
Section 1. Subject Matter Jurisdiction (SMJ)

1. **Intro:** Federal District Courts are courts of limited jurisdiction, and may only hear cases if they have jurisdiction over the claims brought before them (*subject matter jurisdiction*) as well as jurisdiction over each party to the case (*personal jurisdiction* – discussed in *Section 5* of this outline). These courts will only have subject matter jurisdiction in two situations: *diversity* of citizenship cases, and cases which in which the plaintiff has raised a *federal question*.
 - a. Assume for the purposes of this review that if a federal district court lacks subject matter jurisdiction or supplemental jurisdiction to hear a claim, then the appropriate court to hear that claim is a state court.
2. **Diversity Jurisdiction**
 - a. In order for a court to have diversity jurisdiction the following requirements must be met: **(1) no plaintiff may be a citizen of the same state as any defendant, (2) the amount in controversy must be above \$75,000, and (3) the plaintiff's claim must be based on state law, not federal law or the US Constitution** (if a claim were based on federal law or the Constitution, then federal question jurisdiction would apply, and diversity jurisdiction would be unnecessary).
 - i. **Note:** Diversity jurisdiction is only invoked where the plaintiff is raising state law claims (e.g. contract claims, tort claims, property claims).
 - ii. **Note:** Probate proceedings, divorce actions and custody disputes, may never be heard in federal court regardless of whether diversity exists.
 - iii. **Note:** State courts have broad subject matter jurisdiction, and may hear most federal question claims (e.g. claims based on equal protection, due process, first amendment, etc.). However, state courts cannot hear claims over which federal courts have *exclusive jurisdiction* (e.g. patent and trademark actions, bankruptcy proceedings, immigration proceedings, etc.).
 - b. **Diversity of Citizenship Requirement**
 - i. **Natural Persons:** A person is a citizen of the state in which he is *domiciled on the date the case is filed*.
 1. **Domiciled** means that the person is **(1) present within the state (2) at the time the litigation is commenced and (3) has the intent to remain there indefinitely**.
 - a. **Presence within the state** means that the person has established a home in the state, or is in the state looking to establish a home.
 - b. **Intent to remain indefinitely** means that the person has either actually indicated their intent to stay indefinitely or that it can be assumed through their actions that they intent to remain (i.e. registered to vote, has a job, etc.).
 - c. A person can only have 1 domicile, but as will be addressed later in the outline when dealing with **venue** issues, **a person may reside in many states** (e.g. have many homes).
 - d. Diversity jurisdiction will apply in a dispute between a **non-resident alien** (a citizen of another country who has not afforded permanent resident status in the US) and a **US citizen** (assuming the amount in controversy requirement is met).
 - i. If the alien is a **permanent resident** their citizenship for diversity purposes operates the same way as US citizens (the state they are domiciled in will control).
 - ii. **Corporations:** A corporation is a citizen of **both (1) its state of incorporation, AND (2) the state where it has its principle place of business (PPOB)**.
 1. **PPOB** is where a corporation has its **headquarters, OR** where it has its **manufacturing center** or **performs most of its services**.
 - a. **Note:** Unlike natural persons, a corporation can be a citizen of multiple states.
 - iii. **Other Business Organizations**
 1. **Partnerships/LLCs:** A partnership or LLC is a citizen of every state in which its partners or members are domiciled.
 2. **Sole Proprietorships:** A sole proprietorship is a citizen of the state in which its owner is domiciled.

c. Amount in Controversy Requirement

- i. In addition to diversity of citizenship, the plaintiff must allege, in *good faith*, that the amount in controversy is greater than \$75,000, in order for diversity jurisdiction to apply. Follow the rules listed below in order to make sure this requirement is satisfied (in each scenario assume that diversity of citizenship between the parties exists).
 1. **Plaintiff has a single state law claim against one defendant:** Plaintiff's claim must be above \$75,000.
 2. **Plaintiff has multiple related or unrelated state law claims against one defendant:** The total amount of plaintiff's claims must exceed \$75,000. This is called *aggregation*.
 3. **Plaintiff has a single state law claim against multiple defendants and claims that all are jointly and severally liable:** Plaintiff's claim must be above \$75,000.
 4. **Plaintiff has multiple state law claims against multiple defendants and claims that all are jointly and severally liable:** The total amount of plaintiff's claims must exceed \$75,000 (aggregation *may* be used).
 5. **Plaintiff has multiple state law claims against multiple defendants, but does not allege joint and several liability:** Each claim must meet the \$75,000+ requirement, aggregation is not allowed (This issue ties into the issue of Supplemental Jurisdiction which is addressed in the next section).

3. Federal Question Jurisdiction (FQ)

- a. In order for a court to have federal question jurisdiction the plaintiff's request for relief must be based on a right conferred by federal statute, treaty, or the US Constitution.
 - i. Unlike diversity jurisdiction, citizenship of the parties and the amount in controversy are irrelevant here.
 - ii. Claims that raise a FQ may be brought in federal court, but in most cases such claims may also be brought in state court.
 - iii. FQ jurisdiction *may only be invoked if plaintiff's claim raises a federal question*, it may *never* be invoked by the defendant raising a federal issue in its counterclaim.

Model Rule Statement for Writing a Typical Question on Subject Matter Jurisdiction

"The issue here is whether the court has subject matter jurisdiction (SMJ) to hear the claims in question. Federal courts are courts of limited jurisdiction and may only hear cases in which they have SMJ over the claims brought before it. There are two types of SMJ: federal question jurisdiction and diversity jurisdiction. Federal question jurisdiction requires that a claim be based on a federal statute or the US Constitution. Diversity requires (1) that there be diversity of citizenship between the parties, meaning no plaintiff may be a citizen of the same state as any defendant, and (2) the amount in controversy must be greater than \$75,000. Citizenship is defined for natural persons as being the state in which they are domiciled – the state in which they presently reside with the intent to remain indefinitely. Corporations are citizens of all states in which they are incorporated and the state where their principle place of business (PPOB) is located. For corporations with a large manufacturing or service center, their PPOB is considered the state in which that is located, with all other corporations having their headquarters as their PPOB. In this case....[analysis]... [conclusion]."