

CIVIL PROCEDURE I

Elon University School of Law
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Subject-Matter Jurisdiction: Practice Questions

1. In which of the following cases would a federal court have subject-matter jurisdiction?

- A. P (citizen of NC) hires D1 (citizen of TN) to repair the roof and D2 (citizen of VA) to replace the windows, at P's home. When D1 and D2 both fail to complete their jobs, P sues each for breach of contract under state law, seeking \$50,000 in damages against each.
- B. P (citizen of NC) hires D (citizen of TN) to repair the roof at P's home. By very unhappy coincidence, D crashed his car in P's car in the parking lot of the local Harris Teeter, where they both happened to be shopping. Dissatisfied with D's work, P sues for breach of contract under state law, seeking \$50,000 in damages. In the same action, he also sues D for negligence under state law, seeking \$50,000 in damages arising from the car crash.
- C. P (citizen of NC) hires D (citizen of TN) to repair the roof at P's home. When D fails to complete the project, P sues for breach of contract under state law, seeking \$75,000 in damages.
- D. None of the above.

CORRECT ANSWER: B

Diversity jurisdiction is satisfied, because the plaintiff and defendant are citizens of different states, and the amount in controversy exceeds \$75,000. The plaintiff may aggregate the value of all claims against the defendant, related or unrelated, to satisfy the amount in controversy.

A is incorrect, because, although there is diversity of citizenship, the plaintiff may not aggregate her claims against two different defendants for distinct injuries.

C is incorrect because the amount in controversy must exceed \$75,000

2. Perry (a citizen of NC) buys an homeowner's insurance policy underwritten by the Dependable Ins. Co. (a citizen of DE). Perry buys the policy through a local Dependable agent, Delilah (a citizen of NC). Perry submits a claim for coverage after a broken water main under his front yard results in \$50,000 worth of damage to the property. Dependable denies the claim, asserting that the incident fell under the policy's "flood damage" exclusion. Perry sues Dependable & Delilah for breach of contract and bad faith denial of an insurance claim under state law. In addition to \$50,000 for the property damage, Perry seeks an additional \$50,000 in punitive damages. If Perry files the suit in NC state court, may Dependable remove to federal court?

- A. Yes, provided that state law would allow recovery of punitive damages.
- B. No, unless Dependable raises a defense based on federal law.
- C. Yes, because there is diversity of citizenship between Perry and Dependable.
- D. No, because the policy was sold to Perry in NC by a NC-based agent.
- E. None of the above

CORRECT ANSWER: E

A is incorrect, because the inclusion of Delilah as a defendant destroys complete diversity. If Delilah was not included as a defendant, A would be the correct answer, because there would be diversity between the plaintiff and defendant, and the amount in controversy would exceed \$75,000 if state law would permit recovery of the damages claimed.

B is incorrect, because federal subject-matter jurisdiction is based on the complaint itself, and a defendant may not remove based on a federal defense or counterclaim.

C is incorrect, because diversity jurisdiction requires complete diversity, which does not exist here.

D is incorrect, because these facts are completely irrelevant to subject-matter jurisdiction. They would be relevant to determining whether Dependable is subject to personal jurisdiction in NC.