Shaffer v. Heitner: A New Attitude toward State Court Jurisdiction

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SHOFFER v. HEITNER: A NEW ATTITUDE TOWARD STATE COURT JURISDICTION

In overruling Swift v. Tyson, 16 Pet. 1, Erie R. Co. v. Tompkins did not merely overrule a venerable case. It overruled a particular way of looking at law which dominated the judicial process long after its inadequacies had been laid bare.

Justice Felix Frankfurter in Guaranty Trust v. York

INTRODUCTION

Mr. Justice Frankfurter's observation is equally suited to the overruling of the century-old case, Pennoyer v. Neff, by the recent decision in Shaffer v. Heitner. Shaffer ended not only Pennoyer's reign, but also a jurisdictional perspective which rested on the distinction between in personam and in rem jurisdiction and the concept of a state's sovereignty over property within its borders. The basis of the Pennoyer doctrine was the concept that a state had authority over all persons and property within its territory, and no authority whatsoever outside its territorial limits. Modifying previous theory slightly, Pennoyer be-

2. 95 U.S. 714 (1877).
4. The concepts of in personam and in rem jurisdiction are found in the earliest American decisions; their basis before that is unknown. Other notions basic to Pennoyer, such as the exclusivity of each state's jurisdiction, are taken from the work of Justice Story and his application of European concepts of national sovereignty. These principles were popular in the early years of the United States because of sharp conflict between states and their intention to remain distinct legal and political entities. See generally Hazard, A General Theory of State-Court Jurisdiction, 1965 Sup. Ct. Rev. 241 [hereinafter cited as Hazard].
5. In the Pennoyer opinion, Justice Field noted the necessity for a state to determine certain status questions involving its own citizens. For example, a state has the authority to determine the validity of the marriage of one of its citizens, regardless of
came the standard, prescribing all state jurisdictional procedures until, in 1945, *International Shoe v. Washington* delineated a new test for in personam actions. Since that time, *Pennoyer* has continued to serve as the paradigm for in rem proceedings.7

The variety of litigants and the diverse situations naturally found in a civil system created a complex framework around the basic doctrine. The most oblique of these developments was the evolution of quasi in rem theory, which allowed the seizure of a nonresident’s property in order to satisfy a claim unrelated to that property.8 In certain applications, the theory is valid; for example, where a party goes into seclusion or moves out of state to avoid creditors and the jurisdiction of the courts, seizure of any property remaining in the state is a fair method of satisfying valid claims against him. A state has the right and duty to provide its residents with a remedy for debts where the debtor is conspicuously absent and refuses to submit himself to the forum for a court determination of his liability.9

Nevertheless, the commercial complexities of the twentieth century provided an opportunity for severe abuse of the procedure. Intangible obligations,10 contingent debts,11 even non-transferable interests12

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7. See generally Hazard, supra note 4. The Supreme Court’s generic use of the term, “in rem” includes quasi in rem proceedings. See Hanson v. Denckla, 357 U.S. 235 (1958); Shaffer v. Heitner, 97 S. Ct. at 2577-78 n.17.
9. The *Shaffer* Court indicated that evasive debtors could be policed adequately through current in personam theories. The Court noted first that the state could attach the property while awaiting judgment in the proper forum, citing North Georgia Finishing, Inc. v. Di-Chem, Inc., 419 U.S. 601 (1975); Mitchell v. W.T. Grant Co., 416 U.S. 663 (1974); Puentes v. Shevin, 407 U.S. 67 (1972); and Snidach v. Family Fin. Corp., 395 U.S. 337 (1969). The Court proposed that the debtor who seeks to avoid judgment by removing his property to another jurisdiction could be thwarted by the full faith and credit clause of the Constitution, art. IV, §1, which allows enforcement in other states of any valid judgment obtained in the forum state. 97 S. Ct. at 2583 n.35 & 36. See note 55 infra. See also Hazard, supra note 4, at 266-67.
10. Intangibles are those holdings which have no intrinsic value, but which represent a property interest. Examples are stock certificates, bonds, promissory notes, and insurance policies. See Von Mehren & Trautman, *Jurisdiction to Adjudicate: A Suggested Analysis*, 79 Harv. L. Rev. 1121, 1156-59 (1966) [hereinafter cited as Von Mehren & Trautman]. See also New York Life Ins. Co. v. Dunlevy, 241 U.S. 518 (1916); Harris v. Balk, 198 U.S. 215 (1905).
11. Contingent debts are those conditioned on the occurrence of some future event which is not certain to occur. See note 42 infra and accompanying text.
12. See note 42 infra and accompanying text.
became a valid basis for quasi in rem jurisdiction in cases where the defendant's relation to the forum state was nil. The abuse reached its critical point in the facts of *Shaffer*, and resulted in the abandonment of the *Pennoyer* theory for the more viable "minimum contacts" standard of *International Shoe*. As indicated in the opening quote, this change signifies more than the mere replacement of *Pennoyer* with a more modern standard, or a single enlargement of minimum contacts' application. It expresses the adoption of a new attitude toward state court jurisdiction; the Court has de-emphasized the importance of the res in the realization that no matter what the object of the litigation, the subject is always the determination of personal rights.

After analyzing the *Shaffer* decision, this note will discuss its effect on in rem and quasi in rem actions, and the possible backlash by state courts reacting to a limitation on their jurisdiction. It will conclude with an examination of the minimum contacts test and the possibility of its modification in light of the recent decision.

I. THE *SHAFFER v. HEITNER* DECISION

A. The Facts

On May 22, 1974, Mark Heitner filed a shareholder's derivative action. The plaintiff was a minor and was represented in the action by his father, Arnold Heitner. Both were citizens of New York State.
suit in the Court of Chancery for New Castle County, Delaware, naming as defendants Greyhound Corporation, its wholly owned subsidiary, Greyhound Lines, Inc., and twenty-eight present or former officers or directors of the corporations. The parent company, Greyhound, was incorporated under the laws of Delaware with its principal place of business in Arizona. Greyhound Lines, Inc., was incorporated in California and also had Arizona as its principal place of business. The complaint alleged that the individual defendants had conducted operations in Oregon that resulted in successful civil antitrust and criminal contempt actions against the parent and the subsidiary. The plaintiff's standing was based on his ownership of one share of Greyhound stock.

Plaintiff Heitner was not a citizen of Delaware. He apparently chose his forum on the basis of Greyhound's incorporation there, and on the availability of Delaware's sequestration statute which would compel defendants' appearance in that state. In accordance with Delaware procedure, plaintiff filed a motion for an order of sequestration, designating the res as all shares of Greyhound stock and options thereon belonging to any of the individual defendants. The sequestrator then seized approximately 82,000 shares of Greyhound common

16. Mt. Hood Stages, Inc. v. Greyhound Corp., 555 F.2d 687 (9th Cir. 1977). Plaintiffs were awarded $13,146,090 plus attorneys' fees in the treble damage antitrust action.
17. United States v. Greyhound Corp., 508 F.2d 529 (7th Cir. 1974). Fines of $100,000 and $500,000 respectively, were levied against Greyhound Corp. and its wholly-owned subsidiary Greyhound Lines.
18. See note 15 supra.
19. DEL. CODE tit. 10, § 366(a) (1974) which provides:

   If it appears in any complaint filed in the Court of Chancery that the defendant or any one or more of the defendants is a nonresident of the State, the Court may make an order directing such nonresident defendant or defendants to appear by a day certain to be designated. . . . The Court may compel the appearance of the defendant by the seizure of all or any part of his property, which property may be sold under the order of the Court to pay the demand of the plaintiff, if the defendant does not appear or otherwise defaults. Any defendant whose property shall have been so seized and who shall have entered a general appearance in the cause may, upon notice to the plaintiff, petition the Court for an order releasing such property or any part thereof from the seizure.

21. After the sequestration petition is filed, the plaintiff must offer an affidavit stating that the individual defendants are nonresidents of Delaware. Both the plaintiff and the sequestrator, see note 22 infra, must then file $1,000 bonds to assure their compliance with court orders. See Folk & Moyer, supra note 8, at 754-57.
22. The court-appointed sequestrator serves the notice of sequestration and a copy of the court's order on the resident agent of the corporation. In Shaffer, as in most
stock belonging to nineteen of the defendants and options belonging to two others, the total value of which was over $1.2 million. Apparently, none of the certificates representing the stock was physically present in Delaware; nonetheless it was deemed situated there by state statute.

The twenty-one defendants whose property was seized made a special appearance to challenge jurisdiction, maintaining that the ex parte sequestration procedure denied them the procedural safeguards required under Sniadach v. Family Finance Corp., and related cases. Defendants also disputed jurisdiction on the basis that the minimum contacts requirement of International Shoe was applicable. These arguments failed to sway the Court of Chancery, or, on appeal, the Delaware Supreme Court. The trial court emphasized the quasi in rem nature of the proceeding and the inapplicability of defendants’ procedural safeguards argument. Moreover, the Delaware Supreme Court specifically noted at the outset that although the constitutional issues raised in Sniadach were involved, International Shoe and the minimum contacts test were not relevant because the proceeding was quasi in rem. Ironically, the United States Supreme Court utilized a reciprocal analysis in its reversal of the Delaware decision: Since Delaware jurisdiction failed to meet the minimum contacts standard, it was unnecessary to consider the Sniadach-procedural safeguards problem.

cases, the notice is accompanied by a stop-transfer order which prohibits the corporation from recognizing any transfer of the shares of record pending further notification from the sequestrator or the court. See Folk & Moyer, supra note 8, at 755.

23. 97 S. Ct. at 2574 n.7.
24. Id. at 2574. That seven of the named defendants escaped Delaware’s jurisdiction was an important factor in the Court’s conclusion. See note 71 infra and accompanying text.
25. DEL. CODE tit. 8, § 169 (1974) provides:
   For all purposes of title, action, attachment, garnishment and jurisdiction of all courts held in this State, but not for the purpose of taxation, the situs of ownership of the capital stock of all corporations existing under the laws of this State, whether organized under this chapter or otherwise, shall be regarded as in this State.
27. Defendants’ due process arguments were founded on Supreme Court pronouncements that invalidated the garnishment of wages without notice and an opportunity to be heard, Id., and the repossession of chattels without a hearing, Fuentes v. Shevin, 407 U.S. 67 (1972). See also Mitchell v. W.T. Grant Co., 416 U.S. 600 (1974).
30. Id. at 229.
B. The Decision

Mr. Justice Marshall delivered the 7-1 opinion for the court. Before addressing the questions at bar, the Court examined the history and development of state court jurisdiction and noted the dissimilarity of the two theories upon which such jurisdiction could be based. As set forth in Pennoyer, all jurisdiction arises from the notion of state sovereignty over property and persons within the state. But in personam jurisdiction broke away from Pennoyer in a series of decisions that responded to increased individual mobility and to the growth of interstate corporate activity in twentieth century United States. Culminating in the rule announced in International Shoe, the concept of personal jurisdiction was to rest on the relationship between the defendant, the forum, and the litigation, rather than on the mutually exclusive sovereignty of each state. The new in personam concepts matured and,
with developments such as long arm statutes, state courts were able to extend their jurisdictional reach.

Meanwhile, in rem concepts were also expanding. *Harris v. Balk* had set forth the rule to be applied where the res was intangible; that the situs of the debt moved with the person of the debtor. Thus, if jurisdiction were obtained over the debtor, the debt could be seized and applied to a claim against the nonresident creditor. In spite of fair results on occasion, the *Harris* rule has been the target of much criticism, and has been applied only rarely in some jurisdictions. But the rule still survived until the *Shaffer* decision, and provided the groundwork for the series of cases initiated by *Seider v. Roth*. These cases, which reach what may be the extreme limits of quasi in rem application, approved the attachment of nonresident motorists’ liability policies to adjudicate claims arising from an out-of-state accident.

It is evident that the criteria by which we mark the boundary line between those activities which justify the submission of a corporation to suit, and those which do not, cannot be simply mechanical or quantitative. Whether due process is satisfied must depend rather upon the quality and nature of the activity in relation to the fair and orderly administration of laws which it was the purpose of the due process clause to insure. That clause does not contemplate that a state may make a binding judgment *in personam* against an individual or corporate defendant with which the state has no contacts, ties, or relations.

326 U.S. at 317, 319 (citations omitted).

35. *See* notes 92-99 *infra* and accompanying text.

36. 198 U.S. 215 (1905).

37. *See* note 10 *supra* for definition of intangibles.

38. *See* Folk & Moyer, supra note 8, at 779-95.


40. Oklahoma, for example, has invoked *Harris v. Balk* only once. *See* St. Louis & S.F.R. Co. v. Crews, 51 Okla. 144, 149, 151 P. 879, 881 (1915).


42. Citing the need to provide a local forum for its citizens, New York courts would "seize" the obligations of the insurance policies, disregarding the fact that they had not yet matured. The duty to defend the insured arose only when a lawsuit, including a valid assertion of jurisdiction, had been filed against the policy-holder. Furthermore, the defense fund was nontransferable, and thus could not be used to satisfy any award to the plaintiff. The duty to indemnify arose only after a judgment had been entered against the insured. In that neither of these "debts" existed before the suit commenced, basing jurisdiction on them has been labeled "an exercise in bootstrapping" by many commentators. *See* Seider v. Roth, 17 N.Y.2d 211, —, 216 N.E.2d 312, 315-17 (Burke, J., dissenting); Farrell v. Piedmont Aviation, Inc., 411 F.2d 812 (2d Cir. 1969); Min-
Typified by Seider-like situations, the development and continued use of the two distinct jurisdictional theories subjected defendants to extreme exposure in remote forums. Moreover, old in rem theories produced results inconsistent with the due process notions embodied in the newer in personam theory. Refuting the contention that a proceeding “against” property is distinct from a proceeding against the property’s owner, commentators have long suggested that in personam jurisdiction was sophisticated enough for states to rely on it entirely and abandon the concept of the res. But, in spite of voluminous disparagement of Pennoyer and its corollaries, in rem procedure was still popular in state courts, although exceptions had become more com-
Citing this increasing polarity between legal theorists and state court practices, and noting its own decisions questioning in rem procedure, the Court concluded it must reconsider the theory of state court jurisdiction to determine the propriety of Delaware's assertion of jurisdiction over Shaffer and his co-defendants. Accordingly, the Court resolved the questions at bar in a two-step analysis: First, an examination of the proposition that all jurisdiction should henceforth be governed by the standard of *International Shoe*. Second, an application of the new standard to the facts of *Shaffer*.

C. *International Shoe* as Governing Standard

The Court's acceptance of *International Shoe* as the test for in rem proceedings rested on its recognition that jurisdiction over a thing is nothing more than jurisdiction over the interests of persons in that thing. Once that premise is accepted, it follows that any action in rem must also satisfy the standard for jurisdiction over the persons who are interested in the res, and this standard is the minimum contacts test as set forth in *International Shoe*.

The Court was quick to note that most of the actions currently brought in rem would remain viable under the *International Shoe* standard. The presence of property in a state probably will be a sufficient link between a nonresident owner and the forum, especially where the property is itself the object of the controversy. Moreover,
the litigation need not concern ownership; it may relate to negligence claims, tax assessments, or other rights and duties arising from ownership. But, where the property is completely unrelated to the plaintiff's cause of action, jurisdiction would probably be denied under the minimum contacts test. Thus, the mere presence of property would no longer necessarily result in jurisdiction if International Shoe were to be applied.

The Court then turned to consider four arguments against the termination of in rem jurisdiction. First, in rem jurisdiction prevents a property owner from evading liability by placing his assets in a jurisdiction where he is not subject to an in personam action. The weakness of this argument is its failure to distinguish those who actually attempt to avoid their legal obligations from those who are nonresidents for other legitimate reasons. The Court pointed out that alternate procedures such as those available under the full faith and credit clause of the Constitution should provide sufficient control over the evasive landowner or debtor. Where a direct assertion of personal jurisdiction is constitutionally objectionable, an indirect assertion through the use of in rem concepts should be equally impermissible.

A second argument in favor of in rem jurisdiction is the 'security inherent in it as compared to the uncertainty of the minimum contacts test; a plaintiff can rely on the availability of a local forum if the defendant owns property within the state. The Court answered this ar-

52. See Davenport v. Ralph N. Peters & Co., 386 F.2d 199 (4th Cir. 1967); United States v. Balanovski, 236 F.2d 298 (2d Cir. 1956).
53. These other rights and duties include the enforcement of judicial liens, removal of clouds upon title, mortgages, establishments of trusts, and determination of rights to trust property or income. See Folk & Moyer, supra note 8, at 782-83.
54. 97 S. Ct. at 2583. See RESTATEMENT (SECOND) OF CONFLICT OF LAWS § 66, Comment a (1971).
55. U.S. Const. art. IV, § 1, provides in part: "Full Faith and Credit shall be given in each State to the public Acts, Records, and judicial Proceedings of every other State." From this, state B must honor any valid judgment in state A by reducing it to local judgment and enforcing it. See CONSTITUTION OF THE UNITED STATES OF AMERICA: AN ANALYSIS AND INTERPRETATION, S. Doc. No. 92-82, 92d Cong., 2d Sess. 793-829 (1972).
56. 97 S. Ct. at 2584. Because minimum contacts is a qualitative standard, see note supra, litigants cannot be certain jurisdiction exists until the court so determines. See

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gument by pointing out that the fairness standard of International Shoe would overcome this problem in most cases, and that if the certainty of in rem jurisdiction was gained at the price of "fair play and substantial justice," the cost was too great.

A third argument favoring retention of in rem jurisdiction was dispensed with in footnote. Conceding the fact that in rem jurisdiction had the advantage of limiting a defendant's potential liability to the value of the property seized, the Court countered that the size of the claim was unrelated to the question of fairness in subjecting a defendant to a state court's jurisdiction.

Finally, the Court addressed what may have been the biggest hurdle—the long history of jurisdiction based solely on the presence of property—the tradition itself. To the degree that the concept of the state as a quasi-sovereign polity is now further eroded, the Shaffer decision may prove a bitter pill for state courts to swallow. Nevertheless, the mandate is unmistakable. The Court concluded that in rem jurisdiction has outlived its usefulness. It is an "ancient form" which fails to recognize that an assertion of jurisdiction over property is

Folk & Moyer, supra note 8, at 767. In the instant case, Mr. Justice Powell argued for the retention of quasi in rem theory for some actions to insure a local forum. 97 S. Ct. at 2587.

57. 97 S. Ct. at 2584. See generally note 31 supra.
58. Id. But see 97 S. Ct. at 2587 (Powell, J., concurring).
59. Id. at 2582 n.23.
60. Cf. Fuentes v. Shevin, 407 U.S. 67, 88-90 (1971), in which the Court disallowed a claim that the defendants were not entitled to a hearing prior to the seizure of their stove, stereo, and other household goods because those items were not absolute necessities of life.

Also note that while in rem theory does limit recovery to the value of the res, the plaintiff is not thereafter barred from prosecuting another action based upon the same claim, if he can obtain in personam jurisdiction over the defendant. See Strand v. Halverson, 220 Iowa 1276, 264 N.W. 266 (1935); Note, Developments in the Law—Res Judicata, 65 Harv. L. Rev. 818, 834 (1952).

61. 97 S. Ct. at 2584. See note 4 supra.

62. There may be some disagreement as to just how far the Shaffer decision goes in eliminating old notions of in rem jurisdiction. Six of the eight justices participating agreed that "all assertions of state court jurisdiction must be evaluated according to the standards set forth in International Shoe and its progeny." 97 S. Ct. at 2584-85. See id. at 2588 for Justice Brennan's concurrence on this point. The Court, in footnote, then overruled inconsistent portions of Pennoyer, Harris v. Balk and any other prior decisions. Id. at 2585 n.39. Only Justices Powell and Stevens believed that quasi in rem concepts should be partially retained, and they so expressed in concurring opinions. Id. at 2587-88; thus there were no dissents to the future application in toto of International Shoe. Moreover, the Court made thirteen references to noted critics of in rem theory. Id. at 2581 (passim). Five of the seven sources noted favor International Shoe as the single standard. See notes 4, 8 & 14 supra. The voting, the language of the decision, and the commentaries cited all ordain International Shoe as the single jurisdictional standard. But see note 114 infra.
essentially an assertion of jurisdiction over the owner,\textsuperscript{63} and allows a practice that is fundamentally unfair to the defendant. As such, the Court reasoned, it must give way to a more modern concept consistent with current notions of fair play and substantial justice.

D. The New Test Applied

Now satisfied that the standard of \textit{International Shoe} would be appropriate for in rem proceedings, the Court shifted its focus to Delaware and the facts of \textit{Shaffer}. Delaware's jurisdiction had been based solely on the fiction that defendants' shareholdings in Greyhound Corporation constituted property holdings in the state, even though the certificates representing the shares were located elsewhere.\textsuperscript{64} Furthermore, the shares were neither the subject of the litigation nor related to the underlying cause of action.\textsuperscript{65} It was clear, therefore, that Delaware had only attempted to exert quasi in rem jurisdiction, which was now insufficient under \textit{International Shoe}.

The majority then considered an arguably extraneous question: whether Delaware had jurisdiction under the newly imposed minimum contacts standard of \textit{International Shoe}. They concluded that minimum contacts were lacking—an opinion labeled as “purely advisory” by the dissent.\textsuperscript{66} The majority justified its accessory decision by noting that in spite of the quasi in rem nature of the original action, the Delaware notice procedures would be sufficient to compel defendants' appearance if minimum contacts existed.\textsuperscript{67} Hence, the Court would now decide if they did, in fact, exist.

\textsuperscript{63} 97 S. Ct. at 2581. \textit{See also} note 49 \textit{supra} and accompanying text.

\textsuperscript{64} 97 S. Ct. at 2574. \textit{See notes} 24 & 25 \textit{supra} and accompanying text.

\textsuperscript{65} The initial lawsuit was an action for damages against the defendants for causing Greyhound to be involved in antitrust actions. \textit{See} notes 16 & 17 \textit{supra} and accompanying text. Most actions brought under Del. Code tit. 10, § 366 (1974) were unrelated to the sequestered property. \textit{See} Folk & Moyer, \textit{supra} note 8, at 784-89.


\textsuperscript{67} In accordance with Del. Code tit. 10, § 366 (1974), the court clerk sent each of the defendants a copy of the summons and complaint by certified mail; return receipts were received for at least 19 of the 28 defendants. This is sufficient notice for in personam jurisdiction under Mullane v. Central Hanover Bank & Trust Co., 339 U.S. 306 (1950). \textit{See} 97 S. Ct. at 2585 n.40.
In his appellee brief, Heitner contended that minimum contacts were present because appellants had availed themselves of the benefits and protection of the Delaware forum by incorporating there. He argued that this gave Delaware a strong interest in being able to exert jurisdiction to oversee the management of local corporations and to define the obligations of corporate officers and directors. However, the Court, looking to Delaware statutes, found no such interest expressed. The sequestration statute which was employed to assert jurisdiction could be used against any nonresident owning property in Delaware. Moreover, Delaware law failed to secure jurisdiction over corporate fiduciaries who did not own property in Delaware; in the instant case, seven of the defendants named in the original complaint escaped the Delaware court's authority because they owned no stock in Greyhound. The statutes' inability to reach all fiduciaries, and their lack of specific language revealing any such intent, indicated that the Delaware legislature perceived no strong interest in obtaining jurisdiction over corporations registered there.

Even if that interest were present, the Court continued, it must be determined that Delaware is a fair forum for the litigation. Heitner's reasoning proved at best that Delaware law should apply to any controversy over the actions of fiduciaries in their corporate capacities. The fact that a state's law is applicable is not a grant of jurisdiction; rather, jurisdiction must be predicated upon the acts of the defendants. To that end, appellee Heitner argued that the appellants

68. 97 S. Ct. at 2585.
70. DEL. CODE tit. 8, § 141(b) (Supp. 1976).
71. See 97 S. Ct. at 2585-86 & n.43.
72. See Folk & Moyer supra note 8, at 751-54 for a discussion of the statute's history. Note that DEL. CODE tit. 10, § 1341, see note 108 infra, replacing DEL. CODE tit. 10, § 366 (1974) specifically refers to the legislative intent to exercise jurisdiction over Delaware corporations and their officers and directors.
73. RESTATEMENT (SECOND) OF CONFLICT OF LAWS § 309 (1971) generally requires that the law of the state of incorporation be applied to actions concerning the liabilities of officers and directors to the corporation and its stockholders. Some states, however, are at variance. New York has held that its law governs corporations doing business in New York. See Schwarz v. Artcraft Silk Mills, 110 F.2d 465 (2d Cir. 1940); In re Burnett-Clarke, Ltd., 56 F.2d 744 (2d Cir. 1932). See also CAL. CORP. CODE § 2115 (West 1977).
74. Hanson v. Denckla, 357 U.S. 235 (1958), set forth the rule: "[I]t is essential in each case that there be some act by which the defendant purposely avails itself of the privilege of conducting activities within the forum State, thus invoking the benefits and protection of its laws." Id. at 253. See also International Shoe v. Washington, 326 U.S. 310, 319 (1945).
had acted affirmatively in accepting positions as officers and directors of a Delaware corporation, and had received substantial advantages under that state's law.\textsuperscript{76}

The Court disagreed. Again, this factor indicated only the applicability of Delaware law, not the suitability of Delaware as a forum. Appellants had done nothing to "purposely avail themselves of the privilege of conducting activities within the forum State."\textsuperscript{76} Because Delaware had not enacted a statute that treated acceptance of a directorship as consent to jurisdiction,\textsuperscript{77} defendants had no reason to expect the imposition of Delaware's authority by virtue of their relation to Greyhound Corporation. As to the ownership of Greyhound securities, the Court observed: "[i]t strains reason . . . to suggest that anyone buying securities in a corporation formed in Delaware 'impliedly consents' to subject himself to Delaware's . . . jurisdiction on any cause of action."\textsuperscript{78} And as appellants were not required to purchase securities in order to hold their jobs\textsuperscript{79}—seven did not—the purchase of securities should not deprive them of the right to be subjected only to the jurisdiction of those states with which they had minimum contacts.

Thus, the Court concluded that Delaware had no jurisdiction over Shaffer and his co-defendants under either quasi in rem or in personam theories. The statute that provided quasi in rem jurisdiction had been declared unconstitutional, and the ties between appellants, the litigation, and the forum were insufficient to establish the minimum contacts now necessary for jurisdiction.

\section*{II. Shaffer's Effect}
The full extent of the \textit{Shaffer} decision is, as yet, unclear. Nevertheless, several immediate points may be derived from the Court's language. Most actions formerly pursued in rem should still be viable under a minimum contacts standard. Surely, when the lawsuit con-

\textsuperscript{75} \textsc{Del. Code tit. 8, § 143} (1974) provides that employees and officers may receive interest-free, unsecured loans when, in the judgment of the directors, the loan may be reasonably expected to benefit the corporation. \textsc{Del. Code tit. 8, § 145} (1974 & Supp. 1976) allows for the indemnification, including legal expenses, of officers, directors, employees, or agents acting in a corporate capacity, and for insurance for any acts arising out of the relationship with the corporation which are not covered by the indemnity provisions.

\textsuperscript{76} Hanson v. Denckla, 357 U.S. 235, 253 (1958).

\textsuperscript{77} See, e.g., \textsc{Conn. Gen. Stat.} § 33-322 (1960); \textsc{N.C. Gen. Stat.} § 55-33 (1975); \textsc{S.C. Code} § 12-361 (1962).

\textsuperscript{78} 97 S. Ct. at 2586 (quoting Folk & Moyer, \textit{supra} note 8, at 785).

\textsuperscript{79} 97 S. Ct. at 2585-86; \textsc{Del. Code tit. 8, § 141(b)} (Supp. 1976).
cerns the actual ownership or control of local property, this will be true. Quasi in rem actions, however, will meet a divided fate. Where the plaintiff is attempting to enforce a duty or incident based upon the ownership of the property, but not the title itself, the court will no doubt have jurisdiction to resolve the dispute, even in the absence of the defendant, assuming that proper notice is provided.

On the other hand, those quasi in rem actions involving the attachment of local property of, or obligations owed to, a nonresident claimant appear to be invalid under Shaffer. Certainly those actions where local property is seized merely as the basis of jurisdiction are now impermissible. So, too, should the attachment of contingent liabilities and unattachable obligations now be defunct, although the Court did not specifically address these points in Shaffer.

The territorial aspect of quasi in rem theory will no doubt remain. Although the presence of property is no longer in itself a basis for jurisdiction, it may indicate that the defendant has availed himself of the benefit and protection of the laws of the forum sufficiently to justify the exercise of in personam jurisdiction. A second remnant of the theory may persist where the plaintiff can demonstrate the probable necessity of pre-judgment attachment of a nonresident's local property as surety for a judgment in plaintiff's favor.

80. See notes 50-53 supra and accompanying text. See also 97 S. Ct. at 2582.
81. Id.
82. See notes 44, 67 supra.
83. But see Justice Stevens's concurring opinion, in which he expresses uncertainty as to the reach of the Shaffer decision. 97 S. Ct. at 2588.
84. Id. at 2582-85. But see note 114 infra.
85. As in Seider v. Roth, 17 N.Y.2d 111, 216 N.E.2d 312 (1966), where New York compelled the appearance of a defendant, to face a claim arising from an accident there by attaching his insurance company's contingent obligation to indemnify him. The court was not swayed by the fact that the obligation arose only when a valid judgment had been levied. See notes 41 & 42 supra and accompanying text. But see note 114 infra.
86. See note 42 supra.
89. For the same reason that the qualitative minimum contacts test is uncertain (see note 56 supra), quasi in rem jurisdiction is reliable: if the res is within the territory of the court, jurisdiction exists. See Shaffer v. Heitner, 97 S. Ct. at 2587-88 (Powell, J. and Stevens, J., concurring). But see Hazard, supra note 4, at 252-62.
The fact that many of the actions formerly pursued under in rem or quasi in rem theories may still be brought upon alternative bases of jurisdiction, and the fact that certain types of attachment proceedings and other quasi in rem notions have been retained, might permit the conclusion that Shaffer has only partially replaced Pennoyer, leaving in rem and quasi in rem as valid, though somewhat diminished, jurisdictional concepts. This view, however, mistakes the correlation in results for equivalence of the theoretical components of each form of jurisdiction. It is simply that, in the Court's view, in personam "does not ignore the fact that the presence of property in a State may bear on the existence of jurisdiction by providing contacts among the forum State, the defendant, and the litigation." 90 Thus, although the situs of property remains a factor, it is applied from a different perspective. Further, the Court leaves no doubt as to what this perspective is, or when it must be applied: "We therefore conclude that all assertions of state court jurisdiction must be evaluated according to the standards set forth in International Shoe and its progeny." 91

III. STATE COURT BACKLASH

States will no doubt attempt to regain the jurisdictional ground lost in Shaffer, and a variety of approaches will be available to that end. Most obvious are the "long arm statutes" now in force in several states. 92 Originally enacted to subject nonresidents to local jurisdiction

90. 97 S. Ct. at 2582.
91. Id. at 2584. The Court added in a footnote that—to the extent they were inconsistent with Shaffer—Pennoyer, Harris v. Balk, and ensuing cases were now overruled. 97 S. Ct. at 2584 n.39.
for contracts made or acts done within the state, the statutes have been enlarged to encompass contract and tort claims against defendants who have never entered the state.

Illinois, the first state to enact a comprehensive long arm statute, included a provision which limited jurisdiction to causes of action growing out of the same acts upon which jurisdiction is based. Other states, including Oklahoma, have adopted similar limitations. Repeal of these sections would be the most obvious means of attempting to increase a state's jurisdictional power. While such revision might render the statutes unconstitutional, the argument can be made that minimum contacts arise from the defendant's activities in the forum, as enumerated in the statute, and once these are shown to exist, jurisdiction would exist over the nonresident defendant in relation to other, out of state, activities.

As with all legislation, long arm statutes are subject to judicial interpretation. One broad basis for exercising in personam jurisdiction which is found in several long arm statutes is that of "doing business

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93. See Currie, supra note 39, at 537.


96. The statute provides that: "Only causes of action arising from acts enumerated herein may be asserted against a defendant in an action in which jurisdiction over him is based on this Section." Ill. Rev. Stat. ch. 110, § 17(3) (1968).


99. In keeping with International Shoe and its progeny, Shaffer requires that a relationship exist among the defendant, the forum, and the litigation. 97 S. Ct. at 2580. Repeal of sections limiting jurisdiction to causes enumerated in the statute would remove the requirement of a relationship to the litigation, leaving the long arm statute arguably in violation of due process under International Shoe and Shaffer.

100. See Hazard, supra note 4, at 282, where the author suggests that ownership of tangibles would subject the nonresident owner to such an action.
within the state.”

“What is “doing business”?” How much business must be conducted? When will those acts be “within the state”? As post-Shaffer courts wrestle with these terms, they are likely to apply more liberal standards to nonresident defendants. Another provision of many long arm statutes is that jurisdiction may be asserted over the principal through the acts of his agent. Herein lies great potential for abuse in asserting jurisdiction over out-of-state deep pockets. Another possibility for creative judicial interpretation was noted in the Shaffer dissent: Delaware courts could decide that the legislative intent was to exert jurisdiction over defendants such as Shaffer, and this intent would best be served by the reinterpretation of its statute to permit jurisdiction based upon the quality of the contacts with the forum rather than upon quasi in rem seizure of stock. If not, Delaware may find it necessary to follow the crowd and adopt a long arm statute.

101. E.g., CAL. CIV. PROC. CODE § 416.10 (West 1973); ILL. REV. STAT. ch. 110, § 17(1)(a) (1968); KY. REV. STAT. § 271.610(2) (1972); MICH. COMP. LAWS § 600-711 (1968); N.M. STAT. ANN. § 21-3-6(b) (1970); OKLA. STAT. tit. 18, § 471 (1971); PA. STAT. ANN. tit. 15, § 2011(c) (Purdon Supp. 1971); WIS. STAT. § 262.06(1)(d) (1971).


103. See Currie, supra note 39, at 561-63.

104. That is, the existence of a principal-agent relationship may be found on tenuous grounds, in cases such as those involving independent insurance agents or self-employed truck drivers, in order to exercise jurisdiction over the assets of the insurance company or the party contracting with the independent driver.


106. See 97 S. Ct. at 2588 (Brennan, J., concurring and dissenting).

107. As noted in Justice Brennan’s dissent in Shaffer, Delaware used DEL. CODE tit. 10, § 366 instead of a long arm statute. 97 S. Ct. at 2588-89. To replace the now unconstitutional § 366, the Delaware legislature recently enacted DEL. CODE tit. 10, § 3114, reproduced in part below:

Service of Process on Non-resident Directors, Trustees or Members of the Governing Body of Delaware Corporations

(a) Every non-resident of this State who after September 1, 1977 accepts election or appointment as a director, trustee or member of the governing body of a corporation organized under the laws of this State or who after June 30, 1978 serves in such capacity and every resident of this State who so accepts election or appointment or serves in such capacity and thereafter removes his residence from this State shall, by such acceptance or by such service, be deemed thereby to have consented to the appointment of the registered agent of such corporation (or, if there is none, the Secretary of State) as his agent upon whom service of process may be made in all civil actions or proceedings brought in this State, by or on behalf of, or against such corporation, in which such director, trustee or member is a necessary or proper party, or in any action or proceeding against such director, trustee or member for violation of his duty in such capacity, whether or not he continues to serve as such director, trustee or member at the time the suit is commenced. Such acceptance or set-
In addition to long arm statutes, states will probably adopt other legislation designed to extend their jurisdiction. The Supreme Court noted the non-existence of two such statutes in the Shaffer case which could have authorized jurisdiction: the first would require directors of state-registered corporations to own stock, and the second would equate acceptance of a directorship with consent to jurisdiction. In addition, garnishment and sequestration statutes may need refinement to fill any jurisdictional voids created by Shaffer.

Expansion of Minimum Contracts

The minimum contacts test of International Shoe is now the sole standard for jurisdiction in state courts. By design, the test is inexact. Quality of contacts, rather than quantity, is the gauge, and this is the most likely area for post-Shaffer abuse by state courts reacting to a federal limitation on their power. Examples were already evident of vice as such director, trustee or member shall be a signification of the consent of such director, trustee or member that any process when so served shall be of the same legal force and validity as if served upon such director, trustee or member within this State and such appointment of the registered agent (or, if there is none, the Secretary of State) shall be irrevocable.

SYNOPSIS

The purpose and intent of this legislation is to fill a void in enforcement and interpretation of Delaware corporation laws created by the decision of the United States Supreme Court on June 24, 1977 in Schaffer v. Heitner [sic]. In that case the Court struck down 10 Del. C. § 366 which until now has frequently been the only means whereby nonresident corporate directors of Delaware Corporations could be brought before the courts of this State to answer for their conduct in managing the affairs of the corporation. Indeed, under 10 Del. C. § 366, the Courts of this State often provided the only forum where nonresident corporate directors of Delaware corporations from different states could be joined in the same lawsuit for such purposes. The Supreme Court did note that Delaware's interest in regulating the affairs of corporations governed by Delaware law could be promoted by enactment of a statute subjecting non-resident corporate directors to the jurisdiction of the Delaware courts. Delaware has a substantial interest in defining, regulating and enforcing the fiduciary obligations which directors of Delaware corporations owe to such corporations and the shareholders who elected them. In promoting that interest it is essential that Delaware afford a convenient and available forum for supervising the affairs of Delaware corporations and the conduct of the directors of Delaware corporations. This legislation is designed to accomplish that objective. The legislation is modeled after similar statutes in Connecticut, North Carolina and South Carolina, which were cited as examples by the Supreme Court in the Heitner case and in Michigan.

108. See generally Long Arm Wrestling, supra note 103.
109. 97 S. Ct. at 2586 n.43; DEL. CODE tit. 8, § 141(b) (Supp. 1976) does not require directors to be stockholders unless the corporation's articles of incorporation so require.
110. 97 S. Ct. at 2586-87. But see note 107, supra.
111. See notes 34 & 56 supra.
112. However, the vague principles of "quality of contacts" and "traditional notions of fair play and justice" may be a necessary evil. The courts have frequently had to
state courts overreaching their jurisdiction in the application of minimum contacts.\textsuperscript{113} Given the provocation of \textit{Shaffer}, it is likely that the limits of due process will be tested even further.\textsuperscript{114}

If such excesses and abuses of state court jurisdiction materialize and remain unchecked, the Supreme Court will have to redefine in personam jurisdiction, setting tighter limits and possibly imposing a more objective test than that now employed. On the other hand, the fact that a single standard now exists may homogenize our courts' perspectives on jurisdiction. A few postscripts to \textit{Shaffer} may be required, but now that the due process aberrations brought about by \textit{Pennoyer} and the concept of territorial jurisdiction are gone, a just and consistent jurisdictional standard should be attainable.

\section*{CONCLUSION}

Property remains an important factor in determining whether jurisdiction may be properly asserted. Its presence will furnish a substantial component in ascertaining the extent of the defendant's relationship to the forum. But jurisdiction is now admittedly over the person, not over the property; consequently, some cases will fail to meet the minimum contacts test even where property is physically present. It is important, therefore, to view the results of \textit{Shaffer v. Heitner} in the proper perspective—the inference that quasi in rem actions survive in their old form may lead to unconstitutional assertions of jurisdiction.

\textit{Paul George}


\textsuperscript{114} Due Process as applied in state courts may already be stretched to its limits. In \textit{O'Connor v. Lee-Hy Paving Corp.}, 437 F. Supp. 994 (E.D.N.Y. 1977), the court rendered a post-\textit{Shaffer} endorsement of the much criticized procedure used in \textit{Seider v. Roth}, 17 N.Y. 111, 216 N.E.2d 312 (1966). With the dubious distinction that \textit{Seider}-type actions are sui generis, and therefore not subject to the in personam-in rem classification, the court held that the attachment of insurance obligations remained viable. This was in spite of the language in \textit{Shaffer} that "all assertions of state court jurisdiction must be evaluated according to \textit{International Shoe} and its progeny." 97 S. Ct. at 2584-85. Moreover, \textit{Shaffer} appears to have overruled \textit{Harris v. Balk}, 198 U.S. 215 (1905), on which \textit{Seider} relied. \textit{Id.} at n.39.

In addition, the Oklahoma Supreme Court recently decided minimum contacts with foreign corporations were necessary only on contractual claims, and upheld the assertion of jurisdiction in a products liability case. \textit{Winston Ind. Inc. v. Oklahoma}, 540 P.2d 572 (Okla. 1977).