

Everyone's Favorite Legal Issue

The Changing Jurisdictional Effect Of State Business Registration Statutes



By: Norman H. Pentelovitch.

The law of personal jurisdiction is dry and technical, and therefore so is this article. Boring as it may be, the requirement that a court have personal jurisdiction over a party ensures that lawsuits are only brought in jurisdictions where the parties have some connection. Plaintiffs in Minnesota have long benefited from the Minnesota Supreme Court and Eighth Circuit's interpretations that the state business registration statute conveys a broad form of jurisdiction over companies registered here. See *Rykoff-Sexton, Inc. v. Am. Appraisal Assocs., Inc.*, 469 N.W.2d 88, 90-91 (Minn. 1991); *Knowlton v. Allied Van Lines, Inc.*, 900 F.2d 1196, 1199-1200 (8th Cir. 1990) (construing Minn. Stat. §303.13, subd. 1(1)). Nationally, however, an emerging trend is limiting such expansive exercises of jurisdiction, and recent conflicting decisions from district courts within the Eighth Circuit suggest that the law may be ripe for reinterpretation.

The U.S. Supreme Court has long held that there are two types of personal jurisdiction: general and specific. Early opinions regarding general personal jurisdiction

focused on whether a defendant had "continuous corporate operations within a state" that were "so substantial and of such a nature as to justify suit against it on causes of action arising from dealings entirely distinct from those activities." *International Shoe Co. v. Washington*, 326 U.S. 310, 318 (1945). By comparison, specific personal jurisdiction requires that the jurisdictional nexus arise out of contacts with the forum, and typically limits claims only to harms arising from that particular conduct. *Id.*

A trio of recent U.S. Supreme Court decisions has progressively narrowed the application of general personal jurisdiction. See *BNSF Ry. Co. v. Tyrrell*, No. 16-405 (Slip Op. May 30, 2017); *Daimler AG v. Bauman*, 134 S. Ct. 746 (2014); *Goodyear Dunlop Tire Operations, S.A. v. Brown*, 564 U.S. 915 (2011). These modern interpretations of the scope of general personal jurisdiction allow a lawsuit only where a company can be fairly said to be at "home," absent exceptional circumstances. *Id.* This trend marks a clear preference by the U.S. Supreme Court to limit the ability of corporations to be sued in states where they have few contacts.

A third category of jurisdiction frequently relied on to hale a defendant into court is "consent" to suit via state business registration statutes. Whether a business registration statute can be an independent basis for an exercise of general personal jurisdiction has not been directly addressed by the U.S. Supreme Court's recent decisions. Instead, the interaction between general personal jurisdiction and business registration statutes has been left to state and lower federal courts, with conflicting results.

The most recent decision on this issue in Minnesota federal court relies on the traditional standard that registering to do business in the state confers general personal jurisdiction. In *Ally Bank v. Lenox Fin.*

Mortgage Corp., the district court held that *Knowlton* still controls because *Daimler* did not specifically address the limits of a party's ability to consent to personal jurisdiction. 2017 WL 830391, *3 (D. Minn. Mar. 2, 2017). But other district courts in the Eighth Circuit have changed their interpretation of the law, finding that state business registration statutes do not provide a basis for the exercise of general personal jurisdiction. See *MacCormack v. Adel Wiggins Grp.*, 2017 WL 1426009, at *4 (E.D. Mo. Apr. 21, 2017) (quoting *State ex rel Norfolk S. Ry. Co. v. Dolan*, 512 S.W.3d 41, 52-53 (Mo. 2017)), *reh'g denied* (Apr. 4, 2017). Decisions in this vein seem to align with the overall direction the U.S. Supreme Court has taken recently, creating more stringent requirements for parties to be subjected to general personal jurisdiction.

Though the question of whether general personal jurisdiction can still be based on state registration statutes has not yet been decided by the U.S. Supreme Court, the issue is being closely watched by corporations with a national presence. A U.S. Supreme Court decision limiting the jurisdictional effects of "consent" statutes could mean more predictable, and potentially more convenient, forums for litigation in the future. In Minnesota, the law is ripe for review based on the vintage of the controlling precedent, and because district courts within the Eighth Circuit appear to be divided on how the law should be interpreted in light of recent U.S. Supreme Court decisions.

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