

An entrepreneur from State A decided to sell hot sauce to the public, labeling it "Best Hot Sauce."

A company incorporated in State B and headquartered in State C sued the entrepreneur in federal court in State C. The complaint sought \$50,000 in damages and alleged that the entrepreneur's use of the name "Best Hot Sauce" infringed the company's federal trademark. The entrepreneur filed an answer denying the allegations, and the parties began discovery. Six months later, the entrepreneur moved to dismiss for lack of subject-matter jurisdiction.

Should the court grant the entrepreneur's motion?

- A. No, because the company's claim arises under federal law.
- B. No, because the entrepreneur waived the right to challenge subject-matter jurisdiction by not raising the issue initially by motion or in the answer.
- C. Yes, because although the claim arises under federal law, the amount in controversy is not satisfied.
- D. Yes, because although there is diversity, the amount in controversy is not satisfied.

Explanation:

Subject-matter jurisdiction refers to a court's authority to hear a particular type of case or controversy. A federal court* should presume that it lacks subject-matter jurisdiction until the party seeking to invoke the court's jurisdiction (generally the plaintiff) proves that the court has either:

- **federal-question jurisdiction** – the case arises under the Constitution, a federal law, or a treaty *or*
- **diversity jurisdiction** – the amount in controversy exceeds \$75,000 and the parties are **citizens** of different states.

Here, the company alleges that the entrepreneur infringed upon the company's federal trademark, which involves federal law. As a result, the court has federal-question jurisdiction (and therefore subject-matter jurisdiction) to hear the case. Accordingly, the court should deny the entrepreneur's motion to dismiss.

*Most civil actions invoking federal subject-matter jurisdiction are brought before a federal district court and reviewed by the **federal appellate court** encompassing that district. However, Congress also created **special federal courts** with jurisdiction over specific types of cases.

(Choice B) A lack of personal jurisdiction (ie, a court's authority over a defendant) must be raised at the start of a case or it is waived. In contrast, the right to challenge subject-matter jurisdiction is never **waived**. Instead, this issue can be raised at any time by the parties or on the court's own initiative (ie, *sua sponte*). As a result, the timing of the entrepreneur's motion challenging subject-matter jurisdiction is immaterial.

(Choice C) Federal-question jurisdiction does not have an amount-in-controversy requirement.

(Choice D) Although the company and the entrepreneur are citizens of different states, the court lacks diversity jurisdiction because the amount in controversy is only \$50,000 (less than \$75,000). However, the court still has subject-matter jurisdiction because the case involves a federal question.

Educational objective:

Subject-matter jurisdiction exists if there is federal-question jurisdiction—ie, the case arises under the Constitution, a federal law, or a treaty—or diversity jurisdiction—ie, the amount in controversy exceeds \$75,000 and the parties are citizens of different states.

References

- 28 U.S.C. § 1331 (federal-question jurisdiction).
- 28 U.S.C. § 1332 (diversity jurisdiction).

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Subject-matter jurisdiction

