

An attorney filed a class action in federal court on behalf of thousands of individuals against a cell phone company that is incorporated and has its principal place of business in State C. The two named plaintiffs are citizens of State A and State B, respectively, and the unnamed plaintiffs reside in every other state. The complaint alleges that the company violated a law enacted by states nationwide by overcharging its customers \$3.50 per month for the past 20 months. The damages on behalf of the entire class are alleged to be \$10 million.

The cell phone company moved to dismiss for lack of subject-matter jurisdiction.

Will the federal court likely grant the motion?

- A. No, because federal courts have exclusive jurisdiction over class actions.
- B. No, because the amount in controversy is sufficient in the aggregate.
- C. Yes, because at least one of the unnamed plaintiffs is not diverse from the company.
- D. Yes, because the amount in controversy is insufficient individually.

## Explanation:

### Subject-matter jurisdiction in class actions

Type	Requirements
<b>Federal question</b>	<ul style="list-style-type: none"><li>• Class action arises under U.S. Constitution, treaty, or federal law</li></ul>
<b>Diversity</b>	<ul style="list-style-type: none"><li>• Amount in controversy for any named plaintiff's claim exceeds \$75,000* <i>and</i></li><li>• named opposing parties are citizens of different states</li></ul>
<b>Class Action Fairness Act</b>	<ul style="list-style-type: none"><li>• Class contains <math>\geq 100</math> members</li><li>• at least one class member &amp; one defendant are diverse <i>and</i></li><li>• amount in controversy for aggregated claims exceeds \$5 million</li></ul>

\*A federal court can acquire subject-matter jurisdiction over class members' claims that do not exceed \$75,000 through supplemental jurisdiction.

A federal district court's **subject-matter jurisdiction** over a [class action](#), like any other lawsuit, can arise from either:

- **federal-question jurisdiction** – the class action arises from the U.S. Constitution, a treaty, or federal law (not state law, as seen here) *or*
- **diversity jurisdiction** – the *named* opposing parties are [citizens](#) of different states and the amount in controversy for any named plaintiff's claim exceeds \$75,000.

Here, no single plaintiff can individually satisfy the amount-in-controversy requirement because the complaint alleges that the cell phone company overcharged each plaintiff only \$70 ( $\$3.50 \times 20$  months). And individual claims generally cannot be aggregated (ie, added together) unless an alternate basis of subject-matter jurisdiction over the class action exists. The **Class Action Fairness Act** (CAFA) provides such a basis when:

- the class contains at least **100 members**
- any class member is diverse from at least one defendant (ie, **minimal diversity**) *and*
- the **amount in controversy** exceeds **\$5 million** when the **members' claims are aggregated**.

Here, the class contains over 100 members. And since unnamed plaintiffs live in each state, at least one member of that class is diverse from the defendant cell phone company (**Choice C**). Furthermore, the amount in controversy—based on the class members' *aggregated*

damages—is \$10 million. Therefore, the CAFA does apply, and the court will likely *deny* the company's motion to dismiss for lack of subject-matter jurisdiction **(Choice D)**.

**(Choice A)** Federal courts do *not* have **exclusive jurisdiction** over class actions. The reason is that state and federal courts have concurrent jurisdiction over claims arising from state or federal law unless the Constitution or Congress expressly states otherwise (not seen here).

**Educational objective:**

The Class Action Fairness Act gives a federal court an alternative basis for subject-matter jurisdiction over a class action when (1) the class contains 100 members, (2) at least one class member is diverse from at least one defendant, and (3) the amount in controversy of the aggregated claims exceeds \$5 million.

**References**

- 28 U.S.C. § 1331 (federal-question jurisdiction).
- 28 U.S.C. § 1332 (diversity jurisdiction and the Class Action Fairness Act).