

UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF
ALABAMA, EASTERN DIVISION

Hsi-Sheng Lee, et al. v. Harris McKay Company, Inc., et al.

Lee v. Harris McKay · No. 1:25-cv-640-CLM · Decided March 2, 2026

SUMMARY

The United States District Court for the Northern District of Alabama grants the plaintiffs’ motion to remand an insurance dispute removed on diversity grounds. The court holds that the resident insurance agency defendant was not fraudulently joined because the complaint and supporting materials showed a possibility of a viable Alabama breach-of-contract claim based on an agreement to procure insurance. The court declines to award remand-related costs and attorney’s fees and directs the Clerk to remand and close the case.

CASE DETAILS

COURT	United States District Court for the Northern District of Alabama, Eastern Division
WRITING FOR THE COURT	Corey Maze
JURISDICTION	United States District Court for the Northern District of Alabama, Eastern Division
DECIDED	March 2, 2026
DOCKET	1:25-cv-640-CLM
DISPOSITION	remanded
PROCEDURAL POSTURE	Plaintiffs moved to remand an insurance-related action removed from Alabama state court on the basis of diversity jurisdiction. The court considered whether the nondiverse defendants had been fraudulently joined.
STANDARD OF REVIEW	On a motion to remand involving alleged fraudulent joinder, the removing party bears a heavy burden to show either no possibility that the plaintiff can establish a cause of action against the resident defendant or fraudulent pleading of jurisdictional facts. The court evaluates the pleadings at removal, supplemented by affidavits and deposition transcripts, views factual allegations in the plaintiff's favor, and resolves uncertainties in state law in favor of remand.

PRECEDENTIAL VALUE

Unpublished district court memorandum opinion; persuasive rather than precedential except as otherwise provided by applicable law.

TOPICS

subject matter jurisdiction

civil procedure

insurance

breach of contract

affirmative defenses

PRACTICE AREAS

Civil procedure

Insurance

Contracts

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Federal jurisdiction

QUESTIONS PRESENTED

1. Whether HMC and Findley were fraudulently joined so that their Alabama citizenship could be disregarded for diversity jurisdiction.
2. Whether the Lees' allegations and supporting affidavit established at least a possibility of a viable Alabama breach-of-contract claim against HMC based on an agreement to procure insurance.
3. Whether the asserted statute-of-limitations and contributory-negligence or duty-to-read defenses defeated the claim at the remand stage.

HOLDINGS

1. Under binding Eleventh Circuit precedent, fraudulent joinder exists only if the removing party proves either that there is no possibility the plaintiff can establish a cause of action against the resident defendant or that the plaintiff fraudulently pleaded jurisdictional facts. If there is even a possibility that a state court would find that the complaint states a cause of action against a resident defendant, joinder is proper and remand is required.
2. The Lees showed at least a possibility that an Alabama court would find a viable breach-of-contract claim against HMC for failing to procure insurance as agreed. The alleged procurement agreement, HMC's insurance proposal, and Hsi-Sheng Lee's affidavit were sufficient at the remand stage.
3. The asserted two-year statute of limitations and contributory-negligence or duty-to-read defenses did not establish that the Lees' breach-of-contract claim was nonviable as a matter of law.

KEY QUOTATIONS

“If there is even a possibility that a state court would find that the complaint states a cause of action against any one of the resident defendants, the federal court must find that joinder was proper and remand the case to state court.” (at 5)

“The court starts and ends with Count 1 because this court finds that, based on the record before it, there is a possibility that an Alabama state court judge would deny a motion to dismiss Count 1.” (at 9)

FACTUAL BACKGROUND

Hsi-Sheng Lee and Feng Chien Lee owned commercial property in Oxford, Alabama, where their restaurant had closed but where they continued to store inventory. They alleged that HMC and its agent, Steve Findley, agreed to procure insurance covering the property and represented that the policy would protect it despite the restaurant's closure. After theft, vandalism, and water damage occurred, St. Paul denied coverage under a vacancy provision. The Lees sued the insurer, HMC, and Findley in Alabama state court.

PROCEDURAL HISTORY

The Lees filed suit in the Circuit Court of Calhoun County, Alabama, asserting breach of contract, negligence, and misrepresentation claims against HMC, Findley, and St. Paul. St. Paul removed the action to the Northern District of Alabama, asserting diversity jurisdiction and fraudulent joinder of the Alabama defendants. The federal court granted the Lees' motion to remand because the pleadings and limited evidentiary record showed at least a possibility of a viable Alabama-law claim against HMC.

DISPOSITION

remanded

REMAND INSTRUCTIONS

The Clerk of Court was instructed by separate order to remand the case to the Circuit Court of Calhoun County, Alabama, and close the federal case.

CASES CITED

- University of South Alabama v. American Tobacco Co., 168 F.3d 405, 409-11 (11th Cir. 1999)
- Carden v. Arkoma Associates, 494 U.S. 185, 187 (1990)
- Palmer v. Hospital Authority, 22 F.3d 1559, 1564 (11th Cir. 1994)
- Leonard v. Enterprise Rent a Car, 279 F.3d 967 (11th Cir. 2002)
- Chesapeake & Ohio Railway Co. v. Cockrell, 232 U.S. 146 (1914)
- Alabama Great Southern Railroad Co. v. Thompson, 200 U.S. 206, 218 (1906)
- Louisville & Nashville Railroad Co. v. Wangelin, 132 U.S. 599 (1890)
- Alred v. Preferred Compounding Corp., No. 1:19-CV-1563-CLM, 2020 WL 429486, at *3 (N.D. Ala. Jan. 28, 2020)
- Wilson v. Republic Iron & Steel Co., 257 U.S. 92, 98-99 (1921)
- Hain Celestial Group, Inc. v. Palmquist, No. 24-724, 2026 WL 501733, at *9 (U.S. Feb. 24, 2026) (Thomas, J., concurring)
- Crowe v. Coleman, 113 F.3d 1536, 1538 (11th Cir. 1997)
- Parks v. The New York Times Co., 308 F.2d 474, 478 (5th Cir. 1962)
- Legg v. Wyeth, 428 F.3d 1317, 1322 (11th Cir. 2005)
- Cornett v. Johnson, 578 So. 2d 1259, 1262-63 (Ala. 1991)
- Alfa Life Insurance Corp. v. Colza, 159 So. 3d 1240, 1249 (Ala. 2014)

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