

MOCK CLASS CASE
SECTION 2
RICHARD HOSKINS

McGEE v. INTERNATIONAL LIFE INS. CO.

355 U.S. 220 (1957)

Opinion of the Court by Justice BLACK, announced by Justice DOUGLAS.

Petitioner, Lulu B. McGee, recovered a judgment in a California state court against respondent, International Life Insurance Company on a contract of insurance. Respondent was not served with process in California but by registered mail at its principal place of business in Texas. The California court based its jurisdiction on a state statute which subjects foreign corporations to suit in California on insurance contracts with residents of that State even though such corporations cannot be served with process within its borders. [Cal. Ins. Code §§ 1610-1620.]

Unable to collect the judgment in California petitioner went to Texas where she filed suit on the judgment in a Texas court. But the Texas courts refused to enforce her judgment holding it was void under the Fourteenth Amendment because service of process outside California could not give the courts of that State jurisdiction over respondent. Since the case raised important questions, not only to California but to other States which have similar laws, we granted certiorari. It is not controverted that if the California court properly exercised jurisdiction over respondent the Texas courts erred in refusing to give its judgment full faith and credit.

The material facts are relatively simple. In 1944 Lowell Franklin, a resident of California, purchased a life insurance policy from the Empire Mutual Insurance Company, an Arizona corporation. In 1944 the respondent agreed with Empire Mutual to assume its insurance obligation. Respondent then mailed a reinsurance certificate to Franklin in California offering to insure him in accordance with the terms of the policy he held with Empire Mutual. He accepted the offer and from that time until his death in 1950 paid premiums by mail from his California home to respondent's Texas office. Petitioner, Franklin's mother, was the beneficiary under the policy. She sent proofs of his death to the respondent but it refused to pay claiming that he had committed suicide. It appears that neither Empire Mutual nor respondent has ever had any office or agent in California. And so far as the record before us shows, respondent has never solicited or done any insurance business in California apart from the policy involved here.

Since *Pennoyer v. Neff*, 95 U.S. 714, this Court has held that the Due Process Clause of the Fourteenth Amendment places some limit on the power of state courts to enter binding judgments against persons not served with process within their boundaries. But just where this line of limitation falls has been the subject of prolific controversy, particularly with respect to foreign corporation. In a continuing process of evolution this Court accepted and then abandoned

“consent,” “doing business,” and “presence” as the standard for measuring the extent of state judicial power over such corporations. More recently in *International Shoe Co. v. State of Washington*, 326 U.S. 310, the Court decided that “due process requires only that in order to subject a defendant to a judgment in personam, if he be not present within the territory of the forum, he have certain minimum contacts with it such that the maintenance of the suit does not offend ‘traditional notions of fair play and substantial justice.’”

Looking back over this long history of litigation a trend is clearly discernible toward expanding the permissible scope of state jurisdiction over foreign corporations and other nonresidents. In part this is attributable to the fundamental transformation of our national economy over the years. Today many commercial transactions touch two or more States and may involve parties separated by the full continent. With this increasing nationalization of commerce has come a great increase in the amount of business conducted by mail across state lines. At the same time modern transportation and communication have made it much less burdensome for a party sued to defend himself in a State where he engages in economic activity.

Turning to this case we think it apparent that the Due Process Clause did not preclude the California court from entering a judgment binding on respondent. It is sufficient for purposes of due process that the suit was based on a contract which had substantial connection with that State. The contract was delivered in California, the premiums were mailed from there and the insured was a resident of that State when he died. It cannot be denied that California has a manifest interest in providing effective means of redress for its residents when their insurers refuse to pay claims. These residents would be at a severe disadvantage if they were forced to follow the insurance company to a distant State in order to hold it legally accountable. When claims were small or moderate individual claimants frequently could not afford the cost of bringing an action in a foreign forum—thus in effect making the company judgment proof. Often the crucial witness—as here on the company’s defense of suicide—will be found in the insured’s locality. Of course there may be inconvenience to the insurer if it is held amenable to suit in California where it has this contract but certainly nothing which amounts to a denial of due process. There is no contention that respondent did not have adequate notice of the suit or sufficient time to prepare its defenses and appear.

ILLINOIS LONG-ARM STATUTE

(735 ILCS 5/2-209)

IL Code of Civil Procedure, Sec. 2-209. Act submitting to jurisdiction -- Process.

(a) Any person, whether or not a citizen or resident of this State, who in person or through an agent does any of the acts hereinafter enumerated, thereby submits such person, and, if an individual, his or her personal representative, to the jurisdiction of the courts of this State as to any cause of action arising from the doing of any of such acts:

- (1) The transaction of any business within this State;
- (2) The commission of a tortious act within this State;
- (3) The ownership, use, or possession of any real estate situated in this State;
- (4) Contracting to insure any person, property or risk located within this State at the time of contracting;

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- (7) The making or performance of any contract or promise substantially connected with this State;

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- (10) The acquisition of ownership, possession or control of any asset or thing of value present within this State when ownership, possession or control was acquired;
- (11) The breach of any fiduciary duty within this State; (14) The exercise of powers granted under the authority of this State as a fiduciary.
- (12) The performance of duties as a director or officer of a corporation organized under the laws of this State or having its principal place of business within this State;
- (13) The ownership of an interest in any trust administered within this State;
or

(b) A court may exercise jurisdiction in any action arising within or without this State against any person who:

- (1) Is a natural person present within this State when served;
- (2) Is a natural person domiciled or resident within this State when the cause of action arose, the action was commenced, or process was served;
- (3) Is a corporation organized under the laws of this State; or
- (4) Is a natural person or corporation doing business within this State.

(c) A court may also exercise jurisdiction on any other basis now or hereafter permitted by the Illinois Constitution and the Constitution of the United States.

N.B.: The Federal “long-arm statute” is Rule 4(k), Fed.R.Civ.P.