

**SHORING UP THE “DOCTRINAL WALL” OF *CHAPMAN*
V. BARNEY: IN SUPPORT OF THE AGGREGATE
APPROACH TO LIMITED LIABILITY COMPANY
CITIZENSHIP FOR PURPOSES OF FEDERAL DIVERSITY
JURISDICTION**

SCOTT M. RICKARD*

I. INTRODUCTION

zenship from the plaintiff *Oregon* corporation. The lower court, therefore, never had subject matter jurisdiction to hear the case.¹

As the above scenario suggests, in actions predicated upon federal diversity jurisdiction, proper analysis and classification of a business organization's citizenship is crucial to the determination of whether relief may be available in a federal forum. But what is the citizenship of a particular business organization for purposes of diversity jurisdiction? Under current federal statute and historical jurisprudence, the answer is plain: A corporation is regarded as a citizen of both its state of incorporation and the state of its principal place of business,² while the citizenships of unincorporated business associations are determined by the state citizenships of each of their individual members.³

This distinction between corporations and all other unincorporated business associations finds its roots in the 1889 case of *Chapman v Barney*,⁴ and serves as a "doctrinal wall"⁵ that silently guards the entrance to our federal court system. This doctrine of incorpora-

one-Tc-a-qile

-1.1(is) 13J-1.93J-oM.) Bness org 521288 ion'sityc(a)0.8(s)nrsl.5(i)-4.5(on

federal district court, invoking diversity jurisdiction.⁷ Defendant Carden moved to dismiss for lack of subject matter jurisdiction, and argued that complete diversity was absent because one of Arkoma's limited partners was a citizen of Louisiana.⁸ The district court denied the motion,⁹

increasingly reached the courts, judges have wrestled with the classification of these new beasts for diversity purposes, often questioning whether a LLC is more akin to a corporation, and thus entitled to entity citizenship, or more like a partnership, which requires an examination of member citizenship in the aggregate. Tellingly, all courts faced with the issue of LLC citizenship for federal diversity jurisdiction purposes have relied on the decision in *Carden* to support an aggregate approach to LLC citizenship.¹⁵

This Comment advocates steadfast adherence to the “doctrinal wall” of *Chapman v. Barney*. Part II briefly reviews the historical treatment of corporations and unincorporated associations for purposes of diversity jurisdiction. Part III identifies and analyzes the aggregate and entity functional factors of limited liability companies. Part IV seeks to rebut recent arguments that call for a wholesale entity approach to LLC citizenship in the diversity jurisdictional analysis. The Comment concludes that arguments in favor of extending corporate citizenship to LLCs are unpersuasive, and courts and Congress should continue to analyze LLC citizenship in the aggregate.

Limited Liability Companies (LLC): Is the LLC Liability Shield Holding Up Under Judicial Scrutiny?, 35 NEW ENG. L. REV. 177 (2000); Robert J. Tribeck, *Cracking the Doctrinal Wall of Chapman v. Barney: A New Diversity Test for Limited Partnerships and Limited Liability Companies*, 5 WIDENER J. PUB. L. 89 (1995).

15. See *infra* note **Error! Bookmark not defined.** (listing cases involving citizenship of LLCs for diversity jurisdiction purposes).