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COURT URGED TO PROTECT BUSINESSES FROM UNWARRANTED LAWSUITS

(Anschutz v. Superior Court)

The Washington Legal Foundation (WLF) this week urged the California Supreme Court not to permit out-of-state individuals and businesses to be sued in California based solely on the California activities of corporations in which they are shareholders.

In a brief filed in *Anschutz v. Superior Court*, WLF argued that no one should be liable for suit in a state with which he lacks minimum contacts, and that ownership of shares in a company is insufficient to establish such contacts. WLF asked the court to overturn a lower-court decision allowing a nonresident to be sued in California because he is a majority shareholder in several companies that do business in California. WLF filed the brief on behalf of itself and the National Association of Manufacturers.

"Having to go to a distant state to defend a lawsuit is a significant burden on any business," said WLF Chief Counsel Richard Samp after filing WLF's brief. "It is not fair to a business to require it to defend itself in a state in which it does not operate," Samp said.

The case involves a dispute between a Colorado businessman and the California State Teachers' Retirement System ("CalSTRS") over business dealings that had no connection with California. CalSTRS nonetheless filed suit against the businessman in California state court. The trial court agreed with CalSTRS that the businessman could be sued in California because, even though he did not conduct any business in California and even though the dispute between the parties did not arise there, the businessman is the majority owner of several corporations that do considerable business in the state.

stock), but also is totally unpredictable. WLF noted that the lower courts failed to explain what level of California business activity by a corporation would subject its shareholders and parent corporation to the jurisdiction of the California courts. Thus, businesses have no way of knowing how they can arrange their affairs to assure themselves that they will not be subject to suit in California.

WLF also argued that California's assertion of jurisdiction in this case is particularly unwarranted, because the activities engaged in by the corporations in which the defendant owns a major stake are totally unrelated to the dispute between CalSTRS and the defendant. WLF argued that if CalSTRS wishes to sue the defendant, it should do so in a state in which he lives or regularly conducts business.

WLF is a public interest law and policy center with supporters in all 50 states, including many in California. WLF devotes a substantial portion of its resources to defending free-enterprise, individual rights, and a limited and accountable government. WLF has frequently appeared in state and federal litigation to urge the adoption of strict limitations on the exercise of jurisdiction over nonresidents.

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For further information, contact WLF Chief Counsel Richard Samp, (202) 588-0302. A copy of WLF's brief is posted on its website.