

February 25, 2010

Supreme Court Clarifies Key Portion of Diversity Jurisdiction Statute

On February 23, 2010, the U.S. Supreme Court issued an opinion in *Hertz Corporation v. Friend*, ___ U.S. ___, No. 08-1107, which clarified the test for determining the “principal place of business” for corporations pursuant to 28 U.S.C. § 1332(c). For a suit to be in federal court based on diversity of citizenship, there generally must be diversity between all plaintiffs and all defendants in the litigation. Corporations may have dual citizenship for diversity purposes, however—they are citizens of the state in which they are incorporated and, if different, the state of their “principal place of business.” 28 U.S.C. § 1332(c)(1). Prior to the decision in *Hertz Corporation*, the Courts of Appeals applied a variety of different standards, including the “place of activities test,” the “nerve center test,” and the “total activities test,” to determine where a corporation maintained its principal place of business. Even among circuits that nominally applied the same test, there were complicated and nuanced variations in how the tests were applied. The Supreme Court granted certiorari to resolve the circuit split.

Hertz Corporation adopted the “nerve center” test and rejected its rivals. *Id.* at 14. The Supreme Court reasoned that the nerve center test was the simplest alternative to apply, noting that it is particularly important for jurisdictional inquiries to be governed by clear and predictable standards.

The Supreme Court described a corporation’s nerve center as “the place where a corporation’s officers direct, control and coordinate the corporation’s activities.” *Id.* “[I]n practice, it should normally be the place where the corporation maintains its headquarters—provided that the headquarters is the actual center of direction, control, and coordination. . . .” *Id.*

Hertz Corporation should greatly simplify and expedite the process of evaluating diversity jurisdiction for corporate litigants. A copy of the opinion is available [here](#).



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