Removal Cannot Remove a Mistake: Supreme Court Rules Erroneous Dismissal of Nondiverse Defendant Does Not Cure Jurisdictional Defect

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***Hain Celestial Group, Inc. v. Palmquist*, 607 U.S. 421 (Feb. 24, 2026)**

On February 24, 2026, the U.S. Supreme Court unanimously held that a federal court judgment must be vacated where jurisdiction was lacking at the time of removal and was never properly cured. In *Hain Celestial Group, Inc. v. Palmquist*, the Supreme Court ruled that a district court cannot create jurisdiction through an erroneous dismissal of a nondiverse defendant, even if the case proceeds to final judgment with only diverse parties remaining.

Background

The case arose from allegations that a child developed severe health conditions due to exposure to toxic heavy metals in baby food manufactured by Hain Celestial and sold by Whole Foods. The child's parents filed suit in Texas state court against both companies.

Hain removed the case to federal court based on diversity jurisdiction, even though Whole Foods and all plaintiffs were Texas citizens — defeating complete diversity. Hain argued the district court should disregard Whole Foods' citizenship because plaintiffs had improperly joined Whole Foods as a defendant. The district court agreed, dismissed Whole Foods, and denied plaintiffs' motion to remand. The case proceeded to trial, where the court entered judgment for Hain.

On appeal, the U.S. Court of Appeals for the Fifth Circuit reversed the district court's finding that Whole Foods had been improperly joined. The Fifth Circuit therefore concluded that diversity never existed, vacated the judgment, and remanded the case to state

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court. The Supreme Court granted certiorari to resolve a split among circuits about whether vacatur is required in these circumstances.

Supreme Court's Decision

The Supreme Court affirmed the Fifth Circuit and held that vacatur was required. It emphasized that federal courts are courts of limited jurisdiction and must confirm jurisdiction both at the outset and on appeal. If jurisdiction is lacking at the time of removal, any resulting merits judgment generally must be vacated.

An exception exists where a jurisdictional defect is properly cured before final judgment (e.g., through dismissal of a nondiverse party). But that exception did not apply in *Hain Celestial Group, Inc. v. Palmquist* because both defendants were proper parties and the district's contrary holding was erroneous.

The central issue was whether the district court's dismissal of Whole Foods cured the jurisdictional defect. The Supreme Court held that it did not because the dismissal was both erroneous and interlocutory, meaning it merged into the final judgment and was subject to reversal on appeal.

When the Fifth Circuit reversed that dismissal, Whole Foods was restored to the case, eliminating complete diversity. Accordingly, the jurisdictional defect "lingered through judgment," requiring vacatur.

The Supreme Court rejected the argument that jurisdiction could rest on the district court's mistaken dismissal, explaining that a district court cannot "create jurisdiction through its own mistakes."

Although Hain argued that vacating the judgment would be inefficient, the Supreme Court held that considerations of efficiency and finality apply only when a jurisdictional defect has been properly cured — not when it persists through final judgment.

The Supreme Court also rejected Hain's fallback position that the appellate court should dismiss Whole Foods under Rule 21 of the Federal Rules of Civil Procedure. The court emphasized:

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- A plaintiff is the "master of the complaint" and generally controls forum selection.
- Forcing dismissal of a properly joined nondiverse defendant would improperly deprive plaintiffs of their chosen state forum.

Thus, Rule 21 cannot be used — over plaintiff's objection — to preserve federal jurisdiction in a case that was improperly removed.

Key Takeaways

- **Strict enforcement of diversity jurisdiction:** Federal courts cannot proceed where complete diversity is lacking at removal unless the defect is properly cured.
- **No jurisdiction by mistake:** Erroneous rulings (including improper-joinder dismissals) cannot create or retroactively justify federal jurisdiction.
- **Vacatur required if defect persists:** If a jurisdictional defect remains through final judgment, appellate courts must vacate — even after a full trial.
- **Heightened risk in removal strategy:** Defendants relying on improper-joinder theories face substantial risk that a later reversal will undo the entire federal proceeding.

Hain Celestial reinforces the Supreme Court's strict approach to subject-matter jurisdiction and underscores the risks of aggressive removal strategies based on improper joinder. Defendants must ensure that jurisdiction is secure at removal or properly cured before judgment — or risk losing the benefit of a favorable federal court outcome.

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