Question 1

Ann and Bill, both citizens of State X, were walking by a construction site in State X when

an overhead crane dropped a load of plate glass windows on the sidewalk near them. The

windows shattered when they hit the pavement, and both Ann and Bill were struck by flying

glass. Ann’s injuries were severe; she incurred more than $450,000 in medical expenses. Bill

suffered only minor injuries and had medical bills of $500.

At the time of the accident, the glass windows were being installed in a new skyscraper by

GlassCo, Inc., a State Y corporation with its principal place of business in State Y. The

crane operator was a GlassCo employee, and the crane was owned by GlassCo. A subse#quent investigation by GlassCo’s insurance company concluded that the accident was due to

crane operator error and improper crane maintenance.

Ann and Bill have joined as plaintiffs and filed a suit against GlassCo in a state trial court

in State X. Ann is seeking more than $1 million in damages, and Bill is seeking $5,000. They

have both refused GlassCo’s request to enter into settlement negotiations.

You are an associate in the law firm that has been retained by GlassCo. The partner in

charge of the case wants to remove the lawsuit from state to federal court. She has asked:

1. What must GlassCo do to remove the case from state to federal court? Explain.

2. If the case is removed to federal court, do the Federal Rules of Civil Procedure permit

the separate claims of Ann and Bill to remain joined in a single lawsuit? Explain.

3. If Ann’s and Bill’s claims remain joined, will the federal court have jurisdiction over

the case? Explain

Question 2

Until recently, Paul had always lived in State A. Last year, he decided he would move to

State B for at least one year and, after a year, decide whether to remain in State B or return

to State A. Six months ago, Paul moved to State B, rented an apartment, and took a job as

a temporary employee. Paul has enjoyed living in State B so much that he recently left his

temporary job and accepted a position as a permanent employee at a law firm in State B.

Shortly after he moved to State B, Paul bought a vacation home in State A, which he visits

about once a month for two or three days. To pay for the vacation home, Paul obtained a

loan from Credit Union in State A. Credit Union is incorporated in and chartered by State

A. Its only office, located in State A, is both its corporate headquarters and the place where

it transacts business with its customers. Ninety-five percent of Credit Union’s customers are

State A residents who do business with Credit Union in person at its State A office.

Paul’s loan agreement with Credit Union provides that he will repay the loan in monthly

installments over a 30 year period. Credit Union has a mortgage on Paul’s vacation home

to secure the debt. The loan paperwork lists Paul’s State B address as his mailing and home

address. The loan agreement also contains a privacy provision whereby Credit Union agrees

not to disclose Paul’s personal information to any third party without Paul’s written permis#sion. Credit Union sends a loan statement and payment coupon to Paul’s State B address

each month, and Paul returns the payment coupon with a check for the payment amount.

After the loan closed, a Credit Union employee mailed copies of all the loan paperwork to

Paul. Unfortunately, the employee misread Paul’s address in State B and sent the paperwork

to an incorrect address. Several months later, Paul discovered that someone had gotten his

loan paperwork and had used the information (including Paul’s Social Security number

and credit card numbers) to steal his identity. The identity thief had quickly accumulated

$150,000 in unpaid bills in Paul’s name. Paul’s credit rating was ruined, and no one would

extend him new credit.

Paul has sued Credit Union in the United States District Court for the District of State B

for breach of the privacy provisions of the loan contract. The parties have stipulated that

Paul’s actual loss was $80,000. Paul’s suit seeks $240,000 in damages, plus attorneys’ fees,

pursuant to a State A statute that entitles victims of identity theft to recover treble damages

and attorneys’ fees from anyone who wrongfully discloses their personal information.

Paul’s complaint also asserts that a federal statute restricting damages in state law identity

theft cases to actual damages is unconstitutional and therefore does not preempt the treble

damages provisions of the State A statute. The complaint asserts that the State B federal

court has both diversity and federal question jurisdiction over the case.

The long arm statute of State B extends personal jurisdiction as far as the Constitution allows.

1. May the United States District Court for the District of State B exercise personal juris#diction over Credit Union? Explain.

2. Does the United States District Court for the District of State B have diversity jurisdic#tion over the case? Explain.

3. Does the United States District Court for the District of State B have federal question

jurisdiction over the case? Explain.