

## State Jurisdiction

The state court system has a broad range of jurisdiction; state courts have the power to hear all cases not within the exclusive jurisdiction of the federal court system. State courts also have exclusive jurisdiction over certain cases, such as cases concerning adoption and divorce. Most cases, therefore, fall under state court jurisdiction.

The Caterpillar case fell under state court jurisdiction because its subject matter—product liability and negligence—did not place the case under the exclusive jurisdiction of the federal court system.

## Concurrent Federal Jurisdiction

Concurrent federal jurisdiction means that both state and federal courts have jurisdiction over a case. Concurrent jurisdiction covers two types of cases: federal-question and diversity-of-citizenship cases. *Federal-question* cases require an interpretation of the US Constitution, a federal statute, or a federal treaty. For example, suppose a plaintiff alleges that a Florida campaign financing law violates the First Amendment free speech rights. Because this case raises a federal question, it falls under concurrent jurisdiction, and both state and federal courts have the power to hear it.

A *diversity-of-citizenship* case must satisfy two conditions: (1) The plaintiff(s) does (do) not reside in the same state as the defendant(s), and (2) the controversy concerns an amount in excess of \$75,000. Courts use the location of a party's residence to determine whether diversity of citizenship exists. Most federal court cases are based on diversity of citizenship.

A business may reside in two states: the state of its incorporation and the state of its principal place of business. Thus, in the opening scenario, Caterpillar was a resident of Delaware, the state where it incorporated, and of Illinois, the state of its primary place of business.

Diversity must be complete, however, for a case to fall under concurrent jurisdiction. In the Caterpillar case, Lewis argued that diversity was not complete because both he and the supply company, the second defendant he originally sued, were residents of Kentucky. The appellate court agreed with his argument and overturned the district court's decision because the district court lacked subject-matter jurisdiction.

### BUT WHAT IF . . .

#### WHAT IF THE FACTS OF THE CASE OPENER WERE DIFFERENT?

Recall that, in the Case Opener, Caterpillar was a resident of Delaware, the state where it incorporated, and of Illinois, the state of its primary place of business. Let's say that Wayne was not a defendant in the case. How would Wayne's absence affect the diversity of the case? What court, or courts, would have jurisdiction over the case?

**Legal Principle:** Concurrent jurisdiction exists whenever there is a federal question or diversity of citizenship and at least \$75,000 at issue.

When a case falls under concurrent jurisdiction, the plaintiff initially chooses which court will hear the case by filing in whichever court system the plaintiff wishes the case to be heard in. If a plaintiff files the case in a state court, however, the defendant has a *right of removal*. This right entitles the defendant to transfer the case to the federal court system. Thus, either party to a case involving concurrent jurisdiction has the ability to ensure that the case will be heard in the federal court system: The plaintiff can file the case in federal court initially, or the defendant can transfer the case to federal court by exercising the defendant's right of removal if the case is initially filed in state court. In the opening scenario, Caterpillar exercised its right of removal, and the state trial court moved the case to a federal district court.

# Venue

## LO 3-2

Recall the rules related to choice of venue.

Once a case is in the proper court system, [venue](#) determines which trial court in the system will hear the case. Venue is a matter of geographic location determined by each state's statutes. Usually, the trial court where the defendant resides is the appropriate venue. If a case involves property, the trial court where the property is located is also an appropriate venue. Finally, if the focus of the case is a particular incident, the trial court where the dispute occurred is an appropriate venue. The plaintiff initially chooses from among the appropriate venues when filing the case.

If the location of the court where the plaintiff filed the case is an inconvenience to the defendant or if the defendant believes it will be difficult to select an unbiased jury in that venue, the defendant may request that the judge move the case by filing a motion for a change of venue. The judge has the discretion to grant or deny the motion. Page 49

For example, one particular reason a defendant might choose to request a change of venue is negative pretrial publicity. In May 2008, Sholom Rubashkin, the manager of the nation's largest kosher slaughterhouse, was arrested in an immigration raid, and he now faces roughly 100 charges ranging from document fraud and identity theft to child-labor and minimum-wage violations. The scale of the raid, which led to the arrest of approximately 400 of Rubashkin's employees, and the severity of Rubashkin's charges attracted national media attention. Fearing that he would not be able to receive a fair trial or an unbiased jury,<sup>6</sup> Rubashkin filed a request to have his trial moved from Iowa to either Minneapolis or Chicago. A federal district court judge disagreed with Rubashkin and denied his initial request for a new venue. However, the judge did acknowledge that publicity may increase even more as the trial draws near and mentioned that she may allow Rubashkin to renew his argument for a new venue at that time.

**Legal Principle:** Venue is appropriate in the county where the defendant resides or where the incident took place over which the lawsuit arose.

**CASE 3-2****ATLANTIC MARINE CONSTRUCTION COMPANY, INC. v. UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF TEXAS et al.**

UNITED STATES SUPREME COURT 134 S. CT. 568 (2013)

*Petitioner Atlantic Marine Company was a contractor located in Virginia. It entered into a subcontract with J-Crew Management, Inc., a Texas corporation, that contained a forum-selection clause requiring suit in Virginia. The subcontractor sued the petitioner in the Western District of Texas. The construction company filed a motion to dismiss the case or to transfer it to the District Court in Virginia. The motion was denied by the District Court. Defendants then filed a motion with the Court of Appeals for a Writ of Mandamus (an order telling the lower court to do its job, which in this case meant either transferring the case or dismissing it). The Court of Appeals denied defendants' motion, and they appealed to the US Supreme Court.*

**JUSTICE ALITO**

The question in this case concerns the procedure available for a defendant in a civil case who seeks to enforce a forum-selection clause. . . . We reject petitioner's argument that such a clause may be enforced by a motion to dismiss. . . . Instead, a forum-selection clause may be enforced by a motion to transfer under §1404(a), which provides that "[f]or the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought or to any district or division to which all parties have consented." When a defendant files such a motion, we conclude, a district court should transfer the case unless extraordinary circumstances unrelated to the convenience of the parties clearly disfavor a transfer. In the present case, both the District Court and the Court of Appeals misunderstood the standards to be applied in adjudicating a §1404(a) motion in a case involving a forum-selection clause, and we therefore reverse the decision below. . . .

Although a forum-selection clause does not render venue in a court "wrong" or "improper". . . , the clause may be enforced through a motion to transfer under §1404(a). That provision states that "[f]or the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought or to any district or division to which all parties have consented." . . . §1404(a) does not condition transfer on the initial forum's being "wrong." And it permits transfer to any district where venue is also proper (*i.e.*, "where [the case] might have been brought") or to any other district to which the parties have agreed by contract or stipulation. . . .

. . . the appropriate way to enforce a forum-selection clause pointing to a state or foreign forum is through the doctrine of *forum non conveniens*. Section 1404(a) is merely a codification of the doctrine of *forum non conveniens* for the subset of cases in which the transferee forum is within the federal court system; in such cases, Congress has replaced the traditional remedy of outright dismissal with transfer.

. . . When the parties have agreed to a valid forum-selection clause, a district court should ordinarily transfer the case to the forum specified in that clause. Only under extraordinary circumstances unrelated to the convenience of the parties should a §1404(a) motion be denied. And no such exceptional factors appear to be present in this case.

We REVERSE the judgment of the Court of Appeals for the Fifth Circuit. Although no public-interest factors that might support the denial of Atlantic Marine's motion to transfer are apparent on the record before us, we remand the case for the courts below to decide that question.

## CRITICAL THINKING

---

What is the single fact that has the greatest impact on this decision? What is the logic of relying on this fact to such a large extent?

## ETHICAL DECISION MAKING

---

Building on your answer to the critical thinking question above, please identify the value that the court is leaning on to prop up its reasoning about why the courts should have acted to enforce the original agreement between the two contending parties.



### BUT WHAT IF . . .

Facebook has its principal place of business in Palo Alto, California. During the process of signing up for a Facebook account, you fill out a lot of personal information and click “sign up.” A line then appears that says, “By clicking Sign Up, you are indicating that you have read and agree to the Terms of Service.” A hyperlink is available, and if you click on it, it takes you to the Terms, which include a provision that all disputes between Facebook and the user will be resolved in a federal or state court in Palo Alto, California. You live in New York City. If you file a claim against Facebook in the Federal District Court located in New York City and Facebook files a motion to dismiss your case or transfer it to the Federal District Court in Palo Alto, what do you think the outcome will be, and why?

A choice-of-law clause is what its name implies. It is a clause inserted into the contract that specifies which law will be applied to resolve any disputes that arise under the contract. This kind of clause can be especially useful when you have parties from different states or different countries entering into a contract. While a court does not have to uphold a choice-of-law clause, normally they will uphold the clause as long as there is some connection between the choice of law and the location of the transaction or one of the parties to the dispute. For example, a Michigan farmer and a Delaware corporation that does business in several states may include a choice-of-law clause that specifies that the state law of Michigan will apply to any disputes arising under the contract. The parties might also include a choice-of-forum clause stating that any disputes will be resolved in the Federal District Court located in Wayne County, Michigan.

Choice-of-forum and choice-of-law clauses are especially important for entrepreneurs whose new companies may be selling goods or services overseas and should always include such clauses in their contracts. However, when it comes to contracts signed by consumers over the Internet, entrepreneurs should be aware that some countries recognize the imbalance of power between consumers and businesses and may allow consumers to still sue businesses in their home jurisdiction, regardless of signing a choice-of-forum clause.