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Daimler AG v. Bauman: The Supreme Court Clarifies General (or “All-Purpose”) Personal Jurisdiction Over Corporations, Both Foreign and Domestic

On January 14, 2014, the United States Supreme Court decided *Daimler AG v. Bauman*, which considered whether a corporation domiciled abroad can be subject to general personal jurisdiction in a U.S. court based on the activities of the foreign corporation’s U.S. subsidiary. A defendant over which a court has general jurisdiction can be subject to suit in that court on any claim, even those claims that are unrelated to the defendant’s activities in the forum state.

The Supreme Court, in a unanimous decision by Justice Ruth Bader Ginsburg (with Justice Sonia Sotomayor concurring in the judgment), held that it violates due process for a court to exercise general personal jurisdiction over a corporation that is not “at home” in the forum state. A corporation, the Court explained, is not “at home” all over the country or the world. It is “at home”—and therefore subject to general jurisdiction—where it is incorporated, where it has its principal place of business, and perhaps in other limited circumstances left open by the opinion.

The decision has important implications for foreign and domestic corporations alike. Although the decision does not answer some questions, it severely restricts plaintiffs from asserting that a corporation not incorporated, or with its principal place of business, in the forum state can be sued there on claims unrelated to that company’s activities in the forum state.

Issue Before the Court

In *Daimler AG*, a group of Argentine residents sued DaimlerChrysler Aktiengesellschaft (“Daimler”) in the U.S. District Court for the Northern District of California. The plaintiffs alleged that Daimler’s Argentinian subsidiary, Mercedes-Benz Argentina, collaborated with government security forces during Argentina’s “Dirty War” to commit human-rights violations against employees of Mercedes-Benz Argentina. The plaintiffs sued under the Alien Tort Statute (“ATS”) and the Torture Victim Protection Act (“TVPA”).

The plaintiffs argued that the court had general personal jurisdiction over Daimler based on the contacts with California of another Daimler subsidiary—Mercedes-Benz USA, LLC (“MBUSA”), a Delaware corporation with its principal place of business in New Jersey. Daimler did not challenge the plaintiffs’ assertion that courts in California would have general personal jurisdiction over MBUSA. The district court granted Daimler’s motion to dismiss the case for lack of personal jurisdiction.

The U.S. Court of Appeals for the Ninth Circuit reversed the district court’s decision. The Ninth Circuit held that MBUSA was Daimler’s agent for jurisdictional purposes, that MBUSA’s California contacts—which were sufficient to subject MBUSA to general jurisdiction in California—were imputed to Daimler, and that therefore courts in California also had general jurisdiction over Daimler. To determine whether MBUSA was Daimler’s agent for purposes of personal jurisdiction, the Ninth Circuit considered whether the subsidiary performed services so important to the foreign parent that the parent would do them itself if the subsidiary did not exist.

The Supreme Court's Decision

The Court noted that it had never decided “whether a foreign corporation may be subjected to a court’s general jurisdiction based on the contacts of its in-state subsidiary.” And, although the Court has approved agency as a means to establish *specific* jurisdiction (that is, personal jurisdiction in a suit relating to the defendant’s activities in, or contacts with, the state), it has never approved agency as a theory to establish general jurisdiction.

The Ninth Circuit's Agency Standard

The Court rejected as too broad the Ninth Circuit’s view of agency for jurisdictional purposes, explaining that the Ninth Circuit’s standard “appears to subject foreign corporations to general jurisdiction whenever they have an in-state subsidiary or affiliate.” The Court declined, however, to decide what an appropriate test for agency would be. Instead, it held that “[e]ven if we were to assume that MBUSA is at home in California, and further to assume MBUSA’s contacts are imputable to Daimler, there still would be no basis to subject Daimler to general jurisdiction in California, for Daimler’s slim contacts with the State hardly render it at home there.”

Definition of “At Home”

Citing the Court’s 2011 decision in *Goodyear Dunlop Tires Operations, S. A. v. Brown*, the Court explained that “only a limited set of affiliations with a forum will render a defendant amenable to all-purpose [or general] jurisdiction there.” For a corporation, place of incorporation and principal place of business are the paradigmatic affiliations. Other contacts or activities with the forum state might be sufficient, but they would need to be so continuous and systematic as to render the corporation “essentially at home” in the forum state. In an important footnote, the Court noted that “[g]eneral jurisdiction...calls for an appraisal of a corporation’s activities in their entirety, nationwide and worldwide. A corporation that operates in many places can scarcely be deemed to be at home in all of them.”

Daimler was not incorporated in California and did not have its principal place of business there; its only imputed contacts to California were MBUSA’s sales. The Court held that Daimler was not subject to general jurisdiction in every state in which MBUSA had substantial sales.

International Comity

Notably, the Court criticized the Ninth Circuit’s ruling because it “paid little heed to the risks to international comity its expansive view of general jurisdiction posed.” The Court noted that, under two of its recent decisions, the plaintiffs’ claims under the ATS and TVPA were likely barred by the presumption against extraterritorial application of U.S. statutes, which undermined the Ninth Circuit’s reasoning that the United States had a strong interest in the case. In addition, the Court noted that other nations, such as the members of the European Union, take a more limited view of personal jurisdiction over corporations.

The Court therefore held that “[c]onsiderations of international rapport...reinforce [the] determination that subjecting Daimler to the general jurisdiction of courts in California would not accord with the ‘fair play and substantial justice’ due process demands.”

Impact of the Decision

Non-U.S. companies are rightly cautious about the jurisdictional reach of U.S. courts (and the jury trials, punitive damages, and extensive pre-trial discovery that are part of the U.S. system), and often seek to avoid direct contacts with the United States to limit exposure to suits here. And other countries often express concerns—rooted in sovereignty and comity—about U.S. adjudication of disputes with little or no connection to the United States. The Court’s *Daimler* decision shows sensitivity to both foreign companies’ need for predictability and foreign sovereigns’ complaints about expansive U.S. jurisdiction.

Under the *Daimler* decision, even if a U.S. subsidiary’s contacts with a U.S. jurisdiction are extensive enough to render the subsidiary “at home” in the forum state, those contacts alone are insufficient to subject its foreign parent company to general jurisdiction in that forum. In order for the court to have general jurisdiction over the parent company, the parent must have its own independent affiliations with the forum state extensive enough to render it “at home” there. And a corporation that is incorporated and has its principal place of business elsewhere will not be subject to general jurisdiction in a state, absent some comparable hallmarks of being “at home” in that state. In other words, corporations—whether foreign or domestic—are not “at home” everywhere they do significant business.

In addition, the international context of disputes—including whether other sovereign nations with an interest in the dispute would object to U.S. jurisdiction—is relevant to determining the reach of U.S. personal jurisdiction.

But the decision does leave some open questions, including:

- Beyond incorporation and principal place of business in the forum state, what other contacts or activities (if any) will render a corporation at home and therefore subject to general jurisdiction?

- Is agency foreclosed in all cases as a means to establish general jurisdiction?
- Can a foreign corporation be subject to general jurisdiction in a state where its subsidiary is “at home” based on the theory that the subsidiary is the parent’s alter ego?
- Is the international context of a dispute relevant to evaluating specific jurisdiction over a foreign defendant, or only to general jurisdiction?

These questions will likely need to be addressed in future cases.

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For more information about the impact of the *Daimler* decision or international dispute resolution, please contact the authors.

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