

Client Alert

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Supreme Court Again Tightens Jurisdictional Requirements for Claims Against Out-of-State Defendants

On Monday, the United States Supreme Court announced important constitutional limitations on state courts' ability to exercise specific jurisdiction over nonresidents' claims against out-of-state defendants. The Court's nearly unanimous decision in *Bristol-Myers v. Superior Court*, 582 U.S. ____ (2017) has potentially far-reaching implications for companies facing claims brought by nonresident and resident plaintiffs in states in which those companies are neither incorporated nor maintain their principal place of business. In holding that mere joinder of nonresident plaintiffs' claims with those of resident plaintiffs does not permit a state court to exercise specific jurisdiction over an out-of-state defendant, the Court's decision is the latest in a trend of important personal jurisdiction decisions rendered by the high court in recent years which provide companies with significant constitutional protections in terms of where plaintiffs may force companies to litigate.

In *Bristol-Myers*, 678 plaintiffs filed suit in California state court, alleging various personal injury and fraud claims involving a drug manufactured by the defendant. Of the 678 plaintiffs, 86 were California residents and the remaining 592 plaintiffs were residents of 33 other states. Bristol-Myers Squibb (BMS) objected to the exercise of personal jurisdiction over it with respect to the nonresident plaintiffs' claims. The United States Supreme Court held that California's exercise of jurisdiction violated BMS's due process rights. Writing for the Court, Justice Alito criticized the California Supreme Court's "sliding-scale" approach to specific jurisdiction, calling it "a loose and spurious form of general jurisdiction." According to the Court, the fact that California residents had brought similar—if not identical—claims together with the nonresidents' claims cannot be dispositive over whether the court had jurisdiction with respect to the specific nonresident claims at issue. Because the nonresidents' claims had no connection to the general conduct in which BMS engaged in the state of California, the state court could not constitutionally use those connections to justify its exercise of specific jurisdiction over BMS.

The Court rejected the plaintiffs' argument that its ruling would limit the ability of plaintiffs to recover against corporations for alleged negligence, pointing out that claims involving nationwide plaintiffs like class actions or mass joinders may still be brought against corporations where they are subject to general jurisdiction as outlined in *Daimler AG v. Bauman*, 571 U.S. ____, 134 S.Ct. 746 (2014).

Justice Sotomayor authored the lone dissent in *Bristol-Myers*, writing that she believed there was nothing unfair about requiring corporations engaging in nationwide conduct to answer in a single state court for identical claims brought by resident and nonresident plaintiffs together in one action. She also warned that the Court's decision invited piecemeal litigation across the country and could effectively limit the ability of plaintiffs with relatively low-value claims to aggregate their claims against defendants resident in different states.

For companies that find themselves named as defendants in state court lawsuits brought by nonresident and resident plaintiffs alike, Monday's *Bristol-Myers* opinion affords critical protection against violations of their due process rights. The opinion has the potential to significantly restrict where companies will be forced to litigate class actions and mass joinder cases, limiting plaintiffs' ability to "forum-shop" for plaintiff-friendly venues which have no connection to the underlying suit. It also potentially expands the number of forums in which defendants may have to litigate by limiting plaintiffs' ability to consolidate the

claims of many individual plaintiffs into a single action in a single forum. Importantly, the Court left open the question of whether the Fifth Amendment likewise places limits on the exercise of personal jurisdiction over similar multiplaintiff claims brought in federal courts.

In fact, that effect is already being felt. Mere hours after the Supreme Court issued its opinion in *Bristol-Myers*, a state court in Missouri declared a mistrial in an ongoing talc-exposure trial, on the basis that the defendant likely was not subject to personal jurisdiction in light of the new case. That is likely a harbinger of many such decisions to follow.

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