

## Syllabus

NOTE: Where it is feasible, a syllabus (headnote) will be released, as is being done in connection with this case, at the time the opinion is issued. The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States v. Detroit Timber & Lumber Co.*, 200 U. S. 321, 337.

**SUPREME COURT OF THE UNITED STATES**

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**RUHRGAS AG v. MARATHON OIL CO. ET AL.****CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR  
THE FIFTH CIRCUIT**

No. 98–470. Argued March 22, 1999– Decided May 17, 1999

The underlying controversy stems from a venture to produce gas in the North Sea's Heimdal Field. In 1976, respondents Marathon Oil Company and Marathon International Oil Company acquired respondent Marathon Petroleum Norge (Norge) and Marathon Petroleum Company (Norway) (MPCN). Following the acquisition, Norge assigned its license to produce gas in the Heimdal Field to MPCN, which then contracted to sell 70% of its share of the Heimdal gas production to a group of European buyers, including petitioner Ruhrgas AG. MPCN's sales agreement with Ruhrgas and the other European buyers provided that disputes would be settled by arbitration in Sweden. In 1995, Marathon Oil Company, Marathon International Oil Company, and Norge (collectively Marathon) sued Ruhrgas in Texas state court, asserting state-law claims of fraud, tortious interference with prospective business relations, participation in breach of fiduciary duty, and civil conspiracy. Marathon alleged that Ruhrgas had defrauded it into financing MPCN's development of the Heimdal Field and that Ruhrgas had diminished the value of the license Norge had assigned to MPCN. Ruhrgas removed the case to the District Court, asserting three bases for federal jurisdiction: diversity of citizenship, see 28 U. S. C. §1332, on the theory that Norge, the only nondiverse plaintiff, had been fraudulently joined; federal question, see §1331, because Marathon's claims raised questions of international relations; and 9 U. S. C. §205, which authorizes removal of cases relating to international arbitration agreements. Ruhrgas moved to dismiss the complaint for lack of personal jurisdiction. Marathon moved to remand the case to the state court for lack of federal subject-matter jurisdiction. The District Court granted Ruhrgas' motion. Noting that Texas' long-arm statute authorizes personal ju-

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risdiction to the extent allowed by the Due Process Clause of the Federal Constitution, the court addressed the constitutional question and concluded that Ruhrgas' contacts with Texas were insufficient to support personal jurisdiction. The en banc Fifth Circuit vacated and remanded, holding that, in removed cases, district courts must decide issues of subject-matter jurisdiction first, reaching issues of personal jurisdiction only if subject-matter jurisdiction is found to exist. The court derived "counsel against" recognizing judicial discretion to proceed directly to personal jurisdiction from *Steel Co. v. Citizens for Better Environment*, 523 U. S. 83, in which this Court held that Article III generally requires a federal court to satisfy itself of its subject-matter jurisdiction before it considers the merits of a case. The Fifth Circuit limited its holding to removed cases, perceiving in them the most grave threat that federal courts would usurp state courts' residual jurisdiction.

*Held:* In cases removed from state court to federal court, as in cases originating in federal court, there is no unyielding jurisdictional hierarchy requiring the federal court to adjudicate subject-matter jurisdiction before considering a challenge to personal jurisdiction. Pp. 7–13.

(a) The Fifth Circuit erred in according absolute priority to the subject-matter jurisdiction requirement on the ground that it is non-waivable and delimits federal-court power, while restrictions on a court's jurisdiction over the person are waivable and protect individual rights. Although the character of the two jurisdictional bedrocks unquestionably differs, the distinctions do not mean that subject-matter jurisdiction is ever and always the more "fundamental." Personal jurisdiction, too, is an essential element of district court jurisdiction, without which the court is powerless to proceed to an adjudication. *Employers Reinsurance Corp. v. Bryant*, 299 U. S. 374, 382. In this case, indeed, the impediment to subject-matter jurisdiction on which Marathon relies—lack of complete diversity—rests on statutory interpretation, not constitutional command. Marathon joined an alien plaintiff (Norge) as well as an alien defendant (Ruhrgas). If the joinder of Norge is legitimate, the complete diversity required by §1332, but not by Article III of the Constitution, see *State Farm Fire & Casualty Co. v. Tashire*, 386 U. S. 523, 530–531, is absent. In contrast, Ruhrgas relies on the constitutional due process safeguard to stop the court from proceeding to the merits of the case. See *Insurance Corp. of Ireland v. Compagnie des Bauxites de Guinee*, 456 U. S. 694, 702. The *Steel Co.* jurisdiction-before-merits principle does not dictate a sequencing of jurisdictional issues. A court that dismisses for want of personal jurisdiction, without first ruling on subject-matter jurisdiction, makes no assumption of law-declaring power

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that violates the separation of powers principles underlying *Steel Co.* Pp. 8–10.

(b) The Court rejects Marathon's assertion that it is particularly offensive in removed cases to rule on personal jurisdiction without first deciding subject-matter jurisdiction, because the federal court's personal jurisdiction determination may preclude the parties from relitigating the very same issue in state court. See *Baldwin v. Iowa State Traveling Men's Assn.*, 283 U. S. 522, 524–527. Issue preclusion in subsequent state-court litigation may also attend a federal court's subject-matter determination. For example, if a federal court concludes that state law does not allow damages sufficient to meet the amount in controversy for diversity jurisdiction, see 28 U. S. C. §1332(a), and remands to the state court on that basis, the federal court's ruling on permissible state-law damages may bind the parties in state court. Most essentially, federal and state courts are complementary systems for administering justice. Cooperation and comity, not competition and conflict, are essential to the federal design. A State's dignitary interest bears consideration when a district court exercises discretion in a case of this order. If personal jurisdiction raises difficult questions of state law, and subject-matter jurisdiction is resolved as easily as personal jurisdiction, a district court will ordinarily conclude that federalism concerns tip the scales in favor of initially ruling on the motion to remand. In other cases, however, the district court may find that overriding concerns of judicial economy and restraint warrant immediate dismissal for lack of personal jurisdiction. The federal design allows leeway for sensitive judgments of this sort. See *Younger*, 401 U. S., at 44. Pp. 10–12.

(c) In most instances, subject-matter jurisdiction will involve no arduous inquiry, and both expedition and sensitivity to state courts' coequal stature should impel the federal court to dispose of that issue first. Where, as here, however, a district court has before it a straightforward personal jurisdiction issue presenting no complex state-law question, and the alleged defect in subject-matter jurisdiction raises a difficult and novel question, the court does not abuse its discretion by turning directly to personal jurisdiction. Pp. 12–13.

145 F. 3d 211, reversed and remanded.

GINSBURG, J., delivered the opinion for a unanimous Court.