

APPELLATE**MICHIGAN SUPREME COURT CLARIFIES THAT DISTRICT COURT JURISDICTION IS DETERMINED BY LOOKING AT THE "AMOUNT IN CONTROVERSY" AT THE TIME OF THE COMPLAINT**

by Phillip J. DeRosier

Michigan district courts have exclusive subject-matter jurisdiction over civil actions when the "amount in controversy" does not exceed \$25,000. So what happens if a plaintiff files a lawsuit in district court seeking damages "not in excess of \$25,000," but then presents proofs at trial demonstrating more than \$25,000 in damages? Does that affect the "amount in controversy" for purposes of the district court's jurisdiction? In the recent case of *Hodge v State Farm Mutual Automobile Insurance Co*, the Michigan Supreme Court said "no."

The Facts

The plaintiff in *Hodge* suffered serious injuries after being struck by a car. She filed a lawsuit against State Farm in district court seeking no-fault benefits, including "medical expenses, lost wages, and attendant-care needs." Although Hodge's complaint alleged that she sought damages "not in excess of \$25,000," it became apparent during discovery that Hodge would be presenting proofs at trial greatly exceeding that amount. As it turns out, that was precisely the case. At trial, Hodge presented "proof of injuries exceeding \$25,000, including more than \$150,000 in attendant-care services alone." The jury awarded Hodge \$85,957, which the district court reduced to the jurisdictional limit of \$25,000.

State Farm appealed to the circuit court, arguing that the district court lacked jurisdiction, and "capping Hodge's recovery at \$25,000 could not cure the defect." The circuit court agreed and reversed the district court's judgment. The court of appeals affirmed, reasoning that "although the district court's jurisdiction will most often be determined by reviewing the amount of damages or injuries a party claims in his or her pleadings," the district court was "divested of jurisdiction when the 'pretrial discovery answers, the arguments of [Hodge's] counsel before trial and the presentation of evidence at trial,' pointed to damages in excess of \$25,000."

The Supreme Court's Decision

The Michigan Supreme Court, however, reversed. The supreme court began by observing that although a district court "may not award damages" in excess of \$25,000, the question before the court was whether the district court lacked jurisdiction to enter a judgment in any amount once it became apparent that Hodge would be requesting damages in excess of \$25,000. The court held that the district court properly exercised discretion because Hodge's complaint expressly sought damages "not in excess of \$25,000." The court explained that although the statute governing district court jurisdiction (MCL 600.8301) did not define "amount in controversy," the "ancient"

common-law rule is that the "amount in controversy" requirement is determined "by reference to the pleadings." Moreover, the rule applies "even if the plaintiff presented proof of damages, or the jury returned a verdict, exceeding the court's jurisdictional limit."

The supreme court acknowledged the potential for "artful pleading" by a plaintiff who intentionally limits his or her damages in order to bring a lawsuit in district court, but concluded that "absent a finding of bad faith," jurisdiction should be "determined based on the amount alleged in the pleadings." The court reasoned that the plaintiff's complaint is not only "a straightforward measure of the court's jurisdiction," but that "its accompanying limit on recovery should deter fully-informed plaintiffs from too-readily seeking to litigate a more valuable claim in district court."

In a concurring opinion, Justice Steven Markman identified circumstances under which "bad faith pleading" might warrant dismissal for lack of jurisdiction. According to the concurrence, "a plaintiff pleads in bad faith by pleading an amount in controversy with an intention to present evidence and argument-- i.e., to litigate that case-- in a manner inconsistent with that amount." The concurrence suggested that because bad faith is not ordinarily going to be apparent at the time the complaint is filed, "jurisdiction may be questioned 'at any stage of the proceeding,' and when the circumstances clearly demonstrate that jurisdiction has been obtained by a pleading in bad faith, the case must be dismissed."

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