

An investor from State A purchased a house in State B for \$300,000 and immediately rented it out. Shortly thereafter, a company incorporated and headquartered in State B sued the investor in a federal court in State B for breaching a shareholder's agreement. The investor signed and allegedly breached the agreement in State C and was served with process at his home in State A. The company sought to attach the investor's house in State B to satisfy any judgment in case the investor could not pay. The investor moved to dismiss the suit for lack of personal jurisdiction.

State B has a long-arm statute that gives its courts personal jurisdiction over property located within the state.

Is the court likely to grant the investor's motion?

- A. No, because State B's long-arm statute establishes personal jurisdiction.
- B. No, because the presence of the house in State B confers personal jurisdiction over the investor.
- C. Yes, because ownership of property cannot establish minimum contacts.
- D. Yes, because the company's claim is unrelated to the investor's ownership of the house.

## Explanation:

**Personal jurisdiction** refers to a court's authority over the parties or property before it. A federal district court has the same personal jurisdiction as the courts of the state in which it is located. Therefore, a federal district court can use the forum state's long-arm statute to acquire personal jurisdiction over an out-of-state defendant—so long as the exercise of personal jurisdiction comports with **due process**. This constitutional requirement is met when:

- the plaintiff's claim arises from the defendant's minimum contacts with the state *and*
- the exercise of jurisdiction complies with notions of fair play and substantial justice.\*

A defendant's ownership of **property** in the forum state **establishes minimum contacts** in an **action related to that property**—ie, in rem and quasi in rem type 1 actions (**Choice C**). However, this does *not* establish minimum contacts in an **action unrelated to that property**—ie, a quasi in rem type 2 action in which the property is attached to satisfy a judgment against the defendant.

Here, the company sued the investor and attached his house in State B to satisfy any judgment. The house cannot serve as the basis for minimum contacts since this suit for breach of a shareholder's agreement is unrelated to the house. And there is no indication that the investor has any other contacts with State B since he resides in State A and the agreement was signed and allegedly breached in State C (**Choice B**). Therefore, the court will likely grant the investor's motion.

\*Due process is also satisfied if the defendant consented to jurisdiction or was served with process within the forum state.

(**Choice A**) State B's long-arm statute gives state and federal courts in State B personal jurisdiction over property in the state. But since the investor lacks minimum contacts with State B, using the long-arm statute would violate due process.

## Educational objective:

Property located within the state can establish the minimum contacts necessary for personal jurisdiction if the property is *related* to the dispute—ie, in rem or quasi in rem type 1 action. However, minimum contacts are not established if the property is *unrelated* to the plaintiff's claim—ie, quasi in rem type 2 action.

## References

- Shaffer v. Heitner, 433 U.S. 186, 212 (1977) (holding that personal jurisdiction over an out-of-state defendant must always satisfy the minimum contacts requirement).

### Types of action for personal jurisdiction

