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Federal Litigation Involving LLCs Can Be Troublesome

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In the 2nd Circuit, the citizenship of a limited liability company for diversity jurisdiction purposes depends upon the members of the LLC, rather than an analysis of the LLC's principal place of business and state of organization.

This is counter-intuitive, and can undermine the purpose of diversity jurisdiction – leveling the playing field for out-of-state litigants by providing access to the federal court as a neutral forum. Nevertheless, the LLC that plans ahead can avoid litigating in a federal court by destroying diversity *ex ante*, if doing so is in its best interest.