

An entrepreneur from State A sued a website owner from State B in a State A federal court. The complaint alleges that the owner breached an advertising contract by failing to prominently display the entrepreneur's latest product on the website's homepage, resulting in lost profits totaling \$50,000. The entrepreneur also asserted a defamation claim against the owner for \$20,000 in damages. Additionally, the complaint includes a request for the court to award the entrepreneur \$7,000 in costs related to the action.

The website owner has moved to dismiss the case for lack of subject-matter jurisdiction.

How will the court likely rule on the motion?

- A. Deny the motion, because the court has supplemental jurisdiction over the claims.
- B. Deny the motion, because the parties are diverse and the amount-in-controversy requirement is satisfied.
- C. Grant the motion, because the action does not present a federal question and the amount-in-controversy requirement is not satisfied.
- D. Grant the motion, because the action should have been asserted in a State B federal court.

## Explanation:

**Subject-matter jurisdiction** can be established through either:

- **federal-question jurisdiction** – when a claim arises under the U.S. Constitution, a federal treaty, or a federal statute (not seen here) *or*
- **diversity jurisdiction** – when the opposing parties are **citizens** of different states (as seen here) and the **amount in controversy exceeds \$75,000**.

The amount in controversy refers to the amount demanded in the plaintiff's complaint. To meet the required amount, a single plaintiff may aggregate (ie, combine) joined claims asserted against a single defendant. However, **costs and interest are excluded** from the amount-in-controversy calculation.

Here, the entrepreneur asserted a \$50,000 breach-of-contract claim and a \$20,000 defamation claim (\$70,000 total) against the website owner. Although the complaint also requested \$7,000 in costs related to the action, such costs are excluded from the amount-in-controversy calculation. Since the \$70,000 amount in controversy is inadequate, the federal court lacks diversity jurisdiction **(Choice B)**. Therefore, the court will likely grant the owner's motion to dismiss.

**(Choice A)** When a dispute involves multiple claims and only some fall within the court's original subject-matter jurisdiction, supplemental jurisdiction may exist over the remaining claims. Here, no claim falls within the court's original subject-matter jurisdiction, so supplemental jurisdiction does not exist.

**(Choice D)** Whether the action should have been commenced in a State B federal court is irrelevant for determining subject-matter jurisdiction. The location of the federal court is relevant when venue is challenged.

## Educational objective:

Diversity jurisdiction requires that the opposing parties be citizens of different states and the amount in controversy exceed \$75,000. The amount in controversy refers to the amount demanded in the plaintiff's complaint (excluding costs and interest).

## References

- 28 U.S.C. § 1332 (diversity jurisdiction).
- 32A Am. Jur. 2d Federal Courts § 959 (2020) (explaining that costs are excluded from the amount-in-controversy calculation).

## Calculating amount in controversy

