

# One Minute Memo®



## Goodbye *International Shoe*: Supreme Court Deals Massive Blow to Plaintiffs With New Standard for General Jurisdiction

By Scott M. Pearson and Carrie P. Price

On January 14, 2014, the United States Supreme Court rewrote the test for general personal jurisdiction, holding that a defendant is subject to such jurisdiction only in the states where it is incorporated or has its principal place of business. *Daimler AG v. Bauman*, No. 11-965, 2014 WL 113486 (U.S. Jan. 14, 2014), effectively abrogating *International Shoe Co. v. Washington*, 326 U.S. 310, 318 (1945). Thus, a plaintiff no longer may sue a defendant in a state where it is not incorporated or headquartered by alleging that the defendant's contacts with that state are sufficiently "continuous and systematic" to make it fair to sue the defendant on any claim there. The case does not alter the test for specific jurisdiction, which allows defendants to be sued in states with connections to the claims at issue.

In *Daimler*, plaintiffs sued Daimler AG in California based on the alleged role of its indirect subsidiary, Mercedes-Benz Argentina, in human rights violations allegedly committed in Argentina between 1976 and 1983. Plaintiffs alleged that Daimler was subject to general personal jurisdiction in California based on the contacts of another subsidiary, Mercedes-Benz USA, LLC. It was undisputed that none of the underlying facts took place in California, and that no one was harmed in California. On these facts, the Court found that even if the U.S. subsidiary's California contacts were imputed to Daimler, it would be contrary to public policy and international comity to allow Daimler to be sued in any jurisdiction where its U.S. subsidiary had "sizable sales." Instead, out-of-state defendants should be permitted to "structure their primary conduct with some minimum assurance as to where that conduct will and will not render them liable to suit." *Daimler*, 2014 WL 113486 at \*12 (quoting *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 472 (1985)).

Although plaintiffs still may sue defendants in any state where they can establish specific jurisdiction, *Daimler* will significantly curtail forum-shopping because corporate defendants are now subject to general jurisdiction in only one or two states, not up to 50. This not only will reduce the chances of defendants having to defend cases in unfavorable venues, but it also should reduce the volume of jurisdictional motion practice, and with it the overall cost of litigation.

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