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Sample Question 1

Pam and Patrick are residents of State A. While visiting State B, they were hit by a truck owned and operated by Corporation, a freight business.

Corporation is incorporated under the laws of Canada and has its headquarters there, where its President and Secretary are located. State B is the only state in which Corporation conducts its business. Corporation's drivers and other employees work out of its warehouse in State B.

Pam and Patrick jointly filed a lawsuit against Corporation in federal district court in State A. In their complaint, Pam demanded damages for personal injury in the amount of \$70,000 and for property damage in the amount of \$10,000; Patrick demanded damages in the amount of \$6,000.

Corporation filed a motion to dismiss the complaint for lack of personal jurisdiction. The federal district court denied the motion. After trial, it entered judgment for Pam in the amount of \$60,000 and for Patrick in the amount of \$4,000.

Corporation has appealed on the grounds of lack of subject matter jurisdiction and lack of personal jurisdiction. How should the court of appeals rule on each ground?

Discuss.

I. Appeals

Federal Courts of Appeals have jurisdiction over appeals from the final judgments of the District Courts. A final judgment is a decision by a court on the merits of the entire case.

Here, Corporation's appeal came after a trial on the merits. The District Court entered judgment for Pam in the amount of \$60,000 and for Patrick in the amount of \$4,000. Corporation appealed on the grounds of (1) lack of subject matter jurisdiction and (2) lack of personal jurisdiction.

Thus, Corporation's appeal was proper.

II. Lack of Subject Matter Jurisdiction

A federal court hears claims based on (1) federal questions or (2) diversity of citizenship.

A. Federal Questions

A federal court is a court of limited jurisdiction, only hearing claims based on federal questions arising under the U.S. Constitution, U.S. treaties or federal statutes.

Here, Pam and Patrick claimed personal injuries and property damages. The lawsuit arose under state tort laws.

Thus, there was no federal question.

B. Diversity of Citizenship Jurisdiction

Diversity of citizenship jurisdiction exists where: (1) all plaintiffs are of diverse citizenship from all defendants, and (2) the amount in controversy (a) exceeds



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\$75,000, exclusive of interests and costs, and (b) is pled in good faith by the party bringing the action.

1. Diverse citizenship

a. Citizenship of Individual

To be a citizen of a state, a person must be a citizen of the U.S. and a domiciliary of the state (present and intends to reside for indefinite period of time).

Here, Pam and Patrick were domiciled in State A because they were residents of State A.

Thus, Pam and Patrick were citizens of State A.

b. Citizenship of Foreign Corporation

A foreign corporation is deemed a citizen of (1) the country where it has incorporated, and (2) the one state where it has its principal place of business, if its principal place of business is in the U.S. The principal place of business refers to the headquarters or nerve center (location where high-level officers direct, control and coordinate a corporation's activities) of a corporation.

i. Incorporated

Here, Corporation was a citizen of Canada because it was incorporated under the laws of Canada.

Thus, Corporation was a citizen of Canada.

ii. Principal place of business

Here, Corporation was headquartered in Canada. Its nerve center was also in Canada because the corporate president and secretary were located there. State B was the only state in which Corporation conducted business. Its workers in State B consisted of drivers and other employees, not high-level officers.

Thus, Corporation had its principal place of business in Canada.

In conclusion, there was diversity of citizenship between the parties.

2. Amount in controversy

a. Exceeds \$75,000

i. Aggregation of claims - single plaintiff against single defendant

If an action involves one plaintiff and one defendant, the total value of the plaintiff's claims is calculated to determine the amount in controversy.

Here, if Pam sued Corporation herself, she could aggregate her claims for personal injury in the amount of \$70,000 and for property damage in the amount of \$10,000 to determine the amount in controversy. Since \$80,000 exceeded \$75,000, Pam met the amount in controversy requirement. If Patrick sued Corporation himself, his claim was \$6,000 so he did not meet the amount in controversy requirement.

Thus, the amount in controversy for Pam exceeded \$75,000, but the amount in controversy for Patrick did not.

ii. Aggregation of claims - multiple plaintiffs

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If an action involves multiple plaintiffs, the value of their claims may be aggregated if they are enforcing a single title or right of common or undivided interest. Multiple plaintiffs with separate and distinct claims who unite for convenience or economy in a single lawsuit must separately meet the amount in controversy requirement.

Here, Pam and Patrick were hit in the same accident by a truck owned and operated by Corporation, but their claims were separate and distinct. They might have united in a single lawsuit for convenience or economy, but their personal injuries and property damages were not of common or undivided interest.

Thus, Pam and Patrick could not aggregate their claims.

b. Pled in Good Faith

If the plaintiff recovers less than the required amount in controversy, a verdict will not be subject to appeal for lack of jurisdiction so long as the original claim was made in good faith.

Here, after trial, the court entered judgment for Pam in the amount of \$60,000 and for Patrick in the amount of \$4,000. For Pam, the judgment amount did not affect her meeting the amount in controversy requirement, though it was below the amount pled. A good faith pleading of her aggregate amount exceeded \$75,000. For Patrick, his claim was \$6,000 so he did not meet the amount in controversy requirement.

Thus, Pam pled in good faith, but Patrick did not.

Therefore, the court had diversity of citizenship jurisdiction for Pam's claim, but not Patrick's.

C. Supplemental Jurisdiction for Claims Not Exceeding \$75,000

Claims not meeting the amount in controversy requirement may invoke supplemental jurisdiction if they arise from the same nucleus of operative facts as a claim that invokes diversity of citizenship jurisdiction.

Here, Patrick's damages of \$6,000 did not meet the amount in controversy requirement, but he could invoke supplemental jurisdiction because his damages arose out of the same accident Pam had with the truck owned and operated by Corporation. Patrick's claim arose from the same nucleus of operative facts as Pam's claim that invoked diversity of citizenship jurisdiction. The only difference between Pam's claim and Patrick's claim was the damages element.

Thus, Patrick could invoke supplemental jurisdiction.

D. Conclusion

In conclusion, the federal District Court in State A lacked subject matter jurisdiction because Patrick did not meet the amount in controversy requirement, but Patrick could invoke supplemental jurisdiction. The Court of Appeals should rule for Pam and Patrick.

III. Lack of Personal Jurisdiction

Personal jurisdiction refers to the court's ability to exercise jurisdiction over a particular defendant. There are three bases for court authority: (1) traditional, (2) statutory and (3) constitutional.

A. Traditional

The traditional bases for a court to exercise jurisdiction include when the defendant: (1) has been served within the forum, (2) consents to jurisdiction or (3) resides in the forum.

Here, no facts suggested any Corporation representative was served while physically

present in State A. Corporation might have consented to jurisdiction when it appeared in State A, but Corporation's appearance was specially limited to contesting the court's personal jurisdiction. Corporation was not domiciled in State A because it was incorporated, and had its principal place of business, in Canada.

Thus, no traditional bases for personal jurisdiction existed.

B. Statutory

States have enacted long-arm statutes to authorize a court to have jurisdiction over nonresidents to the extent permissible under the Due Process Clause of the U.S. Constitution.

Here, the facts did not mention State A had a long-arm statute that authorized the exercise of personal jurisdiction over nonresident defendants.

Thus, there was no statutory basis for personal jurisdiction.

C. Constitutional

An exercise of jurisdiction must comply with constitutional requirements under the Due Process Clause of the U.S. Constitution. Those are: (1) minimum contacts between the defendant and the forum state, and (2) jurisdiction does not offend traditional notions of fair play and substantial justice.

1. Minimum contacts

Minimum contacts must be (1) purposeful such that the defendant (2) reasonably foresees being taken to court in the forum.

a. Purposeful

The court reviews whether the defendant purposefully avails itself of the benefits and protections of the forum state's laws.

Here, since Corporation was a freight business headquartered in Canada, it likely traveled throughout the United States to conduct its business, but the facts did not suggest Corporation traveled through State A or purposefully availed itself of the benefits and protections of State A. State B was the only state in which Corporation conducted its business.

Thus, Corporation did not purposefully avail itself of State A benefits and protections.

b. Foresees

There is foreseeability when a defendant knows or reasonably anticipates having to defend a lawsuit in a court resulting from minimum contacts.

Here, Pam and Patrick were hit by a truck owned and operated by Corporation while in State B. Corporation's drivers and certain employees worked out of a warehouse in State B. The facts did not suggest that Corporation did any business in State A or that it traveled through State A so as to foresee having to defend a lawsuit in a court in State A.

Thus, Corporation did not foresee being sued in State A.

Therefore, there were no minimum contacts between Corporation and State A.

2. Traditional notions of fair play and substantial justice

Traditional notions of fair play and substantial justice are not offended when there is (1) systematic and continuous contact between the defendant and the forum or (2) where the suit is related to the defendant's contact with the forum. Other factors courts consider include (3) the convenience to the parties and (4) the interests of the forum

state.

a. Systematic and Continuous Contact

The court weighs the quantity and nature of the defendant's contacts with the forum, or its connection with the cause of action, to determine if they are systematic and continuous.

Here, Corporation maintained a warehouse and employees in State B, not State A. Though Corporation operated a freight business, no facts indicated it regularly made deliveries, used the roads or conducted business in State A.

Thus, Corporation's contacts with State A were not systematic and continuous.

b. Related to Defendant's Contact With Forum

Jurisdiction is proper if the claim arises out of the defendant's contact with the forum state.

Here, Pam and Patrick sued Corporation for a truck accident that occurred in State B, not State A. The accident did not relate to Corporation's contact with State A.

Thus, there was no relatedness.

c. Other Factors Courts Consider

i. Convenience to parties

The exercise of jurisdiction must be reasonable, taking into account the litigants' interests. The court will not find jurisdiction where requiring the defendant to defend in the forum would impose an unreasonable burden.

Here, Patrick and Pam got into an accident in State B. The evidence in their tort claims involved Pam, Patrick, and their medical providers and other witnesses relating to their damages in State A, and Corporation employees and accident witnesses in State B. For Pam and Patrick, it might be inconvenient and expensive for them to sue in another state where they did not reside. For Corporation, State A was not a convenient forum because it was headquartered in Canada and had no operations or employees in State A.

Thus, State A was not a convenient forum for Corporation.

ii. State's interest

A state has an interest in providing a forum for its citizens to resolve disputes.

Here, Pam and Patrick were State A residents, but the accident between Pam, Patrick, and the Corporation truck driver occurred in State B. The accident witnesses and evidence were located in State B. The applicable laws for the incident, such as vehicle codes, were State B laws.

Thus, State A had no interest in providing a forum for Pam and Patrick.

D. Conclusion

In conclusion, the federal District Court in State A lacked personal jurisdiction. The Court of Appeals should rule for Corporation.

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