

Supreme Court Limits Scope for Suing Foreign Companies in the U.S.

On January 14, 2014, the U.S. Supreme Court ruled that a foreign company cannot automatically be sued in a State court if it has no clear links with that State, irrespective of the domestic activities of any related subsidiary, affiliate, contractor, or distributor. (A copy of the Court's opinion in *Daimler AG v. Bauman* can be found [here](#).)

This is a ruling of great importance to foreign corporations because it clarifies that they are not subject to a court's reach in the U.S. based solely on having a subsidiary present here, regardless of the size of the subsidiary's sales in the U.S. or the importance of its services to its foreign parent. Rather, general personal jurisdiction is appropriate only when the "corporation's affiliations with the State in which suit is brought are so constant and pervasive" that the corporation is "essentially at home in the forum State." Practically speaking, this means that a corporation—and its foreign parent, if the acts of the subsidiary may be deemed imputable to it—will be amenable to general personal jurisdiction only in the state where it is incorporated and the state where it principally conducts its business.

Background

The case began in 2004, when twenty-two Argentinian residents filed suit in California Federal District Court against DaimlerChrysler Aktiengesellschaft (Daimler), a German public stock company that manufactures Mercedes-Benz vehicles. Their complaint alleges that Mercedes-Benz Argentina (MB Argentina), an Argentinian subsidiary of Daimler, collaborated with state security forces during Argentina's 1976–1983 "Dirty War" to kidnap, detain, torture, and kill certain MB Argentina workers, including the plaintiffs and their relatives.

Personal jurisdiction over Daimler was predicated on the California contacts of Mercedes-Benz USA, LLC (MBUSA), another Daimler subsidiary, incorporated in Delaware with its principal place of business in New Jersey. Even though their claims arose entirely outside California, the plaintiffs argued that Daimler could be sued in California "on any and all claims against it, wherever in the world the claims may arise" because MBUSA was Daimler's agent for jurisdictional purposes.

In advancing their jurisdictional argument, the plaintiffs noted that, unlike *specific jurisdiction*—which encompasses cases in which the suit

arises out of or relates to the defendant's activities within the forum state—*general jurisdiction* is much broader, and may be asserted over a foreign defendant for claims that have absolutely nothing to do with the defendant's connections with or activities in the state where that court sits. As traditionally understood in the United States legal system, general jurisdiction is exercisable when a foreign corporation's continuous corporate operations within a state are so substantial and of such a nature as to justify suit against it even on causes of action arising from dealings entirely distinct from those activities.

The Ninth Circuit Court of Appeals upheld the exercise of general jurisdiction, on the grounds that MBUSA conducted extensive business in California and that its activities could be imputed to Daimler.

Daimler appealed.

Supreme Court Decision

In rejecting the Ninth Circuit's expansive view of personal jurisdiction, the Supreme Court held that Daimler is not amenable to suit in California for injuries allegedly caused by conduct of MB Argentina that took place entirely outside the United States.

As noted by the Supreme Court, the Ninth Circuit's formulation of personal jurisdiction "appears to subject foreign corporations to general jurisdiction whenever they have an in-state

subsidiary or affiliate, an outcome that would sweep beyond even the 'sprawling view of general jurisdiction'" previously rejected by the Supreme Court. Rather, the paradigmatic forums for general jurisdiction of a corporation are the corporation's place of incorporation and principal place of business. In deciding questions of general jurisdiction, the relevant inquiry "is not whether a foreign corporation's in-forum contacts can be said to be in some sense 'continuous and systematic,' it is whether that corporation's 'affiliations with the State are so 'continuous and systematic' as to render [it] essentially at home in the forum State.'"

Because neither Daimler nor MBUSA is incorporated or has a principal place of business in California, and because "[i]f Daimler's California activities sufficed to allow adjudication of this Argentina-rooted case in California, the same global reach would presumably be available in every other State in which [Mercedes'] sales are sizable," the Court held that Daimler is not "at home" in California and cannot be sued there for injuries attributable to Daimler's Argentinian subsidiary's conduct in Argentina.

Acknowledging the transnational context of the lawsuit, the Court also recognized the need to pay heed to the "risks to international comity" posed by an expansive assertion of general jurisdiction, and noted that its

ruling harmonized with the jurisdictional approach taken in the European Union, and elsewhere.

Impact of the Decision

Bauman signals a new era in international business litigation in the United States, as would-be plaintiffs may no longer establish general jurisdiction over a foreign corporation in any state except those where the corporate defendant is incorporated or has its principal place of business. Foreign companies need no longer fear being swept up in the hitherto sprawling jurisdictional reach of the U.S. courts—and, importantly, its jury trials, punitive damages, and liberal pre-trial discovery—irrespective of any direct conduct or alleged wrongdoing by the foreign company in the forum state.

If you have any questions about this article, please contact:

Robert McHale, Esq.
R | McHale Law
9 West Broadway, Suite 422
Boston, MA 02127
Tel. 617.306.2183
Email: robert.mchale@rmchale.com



DISCLAIMER: The contents of this publication are not intended, and cannot be considered, as legal advice or opinion. The contents are intended for general informational purposes only, and you are urged to consult an attorney concerning your situation and any specific legal questions you may have.