

A salesman met two investors in a large city located in State A, where both investors work. One of the investors lives there as well. The other investor lives in State B, which shares a border with State A. The salesman is a resident of State C and never does business in State B.

At the meeting, the salesman pitched the investors on an opportunity to invest in his native country's oil wells. The investors thought about the salesman's proposal overnight, and the following morning each investor called the salesman to confirm the investment. The investors then went to their respective banks located near their homes, and each wired \$500,000 to an offshore account.

Six months later, the investors learned that the oil wells did not exist. As a result, the investors seek to file a joint complaint against the salesman in federal district court to recover their \$1,000,000 investment.

Each state is composed of only one federal judicial district.

Which of the following federal district courts have both personal jurisdiction over the salesman and proper venue over the investors' suit?

- A. The district court of State A only.
- B. The district court of State C only.
- C. The district courts of State A and State C.
- D. The district courts of State A, State B, and State C.

Explanation:

A federal court must have personal jurisdiction over a defendant and be a proper venue to hear a dispute. **Personal jurisdiction** can be established through:

- **general jurisdiction** – when the defendant has continuous and systematic contacts with the forum state and is essentially "at home" there *or*
- **specific jurisdiction** – when the plaintiff's claim arises from or is closely related to the defendant's contacts with the forum state.

Here, State C has *general* jurisdiction over the salesman because he resides there. And State A has *specific* jurisdiction over the salesman because the investors' claim arises from their meeting with the salesman there. However, State B cannot exercise personal jurisdiction over the salesman because he has no contacts there. Therefore, only the district courts of States A and C have personal jurisdiction over the salesman **(Choice D)**.

The next consideration is which of these courts is also a proper venue where the case can be heard. **Venue** is proper in any **district** where:

- any defendant **resides**, if all defendants reside in the same state (ie, **residency-based venue**)
- a substantial part of the events that gave rise to the suit occurred (ie, **events-based venue**) or a substantial part of the property is located (ie, property-based venue) *or*
- any defendant is subject to the court's personal jurisdiction—but only if neither of the above provisions applies (ie, **fallback provision**).

Here, venue is proper in the district court of State C, where the salesman (the sole defendant) resides. A substantial part of the events giving rise to the investors' claim occurred in the districts of State A (where the meeting occurred) and State B (where the investor wired money), so venue is also proper there. But since State B lacks personal jurisdiction over the salesman, only the district courts of States A and C have both personal jurisdiction over the salesman *and* venue over the investors' suit **(Choices A & B)**.

Educational objective:

To hear a dispute, a federal court must have personal jurisdiction over the defendant and be a proper venue in which the case can be heard.

References

- 28 U.S.C. § 1391(b) (venue).
- Bristol-Myers Squibb Co. v. Super. Ct. of Cal., 137 S. Ct. 1773, 1780-82 (2017) (explaining the requirements for general and specific jurisdiction).

Requirements for proper federal court

Subject-matter jurisdiction

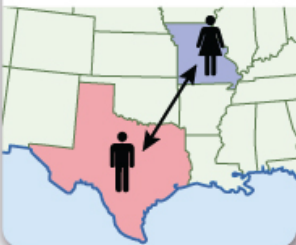
Can plaintiff bring claim in federal court?

Federal question



OR

Diversity



Personal jurisdiction

Is defendant sufficiently connected to forum state?

Eg, state of residence



Eg, minimum contacts



Venue

In which forum-state district can claim be heard?

Eg, residency-based



Eg, events-based

