

While a consumer was using a product at home in State A, the product malfunctioned. The consumer sued the manufacturer of the product for \$100,000 in damages in a federal district court in State A on a products liability claim. The manufacturer wants to transfer venue to a federal district court in State B, the state in which it is incorporated and has its principal place of business. The manufacturer believes that State B's products liability laws afford greater protections to defendants.

State A's choice-of-law rules require the application of State A's products liability laws. State B's choice-of-law rules require the application of State B's products liability laws.

Is the manufacturer likely to succeed in having State B's products liability laws apply upon transfer?

- A. No, because State A's products liability laws will apply upon transfer.
- B. No, because State B is an improper venue.
- C. Yes, because State A is an improper venue.
- D. Yes, because State B's choice-of-law rules require the application of State B's products liability laws.

### Explanation:

A federal court with proper venue can **transfer a case** to another [federal judicial district](#) where venue is proper for the convenience of the parties and witnesses and in the interest of justice. Proper venue exists where:

- any defendant resides, so long as all defendants [reside](#) in the same state
- a substantial portion of the events occurred or the property at issue is located *or*
- any defendant is subject to the court's personal jurisdiction—but only if neither of the above provisions applies.

Here, venue is proper in State A because the product malfunction and injury (substantial events) occurred there **(Choice C)**. Venue is also proper in State B since the manufacturer is incorporated and has its principal place of business (residence) there **(Choice B)**. As a result, the case may be transferred from the federal district court in State A to the federal district court in State B—so long as it is convenient for the parties and witnesses and in the interest of justice.

Upon transfer, the **receiving court must apply** the appropriate choice-of-law rules to determine which state's [substantive laws](#) govern the action. The **original court's choice-of-law rules** apply when (1) **proper venue** existed in the **original court** *and* (2) subject-matter jurisdiction arises under **diversity jurisdiction**. Diversity jurisdiction exists when the opposing parties are [citizens](#) of different states and the amount in controversy exceeds \$75,000.

Here, the consumer's products liability action arises under diversity jurisdiction because she is a citizen of State A while the manufacturer is a citizen of State B, and the amount in controversy is \$100,000. And since venue was proper in the State A federal district court, State A's choice-of-law rules apply. Under these rules, State A's products liability laws govern the action, so the manufacturer is unlikely to succeed in having State B's products liability laws apply upon transfer **(Choice D)**.

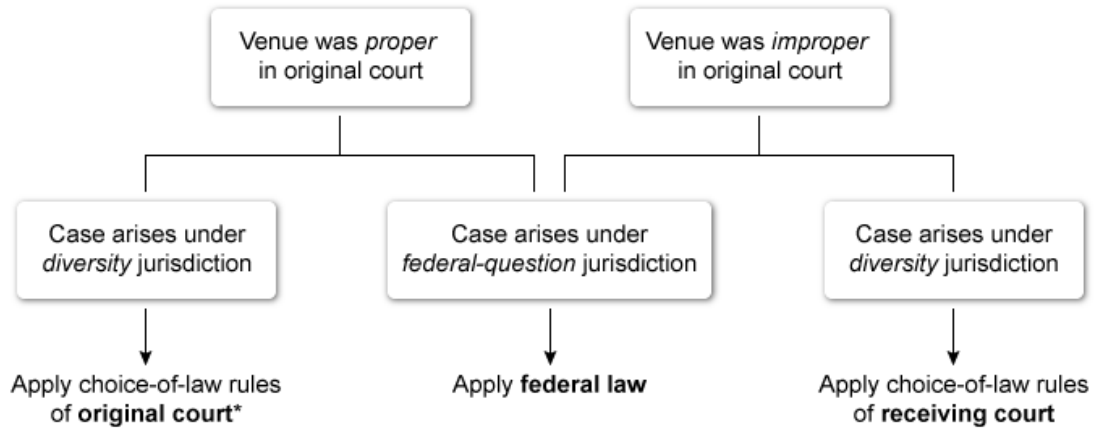
### Educational objective:

When venue is transferred between federal districts, the original court's choice-of-law rules apply when (1) proper venue existed in the original court and (2) subject-matter jurisdiction arises under diversity jurisdiction.

### References

- *Ferens v. John Deere Co.*, 494 U.S. 516, 531 (1990) (holding that the original court's choice-of-law rules apply upon transfer when venue was proper in the original court and the action arises under diversity jurisdiction).

### Choice-of-law rules upon transferring venue



\*If venue is transferred pursuant to a forum-selection clause, then the receiving court's choice-of-law rules apply.