

CHAPTER 2: THE COURTS AND JURISDICTION

CHAPTER OUTLINE

I. The Courts and Litigation

- A. Trial Courts
- B. Courts of Appeals
- C. Courts of Last Resort

II. Federal Court System

- A. U.S. District Courts
- B. Miscellaneous Federal Trial Courts
- C. U.S. Courts of Appeals
- D. U.S. Supreme Court

III. State Court Systems

IV. The Courts and the Internet

V. Jurisdiction

- A. Subject Matter Jurisdiction
- B. Personal Jurisdiction
- C. In Rem Jurisdiction
- D. Quasi In Rem Jurisdiction

VI. Venue

- A. Federal Court Venue
- B. State Court Venue
- C. Changing Venue

ANSWERS TO REVIEW QUESTIONS

1. The primary function of trial courts is to provide a forum for the parties to resolve their factual disputes. This takes place at a trial in which the parties present evidence to a judge or jury. The judge or jury then applies appropriate legal principles to the facts to reach a decision regarding the dispute. The primary function of a court of appeals is to review what happened at the trial court to determine whether any substantial legal error occurred.
2. The federal court system consists of three levels of courts: the U.S. Supreme Court, the U.S. Courts of Appeals, and the U.S. District Courts. In addition, there are miscellaneous trial courts that have specialized jurisdiction.
3. A typical state court system has trial courts and courts of review. Most also have a court of last review, often called a supreme court. Trial courts are referred to as superior courts, supreme courts, circuit courts, city courts, county courts, surrogate courts, and

- courts of common pleas. Often, there are many specialized trial courts that have the power to hear only certain kinds of cases; for example, probate court or family court. Also, many state court systems have trial courts that hear cases where the amount in controversy is small.
4. Subject matter jurisdiction is the power that a court has to hear a certain kind of case. It also includes the power to hear the type of proceeding in that case (e.g., trial, appeal).
 5. Cases may be brought in federal court in the following circumstances (students should respond with any three of the following):
 - a. The United States is a party.
 - b. Federal laws so provide.
 - c. Diversity of citizenship exists and if the controversy involves money, the amount in controversy exceeds \$75,000.
 - d. A treaty is involved.
 6. Exclusive jurisdiction means that a case *must* be brought in a specific court system. Only one court system (i.e., federal or state) has the power to hear the case. Concurrent jurisdiction means that a case *can* be brought either in federal court or in state court. Concurrent jurisdiction might also refer to the fact that more than one state has jurisdiction.
 7. In general, a state court has personal jurisdiction over defendants who reside in the state. A state court also has personal jurisdiction over nonresidents where the exercise of jurisdiction meets the constitutional standard of due process and where a state long-arm statute so permits. This occurs when a defendant has substantial contacts with the state so that the exercise of personal jurisdiction does not offend traditional notions of fair play and substantial justice. A state court also has personal jurisdiction over parties to a lawsuit when the parties agree to appear before the court. Federal courts have personal jurisdiction consistent with the jurisdiction of the state in which the federal court is located.
 8. In order for a state to exercise jurisdiction over a nonresident defendant, it must be authorized by state law to do so. This authorization is found in statutes generally known as long-arm statutes. Without such a statute, personal jurisdiction is limited to defendants residing within the state.
 9. Personal jurisdiction means that the court has jurisdiction over the parties and can make decisions affecting the rights of those parties. In rem jurisdiction means that a court has jurisdiction over property located within state boundaries and can make decisions affecting title to that property.
 10. Venue is the proper geographical location of a court proceeding.

CHAPTER EXERCISES

1. Answers will vary, but because most courts pattern their court structure after the federal system, the state court structure will probably include trial courts, courts of appeals, and a court of last resort. The description of trial courts should include the names and functions of any specialized trial courts such as juvenile courts or probate courts. Students should pay particular attention to identifying any monetary limits of trial courts as well as any limits on the equitable jurisdiction of courts.
2. Long-arm statutes of states vary. Some may be comparable to the statute quoted in the chapter. If possible, students should identify and describe the specific instances in which a court may exercise jurisdiction over nonresident defendants.
3.
 - a. Subject matter jurisdiction is challenged in different ways. In some states, a motion such as a motion to dismiss might be appropriate. In other states, a demurrer to the complaint may also be proper. Because subject matter jurisdiction can be attacked at any time, even where a demurrer to the complaint is proper, a motion attacking any judgment in the case may be an alternative remedy.
 - b. Personal jurisdiction is usually challenged by motion or by demurrer. However, a defendant may generally waive any defect in personal jurisdiction; therefore, statutes describing the challenge to personal jurisdiction may be more limited in scope. This kind of challenge must often be made at the beginning of the proceedings.
 - c. Venue is generally challenged by making a motion to change venue. The motion is normally made in the court where the action was commenced. Grounds include the fact that the motion was filed in the wrong judicial district, the parties cannot receive a fair trial because of pretrial publicity, or the convenience of the witnesses demands a change.
4. There are various possibilities here. If Weigh To Go had registered its name under the federal trademark rules, then the federal law would establish subject matter jurisdiction for the federal court. In all probability, your state also has trade name laws that would provide a basis for subject matter jurisdiction of the state court. In such a case, diversity of citizenship would also provide a basis for federal court jurisdiction (unless you are in the state in which the plaintiff is incorporated or has its principal place of business). Because the defendant is incorporated in and does business exclusively in your state, personal jurisdiction would lie with the federal district courts in your state. If more than one federal district exists within your state, then venue must also be considered. Venue would be proper where the defendant has its principal place of business. If this action were maintained in a state court, that court would have to have general equitable jurisdiction.
5.
 - a. The federal court does have diversity jurisdiction here because plaintiffs and defendants are from different states and the amount requested for each plaintiff

exceeds \$75,000. The fact that the two plaintiffs are from the same state does not destroy diversity.

- b. The federal court does not have diversity jurisdiction here. One of the defendants is a citizen of the same state as the plaintiffs.
 - c. In this case, plaintiffs and defendants are citizens of different states. However, each plaintiff is claiming under \$75,000. The only way that the jurisdictional amount would be reached would be if the claims of the two plaintiffs could be combined. Because these claims are separate and distinct, they could not be combined. Thus, the federal court does not have diversity jurisdiction.
 - d. In this case, the defendant is a corporation. For diversity purposes, corporations are considered citizens of the state of incorporation and of the state in which they maintain their principal place of business. Here, that would be Delaware and California. Because the plaintiff is a citizen of the state of Washington and the amount claimed exceeds \$75,000, the federal court has diversity jurisdiction.
6.
 - a. This question requires that students distinguish subject matter jurisdiction from personal jurisdiction. The same hypothetical is used in question 5(d) above. In that question, the federal court did have diversity jurisdiction. Here, students must determine if the state of Washington has personal jurisdiction, which is a more difficult question. The issue is whether the defendant had sufficient contacts with the state of Washington to meet the *International Shoe* requirements. Here, the question suggests that a product is sold nationally through several distributors. The product did not inadvertently end up in Washington; it is regularly sold in the state. Personal jurisdiction should exist.
 - b. This question presents personal jurisdiction problems resulting from use of the Internet. In this situation, the plaintiff is a resident of Maine. The defendant does not sell its product through any vendors located in Maine, and the total revenue derived from sales to Maine residents is very low. The only possible connection that the defendant has with the state of Maine is through the Web site. Courts have found that selling a product through a Web site can be a sufficient contact to establish personal jurisdiction. In this case, the defendant does not sell its product through the Web site; it only advertises. However, it does list vendors that parties can contact to purchase products. It is doubtful whether that would be a sufficient contact since the vendor is located out of state.
 7.
 - a. International Shoe manufactures and sells shoes. They had no office in Washington and made no contracts for sale or purchase of merchandise there. They maintained no stock of merchandise in that state and made no deliveries of goods in intrastate business. However, they employed 11 to 13 salesmen who resided in the state of Washington and conducted business in Washington by exhibiting shoes and soliciting orders. These employees were provided with samples from International

- Shoe and occasionally rented sample rooms at International Shoe's expense. However, all orders were sent to St. Louis for acceptance or rejection and no contracts were actually entered into in Washington.
- b. Yes.
 - c. The Court felt that the activities carried on by International Shoe in the state of Washington were systematic and continuous. They resulted in a large volume of interstate business, in the course of which they received the benefits and protection of the laws of the state, including the right to resort to the courts for the enforcement of their rights. The instant lawsuit arose out of those very activities. Therefore, the ties with the state made it reasonable and just to subject them to the jurisdiction of the state courts.
8. *State Farm Mut. Auto. Ins. Co. v. Campbell*, 538 U.S. 408 (2003), deals with the unconstitutionality of large punitive damages. The case is based on the Court's prior decision in *Gore v. BMW* and is based on the due process clause. The Court held that where punitive damages are out of proportion to the harm suffered due process is violated. The question in *Raeburn* (the hypothetical case in this chapter) is not the amount of punitive damages but rather compensatory damages. Students should discuss whether the due process clause should apply in this situation. Obviously the amount of the award is grossly excessive. Arguably this is similar to *State Farm*. However, *Raeburn* does not involve punitive damages.
 9. The case would be appealed to the 6th Circuit.

CHAPTER PROJECT: SELECTING THE PROPER COURT

The case of *Raeburn v. Cassidy* would obviously be filed in a trial court. In selecting the proper trial courts, students may have to consider the amount of damages that *Raeburn* is claiming. Some state court systems have different levels of trial courts depending on the amount claimed. Venue would probably be proper here in the judicial district where the accident occurred or in the judicial district where the defendant resides.

ANSWERS TO THE BENNETT CASE ASSIGNMENT

Assignment for Chapter 2: Determining Jurisdiction

1. If the action is based on New York state law, the state has both subject matter and personal jurisdiction. Subject matter results from the fact that the action is based on state law. The defendant is a resident of Delaware (incorporation) and California (principal place of business). However, the defendant does business within the state of New York and the alleged discrimination took place in New York. Therefore, personal jurisdiction exists, as long as New York has an appropriate long-arm statute.

2. The main courthouse is 60 Centre St., New York, New York, although some departments are located in nearby buildings. The addresses are on the court's Web site at <http://www.nycourts.gov/> (search for Manhattan court).
3. Any federal district court has subject matter jurisdiction since this is a question of federal law. Personal jurisdiction would lie in New York, Delaware (state of incorporation), and California (principal place of business). (See Appendix B, 42 U.S.C. §2000e-5 (f)(3): "Each United States district court and each United States court of a place subject to the jurisdiction of the United States shall have jurisdiction of actions brought under this subchapter.")
4. 42 U.S.C. §2000e-5 (f)(3) also controls venue: Such an action may be brought in any judicial district in the State in which the unlawful employment practice is alleged to have been committed, in the judicial district in which the employment records relevant to such practice are maintained and administered, or in the judicial district in which the aggrieved person would have worked but for the alleged unlawful employment practice. But if the respondent is not found within any such district, such an action may be brought within the judicial district in which the respondent has his principal office. For purposes of sections 1404 and 1406 of Title 28, the judicial district in which the respondent has his principal office shall in all cases be considered a district in which the action might have been brought.

ANSWERS TO THE *DOUGLASS FINANCIAL SERVICES INC.* CASE ASSIGNMENT

Assignment for Chapter 2: Name and address of court having jurisdiction of this case

Students should provide the name and address of the local state court have general subject matter jurisdiction.