Federal Civil Procedure Question

Until recently, Paul had always lived in State A. Last year, he decided he would move to State B for at least one year and, after a year, decide whether to remain in State B or return to State A. Six months ago, Paul moved to State B, rented an apartment, and took a job as a temporary employee. Paul has enjoyed living in State B so much that he recently left his temporary job and accepted a position as a permanent employee at a law firm in State B.

Shortly after he moved to State B, Paul bought a vacation home in State A, which he visits about once a month for two or three days. To pay for the vacation home, Paul obtained a loan from Credit Union in State A. Credit Union is incorporated in and chartered by State A. Its only office, located in State A, is both its corporate headquarters and the place where it transacts business with its customers. Ninety-five percent of Credit Union's customers are State A residents who do business with Credit Union in person at its State A office.

Paul's loan agreement with Credit Union provides that he will repay the loan in monthly installments over a 30-year period. Credit Union has a mortgage on Paul's vacation home to secure the debt. The loan paperwork lists Paul's State B address as his mailing and home address. The loan agreement also contains a privacy provision whereby Credit Union agrees not to disclose Paul's personal information to any third party without Paul's written permission. Credit Union sends a loan statement and payment coupon to Paul's State B address each month, and Paul returns the payment coupon with a check for the payment amount.

After the loan closed, a Credit Union employee mailed copies of all the loan paperwork to Paul. Unfortunately, the employee misread Paul's address in State B and sent the paperwork to an incorrect address. Several months later, Paul discovered that someone had gotten his loan paperwork and had used the information (including Paul's Social Security number and credit card numbers) to steal his identity. The identity thief had quickly accumulated $150,000 in unpaid bills in Paul's name. Paul's credit rating was ruined, and no one would extend him new credit.

Paul has sued Credit Union in the United States District Court for the District of State B for breach of the privacy provisions of the loan contract. The parties have stipulated that Paul's actual loss was $80,000. Paul's suit seeks $240,000 in damages, plus attorney's fees, pursuant to a State A statute that entitles victims of identity theft to recover treble damages and attorney's fees from anyone who wrongfully discloses their personal information. Paul's complaint also asserts that a federal statute restricting damages in state-law identity-theft cases to actual damages is unconstitutional and therefore does not preempt the treble damages provisions of the State A statute. The complaint asserts that the State B federal court has both diversity and federal-question jurisdiction over the case.

The long-arm statute of State B extends personal jurisdiction as far as the Constitution allows.

1. May the United States District Court for the District of State B exercise personal jurisdiction over Credit Union? Explain.

2. Does the United States District Court for the District of State B have diversity jurisdiction over the case? Explain.

3. Does the United States District Court for the District of State B have federal-question jurisdiction over the case? Explain.