January 1984


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CASE COMMENTS

FEDERAL JURISDICTION NOT PRESENT WHEN STATE SEeks DECLARATION THAT FEDERAL LAW DOES NOT PREEMPT STATE'S REGULATIONS


In Franchise Tax Board v. Construction Laborers Vacation Trust, the United States Supreme Court took the first step toward constructing a framework for determining whether federal jurisdiction exists when a litigant seeks a declaration regarding the preemptive effect of federal law. The case originated in California state court. The Franchise Tax Board (the Board) alleged a violation of a state tax law that authorized it to levy against funds the Construction Laborers Vacation Trust held pursuant to a collective bargaining agreement. Anticipating CLVT's defense, the Board requested the state court to declare that federal law did not preempt state's regulations.

2. See infra notes 48-71 and accompanying text.
3. The Franchise Tax Board (the Board) is a California state agency that is responsible for enforcing the state personal income tax. The Board may require any person in possession of "credits or other personal property" belonging to a delinquent taxpayer to transfer the amount owing to the Board. CAL. REV. & TAX CODE ANN. § 18817 (Deering Supp. 1984).
4. See CAL. REV. & TAX CODE §§ 18815 & 18817 (Deering Supp. 1984) (authorizing levies and imposing liability for failure to comply). In arguing the jurisdictional issues, the parties did not raise the question of whether CLVT's holdings fell within the statutory definition.
5. Construction Laborers Vacation Trust (CLVT) is a trust that administers the vacation provisions of a collective bargaining agreement. CLVT qualifies as a "welfare benefit plan" under § 3 of the Employment Retirement Income Security Act (ERISA). See 29 U.S.C. § 1002(1) (1982). Thus, CLVT is subject to extensive regulation under ERISA.
6. CLVT received several requests from the Board to transfer funds belonging to beneficiaries of the trust. Acting on advice from the United States Department of Labor, CLVT refused to pay the Board's levies, asserting that ERISA preempted the state law creating the Board's authority to levy against funds held by CLVT.
that the Employment Retirement Income Security Act (ERISA) did not preempt the state tax statute.9

CLVT removed the action to a federal district court,10 which denied the Board's motion to remand to the state court, and held that ERISA did not preempt the state law.11 The Ninth Circuit reversed with one judge dissenting.12 On appeal the United States Supreme Court unanimously held that a state's action to obtain a declaration that federal law does not preempt its regulations is not within the original jurisdiction of the federal courts.13

Article III of the Constitution14 grants the federal courts jurisdiction over cases "arising under" the Constitution, federal statutes, and treaties.15 Section 1331 of Title 28 of the United States Code16 substantially duplicates this language.17 Although the Supreme Court has

10. "[A]ny civil action brought in a state court of which the district courts of the United States have original jurisdiction, may be removed by the defendant or defendants, to the district court of the United States for the district and division embracing the place where such action is pending." 28 U.S.C. § 1441 (1982). An action may not be removed unless it falls within the original jurisdiction of the federal courts. Tennessee v. Union & Planters' Bank, 152 U.S. 454 (1894). The Court in Union & Planters' Bank eliminated its earlier distinction between original federal jurisdiction and removal jurisdiction. See Metcalf v. Watertown, 128 U.S. 586 (1888). See also Trautman, Federal Right Jurisdiction and the Declaratory Remedy, 7 VAND. L. REV. 445, 455-56 (1954). The American Law Institute has proposed that removal be allowed on the basis of a federal defense. AMERICAN LAW INSTITUTE, STUDY OF THE DIVISION OF JURISDICTION BETWEEN STATE AND FEDERAL COURTS § 1312 (Official Draft 1969).
12. Franchise Tax Bd., v. Construction Laborers Vacation Trust, 679 F.2d 1307 (9th Cir. 1982). The majority did not consider the jurisdiction issue. Judge Tang dissented, asserting that the court lacked federal jurisdiction. Id. at 1309-13 (Tang, J., dissenting). Judge Tang proceeded to disagree with the majority on the merits. Id.
13. 103 S. Ct. at 2852-53.
15. Id. See infra note 17.
17. Compare U.S. Const. art III, § 2, cl. 1 ("The judicial Power shall extend to all Cases . . . arising under this Constitution, the Laws of the United States, and Treaties made . . ., under their Authority . . .") with 28 U.S.C. § 1331 (1982) ("The district court shall have original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States.")
given the Article III language extremely broad scope, it has interpreted narrowly the statutory grant of jurisdiction.

In construing the statute, the Court developed the well-pleaded complaint rule to limit the scope of original federal jurisdiction. Federal courts must look only to the plaintiff's complaint to determine whether a suit presents a federal question within the original subject matter jurisdiction of the federal courts. In *Louisville & Nashville Railroad v. Mottley*, the Supreme Court held that the well-pleaded complaint rule disallows original federal jurisdiction over a case in which the plaintiff's complaint raises a federal issue by anticipating a federal defense to a state cause of action. The Court reasoned that federal (emphasis supplied). See Mishkin, *The Federal “Question” in the District Courts*, 53 COLUM. L. REV. 157, 160-61 (1953). See generally 13 C. WRIGHT, A. MILLER & E. COOPER, FEDERAL PRACTICE AND PROCEDURE § 3562 (1983).


In addition to the well-pleaded complaint rule, infra note 21 and accompanying text, the Court also has imposed the requirement that the federal question be an "essential" element of the plaintiff's complaint. See Gully v. First Nat'l Bank, 299 U.S. 109, 112 (1936).

In *Gully*, Justice Cardozo delineated the limitations on federal question jurisdiction.

[A] right or immunity created by the Constitution or laws of the United States must be an element, and an essential one of the plaintiff's cause of action. The right or immunity must be such that it will be supported if the Constitution or laws of the United States are given one construction or effect and defeated if they receive another. A genuine and present controversy, not merely a possible or conjectural one, must exist with reference thereto . . . and the controversy must be disclosed on the face of the complaint, unaided by the answer or petition for removal . . . . [T]he complaint itself will not avail as a basis for jurisdiction in so far as it . . . anticipates or replies to a possible defense.

*Id.* at 112-13.

21. See C. WRIGHT, supra note 19, § 18, at 98-100.

22. 211 U.S. 149 (1908).

23. *Id.* at 152. In *Mottley*, the plaintiff asked a federal court to enforce a settlement agreement against a non-diverse defendant. *Id.* at 150-51. In 1871, the plaintiffs signed a contract releasing the defendant railroad from liability for injuries they had suffered in a train collision. In exchange, plaintiffs received free passes on the railroad for the rest of their lives. *Id.* at 150. The
courts lack original subject matter jurisdiction when no part of the plaintiff's cause of action derives from federal law.\textsuperscript{24}

In \textit{Skelly Oil Co. v. Phillips Petroleum Co.},\textsuperscript{25} the Supreme Court first considered the applicability of the \textit{Mottley} rule in the context of a federal declaratory judgment action.\textsuperscript{26} The Court held that federal question jurisdiction does not extend to a declaratory judgment action in which the plaintiff asserts that federal law determines whether the defendant has breached a contract that is enforceable in state court.\textsuperscript{27} The Court reasoned that, absent diversity, the plaintiff could not have brought a contract action in federal court prior to the enactment of the Declaratory Judgment Act.\textsuperscript{28} Because the Court had held previously that the Declaratory Judgment Act did not extend the jurisdiction of the federal courts,\textsuperscript{29} it found no basis for jurisdiction.\textsuperscript{30}

The rationale in \textit{Skelly Oil} allows a federal court to entertain a declaratory judgment action only if the hypothetical underlying coercive suit would present a federal question.\textsuperscript{31} Patent cases in which the railroad refused to renew the plaintiffs' free passes in 1907, contending that federal law forbade issuing free passes. \textit{Id.} at 150-51. The plaintiffs' complaint asserted that the federal statute did not prevent performance of the agreement, and that the statute was unconstitutional insofar as it might preclude enforcement. \textit{Id.} at 151.

\textsuperscript{24} \textit{Id.} at 152.

\textsuperscript{25} 339 U.S. 667 (1950).


\textsuperscript{27} 339 U.S. at 667-73. In \textit{Skelly Oil}, suppliers of natural gas had conditioned certain sales agreements on the purchasers' obtaining certain certificates from the Federal Power Commission prior to a stated date. The Commission announced the issuance of the certificates, but on a conditional basis, and did not issue the certificates themselves until after the deadline. The purchasers unsuccessfully sought a declaration that the certificates had been issued within the meaning of the Natural Gas Act, and that the contract was thus still in effect. \textit{Id.} at 670-71.

\textsuperscript{28} \textit{Id.} at 671-72.

\textsuperscript{29} "'[T]he operation of the Declaratory Judgment Act is procedural only.' . . . Congress enlarged the range of remedies available in federal courts, but it did not extend their jurisdiction." \textit{Id.} at 671 (citations omitted) (quoting \textit{Aetna Life Ins. Co. v. Haworth}, 300 U.S. 227, 240 (1937)). \textit{But cf.} Illinois \textit{ex rel. Barra v. Archer Daniels Midland Co.}, 704 F.2d 935, 939 (7th Cir. 1983) ("'[T]he [above quoted] statement cannot have been intended literally.'"). For a criticism of the Court's "procedural only" approach, see Mishkin, \textit{supra} note 17, at 178 n.99.

\textsuperscript{30} 339 U.S. at 673.

\textsuperscript{31} \textit{See id.} at 671-72. \textit{Skelly Oil}, however, bars federal jurisdiction if the declaratory plaintiff's complaint asserts a federal defense to the defendant's underlying state law coercive action.
plaintiff seeks a declaration of noninfringement illustrate the fulfillment of this requirement for federal jurisdiction. Generally, courts hold that an alleged infringer may bring suit in federal court to challenge the declaratory defendant's infringement claim because the latter has a hypothetical coercive cause of action that arises under federal law.

In *Public Service Commission v. Wycoff Co.*, the Supreme Court set forth in dicta a formula for determining when a potential coercive defendant's preemption-based claim raises a federal question in declaratory judgment actions. The plaintiff in *Wycoff* asked a federal court to declare its business immune from Utah Public Service Commission regulations that interfered with its operating in a manner authorized by the Interstate Commerce Commission. Although the Court held that the case was nonjusticiable, it went on to analyze the case under the well-pleaded complaint rule. The Court stated that it is the nature of

See 10A C. WRIGHT, A. MILLER & E. COOPER, supra note 17, § 2767 at 744-45. Commentators have extensively criticized the *Skelly Oil* rule, often charging the Court with rigid formalism in its treatment of the declaratory remedy. See, e.g., Goldberg, *The Influence of Procedural Rules on Federal Jurisdiction*, 28 STAN. L. REV. 395, 413, 478-79 & n.446 (1976); Trautman, supra note 10, at 465-68; Note, supra note 20 at 989.


34. 344 U.S. 237 (1952).

35. See infra notes 38-39 and accompanying text.


37. 344 U.S. at 239. The Wycoff Company was in the business of transporting motion picture films within the state of Utah. Although its business was wholly intrastate, the company sought a declaration that, for purposes of the commerce clause, its business constituted interstate commerce, and was thus immune from state regulation. *Id.*

38. *Id.* at 244-45. The Court found that the case had not "matured" because the state had not threatened to enforce the regulations. The Court contended that the plaintiff was merely seeking to establish a defense in the event the state attempted to enforce its regulations. Justice Jackson, writing for the Court, commented, "So what?" *Id.* at 244.
the state's threatened action, rather than the plea for a declaration, that determines whether federal jurisdiction exists.39

Although mindful of the Supreme Court's refusal to broaden federal jurisdiction in *Skelly Oil* and *Wycoff*,40 federal courts have had difficulty defining the contours of federal jurisdiction in declaratory judgment actions when litigants attempt to obtain federal jurisdiction by alleging federal preemption of a state law.41 Some federal courts recently have departed from the majority view,42 and have decided to adjudicate declaratory actions in which a party's assertion of preemption is the basis for jurisdiction.43 These courts have failed to identify

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39. *Id.* at 248. *See supra* note 36.

40. *See supra* notes 25-39 and accompanying text.


42. The majority view asserts that *Skelly Oil* and *Wycoff* preclude the exercise of federal jurisdiction in this situation. *See, e.g.*, Michigan Sav. & Loan League v. Francis, 683 F.2d 957, 960 (6th Cir. 1982) (“Plaintiff's assertion of federal preemption was in effect a defense to the threatened enforcement of [conflicting state law and] could not provide the basis for [federal] jurisdiction.”); Home Fed. Sav. & Loan Ass'n v. Insurance Dep't of Iowa, 571 F.2d 423, 426 (8th Cir. 1978) (“it is not enough to ground federal jurisdiction . . . that [plaintiff raises] federal preemption, in defense to the state action”).

Under *Skelly Oil* and *Wycoff*, federal preemption of state law does not present a basis for federal jurisdiction because the preemption issue would only arise as a defense to a state-law cause of action. *See* 1A J. MOORE, B. RINOLE & J. WICKER, *MOORE'S FEDERAL PRACTICE* ¶ 0.160[4]; *supra* notes 25-39 and accompanying text.


The Second and Fifth Circuits have found federal jurisdiction based on an issue of preemption, while the Third, Fourth, Sixth, Eighth, and Tenth Circuits have adhered to *Skelly Oil* and *Wycoff*, rejecting this analysis. *Compare* Michigan Sav. & Loan League v. Francis, 683 F.2d 957, 960 (6th Cir. 1982) (“Plaintiff's assertion of federal preemption was in effect a defense to the threatened enforcement of [conflicting state law and] could not provide the basis for [federal] jurisdiction.”) *and* Home Fed. Sav. & Loan Ass'n v. Insurance Dep't of Iowa, 571 F.2d 423, 426 (8th Cir. 1978) (“it is not enough to ground federal jurisdiction . . . that [plaintiff raises] federal preemption in defense, to the state action”) *with* Stone & Webster Eng'g Corp. v. Ilsley, 690 F.2d 323, 328 (2nd Cir. 1982) (“a declaratory plaintiff can come into federal court asserting that preemption affords it insulation from a state-based claim”) *aff'd mem.*, 103 S. Ct. 3564 (1983) *and* Braniff Int'l, Inc. v. Florida Pub. Serv. Comm'n, 576 F.2d 1100, 1106 (5th Cir. 1976) (“that [preemption] is or may be a defense to [defendant's] actions states a mere truism”). For other examples in which the issue is stated less clearly, see Exxon Corp. v. Hunt, 683 F.2d 69 (3d Cir. 1982); City Nat'l Bank v. Edmis-
any uniform criteria for determining whether federal jurisdiction exists.\textsuperscript{44} In a dissent from a denial of certiorari,\textsuperscript{45} Justice White noted this conflict among the circuits and urged the Supreme Court to resolve this issue.\textsuperscript{46} He recognized a trend, in “conflicting regulations” cases, however, toward distinguishing declaratory judgment suits that seek to establish a federal defense from those that seek to negate a federal defense.\textsuperscript{47}
In *Franchise Tax Board v. Construction Laborers Vacation Trust*, the Court considered whether the *Skelly Oil* rationale applies with equal force to state and federal declaratory judgment actions. The Court held that federal courts could not obtain jurisdiction over a state declaratory judgment action on removal if, on the same facts, *Skelly Oil* would have precluded original jurisdiction in a federal declaratory judgment action. The Court reasoned that holding otherwise would allow litigants to circumvent the *Skelly Oil* rule simply by seeking a declaration of federal law under a state declaratory judgment statute and removing the case to a federal court.

The Supreme Court subsequently denied certiorari. 454 U.S. 944 (1981). Justice White, dissenting from the denial of certiorari, expressly discounted the precedential effect of the *Wycoff* dictum, *id.* at 949-50 (White, J., dissenting from denial of certiorari), and distinguished United's attempt to establish a defense of federal preemption from an attempt to adjudicate the validity of an anticipated federal defense to a state law cause of action. *Id.* at 946-47. In *Illinois v. Kerr-McGee Chem. Corp.*, 677 F.2d 571 (7th Cir.), cert. denied, 103 S. Ct. 469 (1982), the State of Illinois brought a civil complaint in an Illinois state court against Kerr-McGee alleging violations of state laws regulating the disposal of hazardous wastes in the company's operation of a hazardous waste dump. Kerr-McGee removed the case to federal court, alleging that federal law preempted the Illinois statute. *Id.* at 574. The United States District Court for the Northern District of Illinois determined that it had jurisdiction over the case and dismissed the state's complaint on preemption grounds. *Id.* The Seventh Circuit reversed, finding that Kerr-McGee's claim was purely defensive and insufficient to present a federal question. *Id.* at 577-78.

The Supreme Court denied certiorari. 103 S. Ct. 469 (1982).

The Seventh Circuit's decision arguably conflicts with the Second Circuit's finding of federal jurisdiction on similar facts in *North Am. Phillips Corp. v. Emery Freight Corp.*, 579 F.2d 229 (2d Cir. 1978). In *Emery*, the plaintiff filed a tort claim against an interstate carrier in a New York state court, and the carrier removed the action to federal court. The Second Circuit found federal jurisdiction, holding that the "pivotal issue" in the case was a federal question, and that Congress had totally occupied the field of interstate carriage. *Id.* at 233-34. Justice White contrasted Kerr-McGee's defensive assertion of preemption, which the Second Circuit held insufficient to create a federal question, with the Second Circuit's holding in *Emery* that a federal question exists when the pleadings in a case reveal that federal law is the pivotal issue. Kerr-McGee Chem. Corp. v. Illinois, 103 S. Ct. 469, 470 (1982) (Blackmun, J., dissenting from denial of certiorari). But see *id.* at 469 (White, J., dissenting from denial of certiorari) (arguing that Justice White had confused two distinct lines of case law in finding a conflict among the circuits).

49. *Id.* at 2850.
50. *Id.* at 2851.
51. *Id.* *Franchise Tax Board* nominally presented the Court with an opportunity to attenuate or overrule the *Skelly Oil* doctrine. Given the force of precedent in jurisdictional issues and the current climate surrounding federal jurisdiction, such an outcome was unlikely. See Cohen, *The Broken Compass: The Requirement that a Case Arises "Directly" Under Federal Law*, 115 U. Pa. L. Rev. 890, 910 (1967) ("[T]he various irreconcilable formulae for measuring federal jurisdiction have a tendency to survive.") See also Verlinden B.V. v. Central Bank of Nigeria, 103 S. Ct. 1962.
The Court then had to decide whether the Board’s preemption claim came within the *Skelly Oil* rule. The Court observed that a declaratory plaintiff can obtain federal jurisdiction for a nonfederal claim if the declaratory defendant’s hypothetical coercive action to enforce the contested right would raise a federal question. The Court also noted that a person subject to conflicting regulations may obtain federal jurisdiction. Ultimately, however, the Court distinguished these cases, noting that they presented plaintiffs with a “clear interest” in immedi-

(1983) (example of recent expression of concern by the Court about a possible expansion of federal jurisdiction).

Thus, the extension of the *Skelly Oil* rule to include a state’s declaratory judgment action commenced in state court is a logical, if not an inevitable, result. The Court hesitated only because the *Skelly Oil* decision “relied significantly on the precise contours of the federal Declaratory Judgment Act,” 103 S. Ct. at 2850, and because the Court viewed as possible that the California declaratory judgment statute might have a more substantive purpose than the *Skelly Oil* court attributed to the federal statute. *Id.* at 2850 n.16.

52. The Court stated that *Skelly Oil’s* application to the Board’s suit was “somewhat unclear.” 103 S. Ct. at 2851. The confusion resulted because the Board based the second count of its complaint on the California Declaratory Judgment Act, CAL. CIV. PROC. CODE § 1060 (Deering 1973), yet the complaint seemed to fulfill the requirements of a federal well-pleaded complaint. *Id.* at 2848-49. The Board asked for a determination of federal law in a manner that did not anticipate the defendant’s defense. In addition, the second count could not be disposed of without an interpretation of federal law. Finally, the complaint stated a present controversy. *See supra* notes 12-21 and accompanying text. The case presented another difficult feature because its procedural posture resembled that of some of the cases the Court had found to satisfy the well-pleaded complaint rule. *See infra* notes 53-55 and accompanying text.

53. 103 S. Ct. at 2851 & n.19. In this situation, as the patent cases illustrate, the declaratory plaintiff has federal jurisdiction to assert that the defendant does not have a federal right. *See id.* at 2851 n.19. *See also supra* notes 32-33 and accompanying text (discussing basis for federal jurisdiction in patent cases).

For another context in which this type of jurisdiction has been found, see Wisconsin v. Baker, 698 F.2d 1323 (7th Cir.), cert. denied, 103 S. Ct. 3537 (1983). In *Baker*, the state sued for a declaration that an Indian tribe had no federal right to limit non-tribe members’ use of navigable waters within the reservation. *Id.* at 1325-26. The tribe threatened to sue offenders. *Id.* at 1326. The court held that federal jurisdiction was proper because the tribe’s suit to enforce its right would necessarily have raised a federal question. The state also had an interest in removing the cloud on its citizens’ use of waters. *Id.* at 1229-30. *See also* Oneida Indian Nation of New York State v. County of Oneida, 414 U.S. 661 (1974) (federal jurisdiction found for ejectment action brought by Indian tribe claiming title to land under a federal grant even though state cause of action for ejectment raising no federal issue).

54. 103 S. Ct. at 2852 n.20. The Court states in a footnote:

Even if ERISA did not expressly provide jurisdiction, CLVT might have been able to obtain federal jurisdiction under the doctrine applied in some cases that a person subject to a scheme of federal regulation may sue in federal court to enjoin application to him of conflicting state regulations, and a declaratory judgment action by the same person does not necessarily run afoul of the *Skelly Oil* doctrine.

*Id.*
ate federal adjudication, a factor not present in *Franchise Tax Board*.55

*Franchise Tax Board* thus bars states from using the federal declaratory procedure to test the validity of their regulations.56 The Court's holding requires state courts to decide preemption issues that states pose in anticipation of a federal defense.57 The Court thus has implied that a state's declaratory judgment action illustrates a situation in which a defendant subject to conflicting state and federal regulations does not have a clear interest in immediate federal adjudication.58

The *Franchise Tax Board* Court implied a jurisdictional standard centered on the identifiable "clear interests" of the plaintiff in certain exceptional declaratory actions. The Court offered three illustrations of the standard's application.59 In patent cases, the Court found that plaintiffs who challenge the validity of the defendant's patent have a clear interest in removing any cloud on the use of patented objects or processes.60 Similarly, the Court noted that persons subject to conflict-

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55. The Court stated that the adequacy of the state tribunal for deciding the preemption question negated the parties' having a "clear interest" in federal jurisdiction similar to that of an alleged patent infringer or a person subject to conflicting regulations. *Id.* at 2852 & n.23.

56. See *supra* notes 53-55 and accompanying text.

57. 103 S. Ct. at 2852-53. The necessary implication of this rule is that a declaratory defendant cannot remove such an action on the basis of a preemption defense, as CLVT attempted to do in this case. *Id.* at 2853.


59. See also *Illinois ex rel. Barra v. Archer Daniels Midland Co.*, 704 F.2d 935 (7th Cir. 1983). Judge Posner, faced with facts similar to those presented in *Franchise Tax Board*, set forth a similar frame of analysis. He asserted that in order to obtain a federal jurisdiction, a declaratory plaintiff (or the declaratory defendant by removal) whose claim is based on a claim of preemption must have a "good reason," apart from the assertion that federal law is preempted, to gain federal jurisdiction. *Id.* at 940 (emphasis in original). The "good reason" rule may be slightly more restrictive than the "clear interest" rule, in that Judge Posner seems to see fewer circumstances in which preemption can serve as a basis for federal jurisdiction. *Id.* at 941. For further discussion of this case, see *supra* note 42.

60. See 103 S. Ct. at 2852 n.23. See also *Wisconsin v. Baker*, 698 F.2d 1323 (7th Cir.), cert. denied, 103 S. Ct. 3537 (1983) (finding federal jurisdiction for state's action challenging Indian tribe's restriction of state waterways because of state's strong interest in clarifying rights to usage of its waterways). For a discussion of *Baker*, see *supra* note 53.

In *Franchise Tax Board*, the Court noted that CLVT could have brought suit in federal court pursuant to ERISA provisions that specifically granted the federal courts exclusive jurisdiction over suits brought by certain groups to enjoin violations of ERISA. *Id.* at 2851-52. Section 502(a)(3) of ERISA grants fiduciaries such as CLVT a cause of action "to enjoin any act or practice which violates any provision of this subchapter or the terms of the [covered] plan." 29 U.S.C. § 1132(a)(3)(A) (1982). Section 502(e)(1) vests exclusive jurisdiction of such suits in the federal
ing regulations may face immediate debilitating liability if recourse to a
federal declaratory action is unavailable. Finally, the Court held that
states have no clear interest in testing the validity of their regulations in
federal court because their own courts are adequate.

The Court’s use of patent and conflicting regulations cases to illus-
trate its clear interest standard indicates the limitations the Court
will impose on the exercise of federal jurisdiction over cases that are argua-
ably analogous to these situations. The Court’s statement that federal
jurisdiction exists in the patent type cases because the declaratory de-
fendant’s coercive suit would “necessarily” present a federal question63
implies approval of lower federal court decisions that denied jurisdic-
tion when the defendant had alternative state or federal coercive ac-
tions.64 In addition, the Court’s discussion of CLVT’s cause of action

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61. 103 S. Ct. at 2851 n.19.

62. 103 S. Ct. at 2852.

63. See supra notes 32-33 and accompanying text (discussing basis of federal jurisdiction in patent cases). The Court rejected this analysis on the basis of the limited scope of this cause of action. 103 S. Ct. at 2852-53. It stated that the congressional grant of exclusive federal jurisdiction did not extend to suits against persons named in ERISA. 103 S. Ct. at 2852.

under ERISA seems to exclude from this category actions in which the declaratory defendant's coercive action necessarily presents a federal question, but the declaratory defendant is one of a limited class of parties to whom Congress had given a federal cause of action to enforce statutorily created rights.

The Court's description of conflicting regulations cases implies that a declaratory plaintiff in such cases must satisfy three prerequisites to gain federal jurisdiction. First, the declaratory plaintiff obviously must be subject to conflicting regulations. Second, the declaratory plaintiff must have a "clear interest" in immediate federal adjudication sufficient to justify circumvention of the state court. Third, the declaratory plaintiff must have access to federal injunctive relief. Thus,

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65. For a discussion of CLVT's right to bring suit, see supra note 60.

The Court used its finding that ERISA's grant of exclusive federal jurisdiction did not extend to suits against persons named in ERISA to explain why the Board's suit did not fall within the doctrine of Avco Corp. v. Aero Lodge No. 735, Int'l Ass'n of Machinists, 376 F.2d 337 (6th Cir. 1967), aff'd 390 U.S. 557 (1968). According to the Franchise Tax Board Court, Avco holds that § 301 of the Labor Management Relations Act (LMRA), 29 U.S.C. § 185 (1982), is so "powerful" in its preemptive force that it automatically confers federal jurisdiction on any suit brought on a contract between an employer and a union. 103 S. Ct. at 2853. CLVT argued that ERISA likewise preempted state law to such an extent that any action brought within ERISA's ambit arises under federal law for jurisdiction purposes. Id. at 2854. The Court rejected this argument on the ground that ERISA's grant of jurisdiction is specific, and not generalized as in section 301 of the LMRA. Id. The Court's distinction apparently forecloses or narrows another line of argument for parties who seek to obtain federal jurisdiction for controversies founded in state law forms of action, but dependent on or revolving around federal law.

66. See 103 S. Ct. at 2851-53. The Court's language fails to indicate clearly whether the Court means to bar federal courts from hearing all actions in which the defendant has a statutory cause of action similar to CLVT's or only those actions brought by states or their agencies. Federalism plays a leading role in the Court's rationale, see id. at 2852, and the implications of the case are limited somewhat by the unusual facts. See supra notes 1-9 and accompanying text and note 52.

67. See infra notes 68-69 and accompanying text. For quotation of the Court's language in this respect, see supra note 54.


69. 103 S. Ct. at 2852 n.20. The cases cited in this footnote suggest that the Court, in demanding that a declaratory plaintiff have access to federal injunctive relief, is concerned with questions of justiciability. A problem in declaratory actions in which the plaintiff seeks to establish that state regulations are preempted is that often the state has not enforced or threatened to enforce the regulations. See Public Serv. Comm'n v. Wycoff Co., 344 U.S. 237, 245 (1952); supra notes 37-38 and accompanying text. Rath Packing Co. v. Becker, 530 F.2d 1295 (9th Cir. 1975), aff'd sub nom. Jones v. Rath Packing Co., 430 U.S. 519 (1977), presents a clearer case. In Rath Packing, county officials cited a meat company for violations of a California fair packaging law, and the company's meat was ordered off-sale. Id. at 1301. The company instituted a federal declaratory proceeding seeking to have the state regulation declared preempted. Id. at 1301-02.
the Court attempted to impose a framework of rules on a class of cases that has elicited conflicting results from the circuit courts.

*Franchise Tax Board* provides needed, if limited, guidance to the lower federal courts. The Court recognized that the federal courts are continually faced with novel and compelling attempts to obtain federal jurisdiction. Although the Court cites examples of "clear interests," it fails to provide a firm definition of what constitutes a clear interest or when federal concerns would outweigh the plaintiff's interests. This shortcoming of the opinion poses problems for lower federal courts faced with the myriad issues and parties in declaratory actions presenting preemption issues. The Court's use of dictum and implication in *Franchise Tax Board*, however, allows it to evaluate the efficacy of its views before dealing directly with other preemption-based claims to federal jurisdiction.

*J.D.W.*

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The Ninth Circuit panel distinguished *Wycoff* on the ground that the cost to Rath of the off-sale order created a viable controversy between the parties. *Id.* at 1304-06. The Supreme Court affirmed without discussing the jurisdiction issue. 430 U.S. 519 (1977).

70. 103 S. Ct. at 2852 n.23. *See supra* notes 60-61 and accompanying text.

71. The Court's "clear interest" standard does, however, attempt to accommodate the existing case law and the competing policies in this area. The standard comports with the trend Justice White recognized among circuit court decisions. *See supra* notes 45-47 and accompanying text. According to this scheme the Court reached the appropriate result in *Franchise Tax Board* because the Board's declaratory cause of action sought only to negate CLVT's federal defense. *Cf.* *supra* note 60 (describing CLVT's cause of action under ERISA). Indeed, the Court's "clear interest" standard may indicate that the Court considers Justice White's dichotomy appropriate. Certainly, one who seeks a declaration that federal law determines the parties' rights has a greater interest in federal adjudication of a dispute than one who claims that state law should govern exclusively.