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Can I Make a Federal Case Out of it?

By now you have certainly heard someone use the phrase “don’t make a federal case out of it.” While the phrase clearly has little application to how the law works, it does raise the concept that somehow a federal case means more than just a normal case. With this concept in mind, I have decided to dedicate this week’s post to providing an insight into what it means to make a federal case out of something and how that differs from bringing a claim in state court.

Recall from our previous discussion on the appeals process that on a basic level a case can either be brought in state court or in federal court. However, in order to understand some of the differences between a state and a federal court case it is necessary to understand what cases can be federal cases.

How to Get into Federal Court?

In order for a case to be filed in federal court, the court must have what is called “jurisdiction” over the issues of the case. This particular form of jurisdiction is known as “subject matter jurisdiction.” The two most common ways for a federal court to possess this type of jurisdiction are through the exercise of (1) federal question jurisdiction or (2) diversity jurisdiction.

Federal question jurisdiction is pretty straightforward; it basically means that the law upon which the plaintiff bases his claim is a federal law. A good

example of this is a sex discrimination case. Discrimination based on sex was made illegal by Title VII of the Civil Rights Act. The Civil Rights Act was a law passed by the United States Congress. Thus, this is a federal law. So, any claim arising from a violation of the Civil Rights Act may ultimately be brought in federal court.

Diversity jurisdiction is a bit more complicated than federal question jurisdiction. Diversity jurisdiction allows a case that is based on state law claims to be brought in federal court under certain circumstances. Diversity jurisdiction is a principle rooted in federalism. What this means is that diversity jurisdiction exists as a way of allowing parties from different states to sue each other but still must respect the sovereign rights of individual states. Diversity jurisdiction requirements are that the parties have “diversity of citizenship” and have met the minimum amount in controversy requirements. The amount in controversy requirement is easy to understand. Basically, the law says that in order to bring a claim where there is no violation of federal law the amount being sought in the case needs to be in excess of a certain dollar amount. This dollar amount is often changed but currently sits at \$75,000. An interesting note is that the way the law is written, if the case is seeking only \$75,000 then it has not met the requirements. The case needs to be seeking some amount more than \$75,000, which means that \$75,001 will meet the minimum requirement while \$75,000 will not.

The diversity of citizenship requirement is a slight bit more complicated. As noted above, diversity jurisdiction is designed to make sure that it does not violate the rights of states in hearing the cases of its citizens. The way this plays out is that no plaintiff can be from the same state as any defendant. To illustrate this point, let us look at a few examples. John and Ben seek to sue Company A and Company B.

- For the first example, assume that John and Ben are from Indiana and both Company A and Company B are from Illinois. If this is the case, assuming the amount in controversy is satisfied, John and Ben can sue Company A and Company B in federal court because no plaintiff is from the same state as a defendant.

John (IN) & Ben (IN) vs. Company A (IL) & Company B (IL)

- For our second example, assume that John is from Louisiana, Ben is from Indiana, Company A is from Delaware and Company B is from Kansas. In this case, like the first example, the case can be brought in federal court because, again, no plaintiff is from the same state as a defendant.

John (LA) & Ben (IN) vs. Company A (DE) & Company B (KS)

- For our third example, assume that John is from Louisiana, Ben is from Indiana, Company A is from Indiana and Company B is from Kansas. Now, since both Ben, a plaintiff, and Company A, a defendant, are from Indiana, the case typically cannot be brought in federal court under diversity jurisdiction.

John (LA) & Ben (IN) vs. Company A (IN) & Company B (KS)

If this seems confusing, do not worry. It often confuses young law students. As an important note, just because diversity jurisdiction and federal question jurisdiction are the most frequent grounds for bringing a federal case they are not the only grounds. The list for all of the bases is much to long for our purposes here.

Differences

In many ways a federal case and a state law case are very much the same. While federal courts use the Federal Rules of Civil Procedure and Indiana courts are governed by the Indiana Trial Rules the differences in the rules is not all that much in most ways. The Indiana Trial Rules are styled after the Federal Rules of Civil Procedure so there is a large amount of overlap. However, the overlap is not complete and the handful of differences can prove to be monumental in certain cases.

On a functional level one of the biggest differences between state and federal court is how precedent works. You have likely seen a movie or TV show in which a judge asks a lawyer to cite to precedent. What the judge is asking for is a case that has discussed the position that the lawyer is taking. Where precedent gets confusing is on the concept of binding versus persuasive precedent. Persuasive precedent is any case that is cited which is not binding precedent. Thus, to understand what is persuasive precedent you must understand what constitutes as binding precedent.

What constitutes binding precedent not only varies by whether the case is in state or federal court but also whether the case is on appeal and if so the stage of the appeals process. The best way to illustrate what is binding precedent is to use a few examples.

Example 1. For our first example let us assume that John has sued Steve for breach of contract in state court in Marion County, Indiana. For these examples the reason for the lawsuit is important so remember that breach of contract claims are usually state law claims and for our example it is a state law claim. Thus, the law governing John's case is Indiana law. So the binding precedent on this case are cases decided by (1) the Indiana Court of Appeals and (2) the Indiana Supreme

Court. What this means is that the Marion County judge in John's case must apply the law and rules that are listed in cases cited by the Indiana Court of Appeals and the Indiana Supreme Court.

Continuing with this example, assume that there is not an Indiana Supreme Court or Court of Appeals case that has decided the issue. Then, the trial judge can look at how other states or how federal courts have decided the issue. That precedent is persuasive. However, if either the Indiana Court of Appeals or Supreme Court has decided the issue the judge has no choice but to apply those decisions. That is what makes the precedent binding.

Example 2. Assume everything is the same example 1 except that John has appealed his case to the Indiana Court of Appeals. Now, the binding precedent still has not changed. The Court of Appeals is obliged to apply its own prior decisions and has no discretion at all to contradict a decision by the Indiana Supreme Court. However, while the Court of Appeals is obliged to adhere to its own prior decisions, it does have the power to overrule a prior decision and thereby change the law. But remember, it absolutely cannot overrule an Indiana Supreme Court decision.

Let us continue this example but assume that the case has now been transferred to the Indiana Supreme Court. At this point, the only binding precedent on a state law issue are prior decisions of the Indiana Supreme Court. The Indiana Supreme Court is under no obligation at all to follow Indiana Court of Appeals decisions. Further, like the Court of Appeals it can overrule a prior decision.

Example 3. Let us assume the same facts as example 1 but this time John was able to bring his case in federal court under diversity jurisdiction. So this means that John has sued Steve in the Federal Court for the Southern District of Indiana here in Indianapolis for breach of contract – a state law claim. Here is where things can get extremely complicated. The federal court is bound by the precedent of the 7th Circuit Court of Appeals and the United States Supreme Court. However, it is also bound by precedent of the Indiana Supreme Court. The reason for this is that an inferior court is always bound by the decisions of a higher court. Meaning, if the case can be appealed from that court to another court, the other court's decision will bind the lower court. The reason things get tricky in this situation is that a federal court sitting in diversity jurisdiction is bound to apply state law as decided by the state's highest court.

At this point you may be asking, but then shouldn't the federal court also be bound by Indiana Court of Appeals decisions as well? Actually, no the court is not. The way the law works is that the federal court must only apply the state law as decided by the highest court in the state. For the most part where the highest court

has not decided an issue the federal court will go ahead and apply a Court of Appeals decision. However, the argument is out there, and when the law goes against defense attorneys they are not hesitant to make this argument, that the federal court can ignore Court of Appeals decisions and apply the law that they think the state's supreme court would apply. Seem confusing?

Example 4. Our fourth and final example is a lot less complicated than the third example. Assume John has sued Steve for sex discrimination. John has brought his case in federal court. Remember that sex discrimination claims can be brought in federal court under federal question jurisdiction because the claim is for a violation of Title VII – a federal law. In this case the binding precedent on the Southern District of Indiana are only decisions from the 7th Circuit Court of Appeals and the United States Supreme Court.

So why is a Federal Case Such a Big Deal?

There is not really an easy answer to this question. For many what makes it such a big deal is the prestige of the federal court judges. This is especially true with some of the amazing judges that we have had in both the northern and southern federal districts here in Indiana. Though, I would argue that we are generally lucky to have very talented judges all across the state in state courts ranging from trial judges through the Indiana Supreme Court.

For others, the big deal is that federal courthouses are often awe-inspiring. Judge Barker's court in Indianapolis is a marvelous example of how majestic a federal court can be. This fact alone can intimidate many.

Ultimately, I think that the primary reason that a federal case is such a big deal is that many lawyers are inexperienced with federal cases. Some lawyers are even averse to filing a case in federal court due to unfamiliarity with the nuances of federal litigation practice. Needless to say, when lawyers begin to put a stigma on federal cases it very quickly flows down the channel into the rest of the population.

As you can tell, there are some notable differences between a case in state court and one in federal court. It is extremely important when considering obtaining a lawyer to make sure that you find one who is experienced with federal cases and state cases alike. Sometimes a case may seem on the surface like it is perfect for federal court but in reality is for some reason or another better suited for state court. Often, these early judgment calls can be the difference between winning and losing or the ability to recover damages that more closely satisfy your injuries than ones that only provide minimal compensation for your losses.

Join us again for further insight into the complex nature of the law.

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