

A shareholder of a car manufacturing company wants to sue the company in federal court for breach of fiduciary duty.

What information about the company, besides its place of incorporation, does the shareholder's attorney need in order to determine whether the parties are diverse?

- A. Where the company distributes its cars. (0%)
- B. Where the company has sufficient minimum contacts. (3%)
- C. Where the company's headquarters is located. (93%)
- D. Where the company's major place of manufacturing is located. (2%)

Correct

93% Answered correctly

01 min, 08 secs Time Spent

2023 Version

Explanation:

The shareholder can sue the company in federal court for breach of fiduciary duty if the court has **subject-matter jurisdiction** over the case. Subject-matter jurisdiction based on **diversity jurisdiction** exists when the (1) amount in controversy exceeds \$75,000 and (2) the **opposing parties are diverse**—ie, citizens of different states.

A **corporation** (eg, the company) is a **citizen** of every state where it is legally established (ie, **incorporated**) and/or has its **principal place of business**. A corporation's principal place of business is **determined by** its "**nerve center**"—ie, the place where its high-level officers direct, control, and coordinate its activities (eg, its corporate headquarters).^{*} Therefore, besides the company's place of incorporation, the shareholder's attorney needs the location of the company's headquarters to determine whether the parties are diverse.

^{*}A corporation can be incorporated in more than one state (or foreign country), but it can only have one principal place of business.

(Choices A & B) Where the company distributes its cars and/or has sufficient minimum contacts would be relevant in determining if the federal court has **personal jurisdiction** over the company. But those locations are irrelevant in determining the corporation's citizenship for purposes of diversity jurisdiction.

(Choice D) Historically, some federal courts based a corporation's principal place of business on the location of its major place of manufacturing. However, the U.S. Supreme Court has definitively held that a corporation's principal place of business is where its "nerve center" is located.

Educational objective:

For purposes of diversity jurisdiction, a corporation is a citizen of every state where it is incorporated and/or has its principal place of business. A corporation's principal place of business is determined by its "nerve center"—ie, where its high-level officers direct, control, and coordinate its activities (eg, corporate headquarters).

References

28 U.S.C. § 1332 (setting forth the requirements for diversity jurisdiction).

Hertz Corp. v. Friend, 559 U.S. 77, 92–93 (2010) (holding that a corporation's principal place of business is its "nerve center").

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Citizenship for diversity jurisdiction

