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**“PRINCIPAL PLACE OF BUSINESS” FOR CORPORATIONS IS
THE CORPORATION’S “NERVE CENTER”**

In *The Hertz Corporation v. Friend*, decided February 23, 2010, the United States Supreme Court established a simpler, more uniform test for federal courts to determine a corporation’s citizenship for diversity jurisdiction purposes.

When there is no federal issue involved in a lawsuit, federal courts may still have jurisdiction over a dispute when there is “diversity jurisdiction,” i.e., when the plaintiff(s) and defendant(s) are citizens of different states and the amount in controversy exceeds \$75,000. For this purpose, a corporation is a citizen of both the state where it is incorporated and the state where it has its “principal place of business.” While determining the state of incorporation is a relatively simple matter, courts have differed in their interpretation of the phrase “principal place of business.”

In *The Hertz Corporation v. Friend*, the United States Supreme Court attempted to resolve these differences by holding that a corporation’s principal place of business is “the place where a corporation’s officers direct, control, and coordinate the corporation’s activities,” what some courts have referred to as the “nerve center.” Normally, the nerve center will be a corporation’s headquarters, but courts should look beyond labels to determine that the headquarters is the actual center of direction, control, and coordination, and not simply a mailbox drop or an office to hold meetings for directors and officers who travel there for the occasion.

The Supreme Court’s decision removes other, more complicated considerations some courts had relied on to determine a corporation’s citizenship, such as where a corporation’s actual business activities and assets are located, or its sources of revenue. As a result, parties should now be able to more easily predict whether a federal court is a proper venue on the basis of diversity jurisdiction, and there should be less litigation over a corporation’s citizenship.

For more information, contact John Jo at 919.821.6636, jjo@smithlaw.com, Heather Adams at 919.821.6708, hadams@smithlaw.com or the Smith Anderson lawyer with whom you have a relationship.

**SMITH, ANDERSON, BLOUNT, DORSETT,
MITCHELL & JERNIGAN, L.L.P.**

Offices:

2500 Wachovia Capitol Center Raleigh, North Carolina 27601

Mailing Address:

Post Office Box 2611 Raleigh, North Carolina 27602

Telephone: 919.821.1220 **Facsimile:** 919.821.6800

Email: info@smithlaw.com **Website:** www.smithlaw.com

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