that determination based on its holding that the district court had no discretion to remand because of the coercive claims. Pet. App. 27a. This Court's resolution of the question presented will therefore determine whether this state-law case may proceed in state court.

CONCLUSION

For the foregoing reasons, and those in the petition, this Court should grant the petition for a writ of certiorari.

Respectfully submitted,

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