

Minnesota Federal Court Rejects Employer's Attempt to Litigate State-Law Whistleblower Claim in Federal Forum

Proskauer Whistleblower Defense on **March 20, 2019**

On March 11, 2019, a federal court in Minnesota rejected an employer's attempt to litigate a plaintiff's state-law whistleblower claim in a federal forum, ruling it was insufficient that the plaintiff alleged violations of federal regulations because the narrow exception to federal-question jurisdiction was not present. [Martinson v. Mahube-Otwa Cmty. Action P'ship, Inc.](#), No. 18-cv-03001.

Background

Plaintiff's employer operated a Head-Start program, which is a federally funded program that provides early childhood education, health, nutrition, and other services to low-income children and their families. Plaintiff, a manager of enrollment for the program, alleged that she was terminated after she raised concerns that her supervisor instructed her to enroll ineligible applicants in the program in violation of federal regulations concerning a person's eligibility under Head Start. Plaintiff filed suit in state court, asserting a single state-law claim under the Minnesota Whistleblower Act, Minn. Stat. § 181.931-935, and the defendant removed the action to federal court. Plaintiff moved for remand, arguing the district court did not have subject-matter jurisdiction over the state claim between non-diverse parties.

Ruling

The district court remanded the action back to state court. In so ruling, it explained the parties were not diverse and plaintiff asserted a single state-law claim that was premised on alleged violations of federal regulations. The only basis for federal jurisdiction, therefore, was if the state-law claim “implicate[s] significant federal issues.” The court reviewed Supreme Court authority that permits federal jurisdiction under 28 U.S.C. § 1331 “if a federal issue is: (1) necessarily raised, (2) actually disputed, (3) substantial, and (4) capable of resolution in federal court without disrupting the federal-state balance approved by Congress.” That rule applies to a “special and small category of cases that present a nearly pure issue of law, one that could be settled once and for all and thereafter would govern numerous cases.”

First, the court held that plaintiff’s claim did not present a substantial issue of federal law because the Head Start regulations at issue were not important to the federal system as a whole. The task of interpreting the federal regulation would be merely one step in the adjudication of plaintiff’s fact-specific claims and the case did not present a pure issue of law. The federal government also did not have a direct interest in the case and there was no indication that the resolution of plaintiff’s case would control a large number of other cases.

Second, the court held that the case did not qualify for a federal forum because it would disrupt the federal-state balance. Under prevailing Supreme Court precedent, extending federal jurisdiction to state-law causes of action with an embedded federal issue requires sensitive judgments about congressional intent, made with an eye toward the practical implications of the decision. Citing state tort law as an example, the court explained that the “violation of federal statutes and regulations is commonly given negligence per se effect in state tort proceedings,” but the Supreme Court had declined to permit federal jurisdiction for such actions. The court emphasized that a contrary finding in this case would “risk tilting the balance of employment-law litigation toward the federal courts in a way that is at odds with § 1331,” and without an obvious limiting principle.

Finally, the court found that numerous state laws, including the Minnesota Whistleblower Act, permit an alleged violation of federal law to establish an element of the claim. Permitting federal jurisdiction on that basis would effectively allow a state to expand federal-question jurisdiction, abrogating the role of Congress.

Implications

The decision limits the availability of a federal forum for state-law whistleblower claims premised on alleged violations of federal laws or regulations. Employers can expect to continue to litigate these whistleblower claims in state court, even where the alleged protected activity concerns complex federal statutes and regulations.

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