

*Americold Realty Trust v. ConAgra Foods, Inc.*, No. 14-1382

Today, the Supreme Court held that, for purposes of diversity jurisdiction, an unincorporated legal entity has the citizenship of its members (including its shareholders)—even if the entity is labeled a “trust.”

Federal courts have jurisdiction over controversies between “citizens” of different States. 28 U.S.C. § 1332(a)(1). For purposes of diversity jurisdiction, a corporation is considered a citizen of the State in which it is incorporated and the State in which its principal place of business is located. 28 U.S.C. § 1332(c). The Supreme Court has long held that an unincorporated legal entity, such as a joint-stock company or a legal partnership, is a citizen of every State in which any of its members are citizens. *Carden v. Arkoma Associates*, 494 U.S. 185, 195-96 (1990). On the other hand, a traditional trust, which can sue and be sued only in the name of its trustee, has the trustee’s citizenship. See *Navarro Savings Assn. v. Lee*, 446 U. S. 458 (1980). Many states, however, have created new statutory entities such as real estate investment trusts (REITs) that carry the trust name but may share few, if any, characteristics with traditional trusts.

Today’s decision originated as a contract dispute involving Americold Realty Trust, a REIT organized under Maryland law. Several corporations sued Americold in Kansas state court. Americold removed the case to the Kansas federal district court, which accepted jurisdiction and resolved the dispute in favor of Americold. The Tenth Circuit reversed, holding that Americold’s citizenship must be determined by considering the citizenship of all of its “members,” which included, at minimum, its shareholders. Because there was no evidence in the record of those shareholders’ citizenship, the Tenth Circuit held that the parties had failed to demonstrate that the district court had jurisdiction over the case.

A unanimous Supreme Court affirmed in a decision authored by Justice Sotomayor. The Court first addressed its “rule linking unincorporated entities with their ‘members.’” In prior cases, the Court identified the members of a joint-stock company as its shareholders and the members of a partnership as its partners. The Court noted that Americold’s shareholders have ownership and voting interests like a joint-stock company’s shareholders or a partnership’s partners. Therefore, the Court held that Americold’s “members” include its shareholders.

The Court next rejected the argument that any entity called a “trust” automatically has only the citizenship of its trustees. Traditionally, a trust was considered a “fiduciary relationship” between multiple people and could not be haled into court separately; thus, legal proceedings involving a trust were brought by or against trustees in their own name. In recent decades, however, States have given the “trust” label to a variety of unincorporated business entities. But the Court held that the label was not dispositive. Under Maryland law, a REIT is a “separate legal entity” the shareholders of which, the Court concluded, “appear to be in the same position as the shareholders of a joint-stock company or the partners of a limited partnership.” Thus, the Court held, Americold has the citizenship of its members, including its shareholders.

Today’s decision will be of particular interest to the financial industry, affecting a wide variety of unincorporated entities that are denominated “trusts,” such as REITs and residential mortgage-backed securities trusts, as well as any litigant that might prefer a federal forum for actions involving such entities. The decision will make it more difficult to bring cases involving investment trusts and unincorporated entities into federal court, given the need to demonstrate the citizenship of all of the entity’s shareholders and to show that their citizenship does not overlap with the citizenship of any of the adverse parties.

Any questions about this case should be directed to [Donald M. Falk](#) (+1 650 331 2030) in our Palo Alto office.