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1. Can B join both claims against S?

Whether B can join both claims against S in federal court depends on its Subject Matter Jurisdiction over the claims. In this case, B does not reasonably have a claim that invokes a federal question, but may have a claim that falls under diversity jurisdiction (see rules and analysis in #3). Accordingly, B must meet the diversity jurisdiction requirements for both claims. Enjoining a claim must not destroy subject matter jurisdiction.

\$75,000+ Requirement

The claim must be pled in good faith for more than \$75,000 for diversity jurisdiction. Even if an adjudicated claim results in an award below \$75,000, jurisdiction will remain. However, a party can destroy diversity jurisdiction by demonstrating that the stated claim could not plausibly exceed \$75,000. Where equitable relief is requested, courts will consider either the plaintiff's and/or defendant's subjective views on the valuation of the claim. Plaintiffs may aggregate claims arising out of the same transaction with the defendant to meet this amount, but separate claims require at least one claim to exceed \$75,000.

Here, B claimed damages of \$1M and specific performance. On its face, the claim meets the requirement. Since S sold B the painting for \$1M, S will unlikely be able to rebut the good faith aspect of the claim. S could argue that B subsequently and voluntarily sold the painting for \$200, but this might actually strengthen B's claim that the fraud indeed entitles B to \$1M. Separately, the real estate transaction was agreed upon by both parties for \$5M, an amount greater than \$75,000.

Real Estate Disputes

Although federal courts in diversity jurisdiction may issue equitable relief, they do not have jurisdiction to grant specific performance for real estate disputes

subject to state law.

Here, the specific performance sought by B would require the federal court to control real estate subject solely to CA real estate law for relief. B seeks no legal remedy in addition to this real estate specific performance.

Thus, the federal court does not have jurisdiction to grant B the requested relief, and it cannot be joined with the fraud claim as-is. However, if B were to change his request on the contract claim to a monetary amount, it could be joined under the analysis below.

Aggregation of Claims

In the event that S were able to show that both claims could not plausibly result in an award exceeding \$75,000, B would be entitled to aggregate claims arising out of the same transaction.

However, the facts state that the real estate transaction was a "separate valid contract" with performance due 29 days after the completion of the painting transaction. Besides the coincidence that the transacting parties are the same, there is no relation between the painting and the real estate.

Thus if S were able to show that both claims were not pled for \$75,000 in good faith, B would not be able to aggregate the two claims in order to meet the amount requirement.

Conclusion

Thus, B met the amount requirement for diversity jurisdiction.

2. Sufficiency of B's Fraud Allegation

Pleading Requirement

Under the Federal Rules of Civil Procedure, a complaint must include a short statement placing the defendant on notice of the claim and the relief sought. The notice pleading standard requires that the complaint state a claim for relief that is plausible, not just possible. (*Twombly*). However, the pleading standard differs for certain types of claims, and claims of fraud require particularity, not just plausibility. Requisite states of mind can be pled generally.

Here B claims as to the painting that "[S] committed 'fraud in the supposed value'" of \$1M. While it may be plausible that S' alleged fraud resulted in \$1M of damages, there is no particularity as to what constituted the fraud. Although the facts state that B purchased "a painting claimed to be an original Rothko, supposedly worth \$1[M]," it is unclear whether B's complaint even states the word "painting." In any event, B failed to attribute the "supposed" value particularly to S, and a reasonable court could interpret this statement to mean that S was not responsible for B's conclusion as to value. B failed to even generally plead any state of mind of S as required by the fraud claim.

Thus, B's allegation of fraud is insufficient to state a claim. The court may either dismiss the fraud claim or grant B leave to amend the complaint.

3. Subject Matter Jurisdiction

Under the Federal Rules of Civil Procedure, federal courts must have subject matter jurisdiction over matters before them. SMJ can be met by presenting either a federal question or diversity jurisdiction.

Pleading Requirement

The FRCP also require plaintiffs to provide a short statement of the court's SMJ.

Here, B only stated claims of "fraud in the supposed value" and relief of \$1M in damages, and breach of contract demanding specific performance. The facts do not indicate that B attempted to plead a federal question or diversity jurisdiction.

No facts suggest B indicated his alleged state citizenship or S' alleged state citizenship.

If raised as an issue by S, the court may find that B failed to provide a sufficient pleading as to SMJ. However, the facts otherwise indicate that the court may sufficiently be able to infer a plausible diversity jurisdiction claim, or grant B leave to amend as such.

Federal Question

A federal question is presented when the plaintiff's claim is governed by a federal statute, treaty, or Constitutional claim.

Here, B's claims of "fraud" and breach of contract are common law claims arising under state jurisdiction. B has not contended that there is an applicable federal law.

Thus, there is no federal question.

Diversity Jurisdiction

Federal courts have diversity jurisdiction when the plaintiff is completely diverse in citizenship from the defendant, and the claim exceeds \$75,000. Citizenship for individual persons is determined by the state where they are domiciled.

Diverse Citizenship

Here the facts state B "was living" in NY and S "was living" in CA at the time of the transactions. They do not indicate that S was a corporation or business association. Presuming B did not change domiciles and become a CA citizen, was not a CA citizen at the time he filed the claim, and that S did not change domiciles to match B's citizenship at the time of the claim, the parties were completely diverse for purposes of SMJ.

Thus, the citizenship requirement for diversity jurisdiction was met.

\$75,000+ Requirement

See rules and analysis in #1.

Thus, B met the amount requirement for diversity jurisdiction.

Aggregation of Claims

See rules and analysis in #1.

Conclusion

B may not have met the SMJ pleading requirement, but the court has SMJ over the painting claim, and can hear the real estate breach of contract claim for damages instead of specific performance.

4. Can the federal court apply CA law to the real property breach of contract claim?

Erie Doctrine

In a diversity jurisdiction action, the *Erie* doctrine generally requires that federal courts apply the law of the state in which the district sits to all substantive issues, whereas applying federal law to all procedural issues. Venue transfer has neither occurred or been sought, and thus the exceptions to this rule do not apply here. States may have their own choice-of-law rules applicable to federal claims, but these exceptions are also not at issue. But again, the federal court may not grant specific performance of CA land.

Here, the breach of contract claim is a substantive issue. It is the claim itself, rather than a question of procedural deadlines (other than statutes of limitation) or jurisdiction. However, the claim is for specific performance of land. As explained in #1, the federal court cannot execute a judgment for specific

performance of CA real estate, but can hear a contract claim for a legal remedy. Although the claim involves real estate that is subject to CA's real estate laws, the material issue involves contract law. If B were to amend his complaint to request damages and remove the specific performance request, the court would be able to apply CA law to the claim.

Thus, the court could not hear the real estate claim as-is but can apply CA law to a breach of contract claim for legal remedies.

5. Jury Trial

Plaintiffs are entitled to have the merits of their claim decided by a jury. However, juries may only determine issues of fact, fault, and damages. Juries may not determine issues of law and procedure. Juries may not determine equitable relief.

Here, B claims fraud for damages and specific performance for a real estate contract. The jury can not determine any of the previous questions, such as B's ability to join the claims, sufficiency of the pleadings, SMJ, or choice of law. The jury can hear the evidence and arguments of the fraud claim and grant a verdict on the merits. The jury can hear the evidence and arguments as to whether S breached the real estate contract with B, make findings of fact, and determine whether S was liable for a breach. The jury cannot grant a verdict for specific performance.

Question #1 Final Word Count = 1524