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

Syllabus

STANDARD FIRE INSURANCE CO. *v.* KNOWLES

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

No. 11–1450. Argued January 7, 2013—Decided March 19, 2013

The Class Action Fairness Act of 2005 (CAFA) gives federal district courts original jurisdiction over class actions in which, among other things, the matter in controversy exceeds $5 million in sum or value, 28 U. S. C. §§1332(d)(2), (5), and provides that to determine whether a matter exceeds that amount the "claims of the individual class members must be aggregated," §1332(d)(6). When respondent Knowles filed a proposed class action in Arkansas state court against petitioner Standard Fire Insurance Company, he stipulated that he and the class would seek less than $5 million in damages. Pointing to CAFA, petitioner removed the case to the Federal District Court, but it remanded to the state court, concluding that the amount in controversy fell below the CAFA threshold in light of Knowles' stipulation, even though it found that the amount would have fallen above the threshold absent the stipulation. The Eighth Circuit declined to hear petitioner's appeal.

Held: Knowles' stipulation does not defeat federal jurisdiction under CAFA. Pp. 3–7.

(a) Here, the precertification stipulation can tie Knowles' hands because stipulations are binding on the party who makes them, see *Christian Legal Soc. Chapter of Univ. of Cal., Hastings College of Law* v. *Martinez*, 561 U. S. ___. However, the stipulation does not speak for those Knowles purports to represent, for a plaintiff who files a proposed class action cannot legally bind members of the proposed class before the class is certified. See *Smith* v. *Bayer Corp.*, 564 U. S. ___, ___. Because Knowles lacked authority to concede the amount in controversy for absent class members, the District Court wrongly concluded that his stipulation could overcome its finding that the CAFA jurisdictional threshold had been met. Pp. 3–4.

Syllabus

(b) Knowles concedes that federal jurisdiction cannot be based on contingent future events. Yet, because a stipulation must be binding and a named plaintiff cannot bind precertification class members, the amount he stipulated is in effect contingent. CAFA does not forbid a federal court to consider the possibility that a nonbinding, amount-limiting, stipulation may not survive the class certification process. To hold otherwise would, for CAFA jurisdictional purposes, treat a nonbinding stipulation as if it were binding, exalt form over substance, and run counter to CAFA's objective: ensuring "Federal court consideration of interstate cases of national importance." §2(b)(2), 119 Stat. 5.

It may be simpler for a federal district court to value the amount in controversy on the basis of a stipulation, but ignoring a nonbinding stipulation merely requires the federal judge to do what she must do in cases with no stipulation: aggregate the individual class members' claims. While individual plaintiffs may avoid removal to federal court by stipulating to amounts that fall below the federal jurisdictional threshold, the key characteristic of such stipulations—missing here—is that they are legally binding on all plaintiffs. Pp. 4–7.

Vacated and remanded.

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

SUPREME COURT OF THE UNITED STATES

No. 11–1450

THE STANDARD FIRE INSURANCE COMPANY, PETITIONER *v.* GREG KNOWLES

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

[March 19, 2013]

JUSTICE BREYER delivered the opinion of the Court.

The Class Action Fairness Act of 2005 (CAFA) provides that the federal "district courts shall have original jurisdiction" over a civil "class action" if, among other things, the "matter in controversy exceeds the sum or value of $5,000,000." 28 U. S. C. §§1332(d)(2), (5). The statute adds that "to determine whether the matter in controversy exceeds the sum or value of $5,000,000," the "claims of the individual class members shall be aggregated." §1332(d)(6).

The question presented concerns a class-action plaintiff who stipulates, prior to certification of the class, that he, and the class he seeks to represent, will not seek damages that exceed $5 million in total. Does that stipulation remove the case from CAFA's scope? In our view, it does not.

I

In April 2011 respondent, Greg Knowles, filed this proposed class action in an Arkansas state court against petitioner, the Standard Fire Insurance Company. Knowles claimed that, when the company had made cer-

tain homeowner's insurance loss payments, it had unlawfully failed to include a general contractor fee. And Knowles sought to certify a class of "hundreds, and possibly thousands" of similarly harmed Arkansas policyholders. App. to Pet. for Cert. 66. In describing the relief sought, the complaint says that the "Plaintiff and Class stipulate they will seek to recover total aggregate damages of less than five million dollars." *Id.*, at 60. An attached affidavit stipulates that Knowles "will not at any time during this case . . . seek damages for the class . . . in excess of $5,000,000 in the aggregate." *Id.*, at 75.

On May 18, 2011, the company, pointing to CAFA's jurisdictional provision, removed the case to Federal District Court. See 28 U. S. C. §1332(d); §1453. Knowles argued for remand on the ground that the District Court lacked jurisdiction. He claimed that the "sum or value" of the "amount in controversy" fell beneath the $5 million threshold. App. to Pet. for Cert. 2. On the basis of evidence presented by the company, the District Court found that that the "sum or value" of the "amount in controversy" would, in the absence of the stipulation, have fallen just above the $5 million threshold. *Id.,* at 2, 8. Nonetheless, in light of Knowles' stipulation, the court concluded that the amount fell beneath the threshold. The court consequently ordered the case remanded to the state court. *Id.,* at 15.

The company appealed from the remand order, but the Eighth Circuit declined to hear the appeal. *Id.*, at 1. See 28 U. S. C. §1453(c)(1) (2006 ed., Supp. V) (providing discretion to hear an appeal from a remand order). The company petitioned for a writ of certiorari. And, in light of divergent views in the lower courts, we granted the writ. Compare *Frederick* v. *Hartford Underwriters Ins. Co.*, 683 F. 3d 1242, 1247 (CA10 2012) (a proposed class-action representative's "attempt to limit damages in the complaint is not dispositive when determining the amount in

controversy"); with *Rolwing* v. *Nestle Holdings, Inc.*, 666 F. 3d 1069, 1072 (CA8 2012) (a precertification "binding stipulation limiting damages sought to an amount not exceeding $5 million can be used to defeat CAFA jurisdiction").

II

CAFA provides the federal district courts with "original jurisdiction" to hear a "class action" if the class has more than 100 members, the parties are minimally diverse, and the "matter in controversy exceeds the sum or value of $5,000,000." 28 U. S. C. §§1332(d)(2), (5)(B). To "determine whether the matter in controversy" exceeds that sum, "the claims of the individual class members shall be aggregated." §1332(d)(6). And those "class members" include "persons (named or unnamed) who fall within the definition of the *proposed* or certified class." §1332(d)(1)(D) (emphasis added).

As applied here, the statute tells the District Court to determine whether it has jurisdiction by adding up the value of the claim of each person who falls within the definition of Knowles' proposed class and determine whether the resulting sum exceeds $5 million. If so, there is jurisdiction and the court may proceed with the case. The District Court in this case found that resulting sum would have exceeded $5 million *but for* the stipulation. And we must decide whether the stipulation makes a critical difference.

In our view, it does not. Our reason is a simple one: Stipulations must be binding. See 9 J. Wigmore, Evidence §2588, p. 821 (J. Chadbourn rev. 1981) (defining a "judicial admission or stipulation" as an "express waiver made . . . by the party or his attorney conceding for the purposes of the trial the truth of some alleged fact" (emphasis deleted)); *Christian Legal Soc. Chapter of Univ. of Cal., Hastings College of Law* v. *Martinez*, 561 U. S. ___, ___ (2010)

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