

"Principal Place of Business" defined by Supreme Court in Hertz Corp vs. Melinda Friend

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U.S. Supreme Court Holds "Principal Place of Business" for Federal Diversity of Citizenship Purposes Is Corporations' "Nerve Center"— Where Their Executives Direct and Control Corporate Activities

by [Sandra I. Weishart](#)

In a decision closely watched by multi-state corporations, including those in the [insurance industry](#), the [U.S. Supreme Court](#) ruled today that a company's "principal place of business" is where "a corporation's officers direct, control, and coordinate the corporation's activities." [Hertz Corp vs. Melinda Friend et al.](#), a class action which the corporate defendant wished to remove to federal court, presented the following issue:

[w]hether, for purposes of determining principal place of business for diversity jurisdiction citizenship under 28 U.S.C. § 1332, a court can disregard the location of a nationwide corporation's headquarters – i.e., its nerve center.

In analyzing the issue, the Court first reviewed the history of [Section 1332](#), noting the increasing difficulty, in modern times, of defining a corporation's "principal place of business," which resulted in the application of different criteria and inconsistent precedents among the federal Circuits. Accordingly, in an unanimous opinion authored by [Justice Breyer](#), the Court held:

In an effort to find a single, more uniform interpretation of the statutory phrase ["principal place of business"] this Court returns to the "nerve center" approach: "[P]rincipal place of business" is best read as referring to the place where a corporation's officers direct, control, and coordinate the corporation's activities. In 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, i.e., the "nerve center," and not simply an office where the corporation holds its board meetings.

This decision is of particular interest to insurance companies and other corporations with a "nerve center" in another state but which, nevertheless, conduct a significant amount of business in California. In recent years, the [Ninth Circuit](#) has imposed increasingly more onerous requirements on corporate entities' ability to remove actions to federal court, if the corporation has employees, offices or property or otherwise conducts business activities here in California. Now, in most cases, removal to federal court will be far more easily accomplished.