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COURT PRESERVES CLASS-ACTION DEFENDANT'S RIGHT TO FEDERAL FORUM

(Standard Fire Insurance Co. v. Knowles)

U.S. Supreme Court

In an important case for the business community, the U.S. Supreme Court clarified that a single named plaintiff cannot avoid CAFA removal jurisdiction in a putative class action merely by stipulating to damages below the jurisdictional threshold.

The decision was a victory for the Washington Legal Foundation (WLF), which submitted a brief in *Standard Fire Insurance Company v. Knowles* arguing that the Eighth Circuit's novel approach to federal jurisdiction threatened to eviscerate the important protections CAFA affords to class action defendants and absent class members alike. WLF filed its brief on its own behalf and on behalf of its clients, the Allied Educational Foundation and the International Association of Defense Counsel.

“By rejecting a single named plaintiff's attempt to defeat federal jurisdiction with a unilateral damages stipulation, the decision below protects the rights of absent class members, whose right to a full recovery would otherwise be limited by a stipulation they neither knew about nor consented to,” said WLF Senior Litigation Counsel Cory Andrews after reading the Court's opinion. “The Court's holding also squares with congressional intent, by preserving a class-action defendant's statutorily protected right to defend the action in federal court,” Andrews said.

The case arose from a putative class action brought by a plaintiff in Arkansas state court, alleging that Standard Fire Insurance Co. breached a homeowner insurance contract by underpaying certain repair claims for hail damage to the plaintiff's home. The plaintiff sought to represent a class comprising all similarly situated Arkansan policy holders who received payments from Standard Fire for physical loss or damage to their dwelling. The plaintiff's complaint included a sworn stipulation promising, purportedly on behalf of the entire class, not to seek damages in excess of \$5 million (the jurisdictional threshold for federal removal under CAFA).

Although Standard Fire timely removed the action to federal court, and that court initially conceded that Standard Fire had met its burden of establishing, by a preponderance of the evidence, the \$5 million jurisdictional threshold, the district court nonetheless remanded the case to state court, concluding that the plaintiff's damages stipulation established to a “legal certainty” that the requisite amount in controversy had

not been satisfied.

In its opinion reversing the appeals court and instructing it to vacate the district court's remand order, the Supreme Court agreed with WLF that that a named plaintiff is not yet authorized to represent absent class members, much less to limit their right to a full monetary recovery, before certification of the class. Accordingly, a single named plaintiff's amount-in-controversy stipulation cannot possibly bind absent class members for the sole purpose of defeating removal in a putative class action. Such an approach to removal jurisdiction in class actions, as WLF argued in its brief, would not only undermine CAFA's primary goal of federal jurisdiction, it would undercut the rights of absent class members whose rights to recovery are said to be curtailed by the stipulation.

WLF is a public interest law and policy center with supporters in all 50 States. WLF devotes a substantial portion of its resources to defending the right of class-action defendants to have their disputes resolved in a federal forum.

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For further information, contact WLF Senior Counsel Cory Andrews, 202-588-0302. A copy of WLF's brief is posted on its web site, www.wlf.org.