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Construction Litigation Jurisdiction in Federal Court or State Court

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In the context of construction litigation, a question may arise whether a matter should be initiated in state court or federal court. Each Court might have jurisdiction to hear the matter under several different theories. Discussed below are the principal manners in which it is determined whether a state court or federal court has jurisdiction to hear a dispute.

In general, if the case involves a federal construction project, then the state court does not possess jurisdiction to hear the dispute. This may involve a Federal Miller Act claim, as well as other federal claims pursuant to which the federal courts would have exclusive jurisdiction to hear the dispute. These matters cannot be initiated in state court.

The other way in which federal court may have jurisdiction to hear a matter is if there is complete diversity amongst the parties in the matter and the amount in dispute exceeds \$75,000. It should be noted that while an action can be commenced in federal court if the amount exceeds \$75,000, and there is complete diversity amongst all the parties, these same type of actions can often time could be filed in state court instead.

With regard to state court jurisdiction, if the matter does not involve a federal cause of action, state court will have jurisdiction to hear almost any dispute amongst contractors. In fact, if the matter involves a state project or municipal project, state court is often the preferred venue.

Additionally, if both parties work in the state in which the dispute is centered, then in that event, federal court would not have jurisdiction to hear the dispute unless it involved a federal construction project or a federal cause of action.

During the course of litigation, a party may seek to remove a matter to federal court even though it is initially filed in state court. That typically would not occur unless it involved a federal cause of action, or if the above criteria with regard to diversity of citizenship, and the value of the claim is applicable.

At times, a contractor has the ability of whether to choose to file in state court or federal court. The parties should carefully consider which court best meets their needs, provides the best possible remedy, and would be the most cost-effective.

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