

SCOTUS: *Daimler v. Bauman*:
Supreme Court Clarifies and Curtails General Jurisdiction

In *Daimler AG v. Bauman* the Supreme Court of the United States recently reiterated that courts may only exercise “general jurisdiction” over a foreign or out-of-state corporation when that corporation’s contacts with the forum state “are so ‘continuous and systematic’ as to render it essentially at home” there.¹ In all but “exceptional case[s]” this test will likely be satisfied only if the forum State is where the defendant is incorporated or has its principal place of business.²

I. Background and procedural history

In 2004 Argentinian and Chilean citizens sued Daimler AG, a German carmaker headquartered in Germany, in the United States District Court for the North District of California. The plaintiffs alleged violations of the Alien Tort Statute and the Torture Victims Protection Act by Daimler’s Argentinian subsidiary. Plaintiffs argued the California federal court had jurisdiction over Daimler because Daimler was “present” in California because (1) of its own contacts in California, and (2) its American subsidiary, Mercedes-Benz USA, LLC (“MBUSA”), had substantial contacts in California.³ The relationship between Daimler and MBUSA was governed by a written agreement that indicated MBUSA, which sold Daimler’s vehicles in the United States, was an independent contractor and had “no authority to make binding obligations for or act on behalf of” Daimler.⁴

Daimler moved to dismiss for want of personal jurisdiction. The district court granted Daimler’s motion, because Daimler’s affiliations with California were “insufficient to support the exercise of all-purpose jurisdiction over the corporation.” The District Court did not exercise general jurisdiction over Daimler because of MBUSA’s contacts, declining “to attribute MBUSA’s California contacts to Daimler on an agency theory.” A Ninth Circuit panel initially affirmed but, after granting rehearing, reversed the District Court. The Court of Appeals held that MBUSA’s contacts with California could be imputed to its German parent on an agency theory. Over the dissent of eight judges, the full Court of Appeals denied *en banc* review.⁵

II. SCOTUS declines to rule on the agency theory as a basis for general jurisdiction

The Supreme Court reversed the Court of Appeals. The Court noted that the Ninth Circuit’s application of the agency theory “stacks the deck” against corporate defendants, would permit general jurisdiction over a parent company whenever it has an in-state subsidiary or affiliate, and would yield “an outcome that would sweep beyond even the ‘sprawling view of general jurisdiction’ we rejected in *Goodyear [Dunlop Tires Operations, S.A. v. Brown]*. 564 U.S., at ---, 131 S.Ct., at 2856.” The Court concluded that “we need not pass judgment on invocation of an agency theory in the context of general jurisdiction, for in no event can the appeals court’s analysis be sustained.”⁶

¹ *Daimler AG v. Bauman*, No. 11-965, slip op. at 18-21 (Jan. 14, 2014), available at http://www.supremecourt.gov/opinions/13pdf/11-965_1qm2.pdf.

² *See id.* at 20 n.19.

³ MBUSA was incorporated in Delaware, had its principal place of business in New Jersey, and sold a number of Daimler vehicles to independent dealers in California.

⁴ *See id.* at 3-4.

⁵ *See id.* at 5-6; *see also Bauman v. DaimlerChrysler Corp.*, 676 F.3d 774 (9th Cir. 2011).

⁶ *See id.* at 16-17.

III. “General Jurisdiction” test looks to whether a corporation is “at home” in the forum state

The Court also distinguished its case law governing personal jurisdiction over an out-of-state corporate defendant, carefully explaining the two categories of personal jurisdiction: “specific” and “general.”

A court has “specific jurisdiction” over an out-of-state corporate defendant when “the commission of some single or occasional acts of the corporate agent in the state” is the basis of the lawsuit. Jurisdiction can be found in such cases “in which the suit ‘arises out of or relates to the defendant’s contacts with the forum.’”⁷ The Court explained by way of example: “[I]f a California plaintiff, injured in a California accident involving a Daimler-manufactured vehicle, sued Daimler in California court alleging that the vehicle was defectively designed,” the California court would have “specific” personal jurisdiction over Daimler. That is because the suit would arise out of Daimler’s contacts with California.⁸

In contrast, “general,” all-purpose jurisdiction confers jurisdiction over an out-of-state corporate defendant regardless of whether the lawsuit has any connection to the defendant’s contacts with the forum State. A court may have “general jurisdiction” over an out-of-state defendant when its “affiliations with the State are so ‘continuous and systematic’ as to render it essentially at home in the forum State.”⁹ The Court reiterated “that only a limited set of affiliations with a forum will render a defendant amenable to all-purpose jurisdiction” in a State. For “a corporation, the place of incorporation and principal place of business are paradigm bases for general jurisdiction.”¹⁰ The test is narrow because of considerations of fairness and predictability: “General 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 at home in all of them.”¹¹

The contacts necessary to render a defendant “at home” in a forum state are “[t]hose affiliations [that] have the virtue of being unique—that is, each ordinarily indicates only one place—as well as easily ascertainable.”¹² The Court left room for the “exceptional case” where “a corporation’s operations in a forum other than its formal place of incorporation or principal place of business may be so substantial and of such a nature as to render the corporation at home in that State.”¹³

The Court then applied this test to the lawsuit at hand. Even accepting that all of MBUSA’s contacts with California could be imputed to Daimler, and that those contacts would be enough to subject *MBUSA* to general jurisdiction in California, the Court held that a California court could not exercise general jurisdiction over Daimler. Noting that general jurisdiction is limited in order to ensure fairness to out-of-state defendants, the Court

⁷ See *id.* at 7-8 (brackets in original omitted).

⁸ *Id.* at 8 n.5.

⁹ *Id.* at 20 (brackets in original omitted).

¹⁰ *Id.* at 18-19 (brackets and ellipsis in original omitted).

¹¹ See *id.* at 21 n.20.

¹² *Id.* at 19.

¹³ *Id.* at 20 n.19. The Court suggested that *Perkins v. Benguet Consolidated Mining Co.*, 342 U.S. 437 (1952), was the type of exceptional case it had in mind. See *Daimler*, slip op. at 10 (*Perkins* “remains the textbook case of general jurisdiction appropriately exercised over a foreign corporation that has not consented to suit in the forum”). In *Perkins*, the defendant “was a company incorporated under the laws of the Philippines, where it operated gold and silver mines. [It] ceased its mining operations during the Japanese occupation of the Philippines in World War II; its president moved to Ohio, where he kept an office, maintained the company’s files, and oversaw the company’s activities.” The Court “held that the Ohio courts could exercise general jurisdiction over [the defendant] without offending due process.” *Id.*

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reasoned that permitting California to exercise general jurisdiction over Daimler would allow any other State where MBUSA has substantial sales to also exercise general jurisdiction over Daimler. “Such exorbitant exercises of all-purpose jurisdiction would scarcely permit out-of-state defendants ‘to structure their primary conduct with some minimum assurance as to where that conduct will and will not render them liable to suit.’”¹⁴ Therefore, *Daimler* considerably limits the number of places where a corporate defendant conducting substantial business in numerous places may fairly be regarded as “at home.”

In addition, the Court noted that “international comity” should be considered in cases involving multinational companies. The Court emphasized the importance of looking at a company’s global operations and determining whether it can fairly be at home in a forum state. Noting concerns for American foreign policy business interests abroad, the Court concluded that “[c]onsiderations of international rapport thus reinforce our 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.”¹⁵

IV. Conclusions: The key takeaway from Daimler is a prescribed test for general jurisdiction

An out-of-state corporation’s affiliations with a forum State must be “so ‘continuous and systematic’ as to render them essentially at home in the forum State.” In all but “exceptional case[s]” the test will probably only be satisfied if the forum State is either “the place of incorporation [or the] principal place of business” for the defendant.

The Court noted that for some time now “specific jurisdiction has become the centerpiece of modern jurisdiction theory, while general jurisdiction has played a reduced role.”¹⁶ *Daimler* will no doubt enhance that approach.

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If you have any questions about the issues addressed in this memorandum or if you would like a copy of any of the materials mentioned, please do not hesitate to call or email Susan Buckley at 212.701.3862 or sbuckley@cahill.com; Charles A. Gilman at 212.701.3403 or cgilman@cahill.com; Jon Mark at 212.701.3100 or jmark@cahill.com; John Schuster at 212.701.3323 or jschuster@cahill.com; or Guillaume Buell at 212.701.3012 or gbuell@cahill.com.

¹⁴ *Id.* at 21.

¹⁵ *Id.* at 22-23.

¹⁶ *See id.* at 9 (internal quotation marks omitted).