



Supreme Court Provides Guidance for Businesses Wishing to Avoid Unfriendly State Courts

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Businesses often wish to avoid litigation in unfriendly state court forums. For that reason it is important to know when removal is possible so that cases can be transferred automatically from state court to federal court, where judges are appointed for life rather than periodically elected by local citizens. Until recently, there was no way to be certain about whether removal would be possible because the federal circuit courts did not all agree about how the law regarding corporate citizenship for purposes of removal jurisdiction should be applied.

On February 23, 2010, the U.S. Supreme Court clarified when businesses can remove a lawsuit from state court and have it heard in the friendlier forum of federal court. The ruling dealt with what is called "diversity jurisdiction" and is seen as highly favorable for businesses, particularly for large companies conducting business in multiple states because it will make it easier for them to know when they will likely be able to avoid the jurisdiction of plaintiff-friendly state courts. The Court noted in its opinion that simple jurisdictional rules and greater predictability are valuable to businesses, and its ruling was necessary to resolve lower court conflicts so that businesses could make sound business and investment decisions.

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