

Syllabus

NOTE: Where it is feasible, a syllabus (headnote) will be released, as is being done in connection with this case, at the time the opinion is issued. The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States v. Detroit Timber & Lumber Co.*, 200 U. S. 321, 337.

SUPREME COURT OF THE UNITED STATES

Syllabus

**JPMORGAN CHASE BANK *v.* TRAFFIC STREAM (BVI)
INFRASTRUCTURE LTD.****CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR
THE SECOND CIRCUIT**

No. 01–651. Argued April 17, 2002—Decided June 10, 2002

Respondent Traffic Stream (BVI) Infrastructure Ltd. is a corporation organized under the laws of the British Virgin Islands (BVI), an Overseas Territory of the United Kingdom. In 1998, petitioner, then known as Chase Manhattan Bank, agreed to finance some Traffic Stream ventures, with the contract to be governed by New York law and with Traffic Stream agreeing to submit to the jurisdiction of federal courts in Manhattan. Chase subsequently sued Traffic Stream for defaulting on its obligations. The District Court for the Southern District of New York found subject-matter jurisdiction under the alienage diversity statute, 28 U. S. C. §1332(a)(2)—which gives district courts jurisdiction over civil actions where the controversy, *inter alia*, is “between citizens of a State and citizens or subjects of a foreign state”—and granted Chase summary judgment. In reversing, the Second Circuit found that, because Traffic Stream was a citizen of an Overseas Territory and not an independent foreign state, jurisdiction was lacking.

Held: A corporation organized under the laws of the BVI is a “citize[n] or subjec[t] of a foreign state” for the purposes of alienage diversity jurisdiction. Pp. 2–11.

(a) A corporation of a foreign state is deemed that state’s subject for jurisdiction purposes. *Steamship Co. v. Tugman*, 106 U. S. 118, 121. Although Traffic Stream was organized under BVI law and the BVI is unrecognized by the United States Executive Branch as an independent foreign state, this Court has never held that the requisite status as citizen or subject must be held directly from a formally recognized state, as distinct from that state’s legal dependency; and any such distinction would be entirely beside the point of the alienage ju-

Syllabus

isdiction statute. Pp. 2–3.

(b) The BVI Constitution was established by the Crown of the United Kingdom. The United Kingdom exercises pervasive authority over the BVI, *e.g.*, the Queen may annul any BVI statute and make laws for the BVI. The Crown’s representatives have imposed laws and international obligations on the BVI. In a practical sense, then, the statutes permitting incorporation in the BVI are enacted in the exercise of the United Kingdom’s political authority, and it seems fair to regard a BVI company as a citizen or subject of this ultimate political authority. Pp. 4–5.

(c) Whether, as the Second Circuit posits, the relationship between the United Kingdom and its territories is too attenuated for that state to be viewed as a governing authority for §1332(a)(2) purposes depends upon the statute’s objective. The state courts’ penchant before and after the Revolution to disrupt international relations and discourage foreign investment led directly to the alienage jurisdiction provided by Article III of the Constitution. The First Congress granted federal courts such jurisdiction, and the statute was amended in 1875 to track Article III’s language. The similarity of §1332(a)(2) to Article III thus bespeaks a shared purpose. The relationship between the BVI’s powers over corporations and the sources of those powers in Crown and Parliament places the United Kingdom well within the range of concern that Article III and §1332(a)(2) address. It exercises ultimate authority over the BVI’s statutory law and responsibility for the BVI’s external relations. Pp. 5–8.

(d) Two flaws defeat Traffic Stream’s alternative argument that, because the United Kingdom does not recognize BVI residents as citizens or subjects, and because corporations are legally nothing more than a collection of shareholders residing in the corporation’s jurisdiction, Traffic Stream is not a citizen or subject under the alienage diversity statute. First, its outdated notion that corporate citizenship derives from natural persons has long since been replaced by the conception of corporations as independent legal entities. Second, it fails to recognize that jurisdictional analysis under United States law is not governed by United Kingdom law. Traffic Stream’s status under United Kingdom law does not disqualify it from being a citizen or subject under the domestic statute at issue. Section 1332(a)(2) has no room for the suggestion that members of a polity, under a sovereign’s authority, do not qualify as “subjects” merely because they enjoy fewer rights than other members do. Because Traffic Stream concedes that BVI citizens are “nationals” of the United Kingdom, it is immaterial that United Kingdom law may provide different rights of abode for individuals in the territories. Pp. 9–11.

251 F. 3d 334, reversed.

SOUTER, J., delivered the opinion for a unanimous Court.