

## Minimum Contacts – Chapter 2

### International Shoe Case

- "The questions for decision are (1) whether, within the limitations of the due process clause of the Fourteenth Amendment, appellant, a Delaware corporation, has by its activities in the State of Washington rendered itself amenable to proceedings in the courts of that state to recover unpaid contributions to the state unemployment compensation fund exacted by state statutes, Washington Unemployment Compensation Act, Washington Revised Statutes, § 9998-103a through § 9998-123a, 1941 Supp., and (2) whether the state can exact those contributions consistently with the due process clause of the Fourteenth Amendment."
- **The questions which need to be considered for a decision are:**
  - **Has International Shoe Co., without violation of the due process clause of the Fourteenth Amendment, established sufficient activities in the state of Washington as to prove itself "present" in that state and thus expose itself to suits brought by a Washington court?**
  - **Can the state of Washington demand and obtain unpaid unemployment contributions in accordance with the due process clause of the Fourteenth Amendment?**
- "Appellant has no office in Washington and makes no contracts either for sale or purchase of merchandise there. It maintains no stock of merchandise in that state and makes there no deliveries of goods in intrastate commerce. During the years from 1937 to 1940, now in question, appellant employed eleven to thirteen salesmen under direct supervision and control of sales managers located in St. Louis. These salesmen resided in Washington; their principal activities were confined to that state; and they were compensated by commissions based upon the amount of their sales. The commissions for each year totaled more than \$31,000. Appellant supplies its salesmen with a line of samples, each consisting of one shoe of a pair, which 314\*314 they display to prospective purchasers. On occasion they rent permanent sample rooms, for exhibiting samples, in business buildings, or rent rooms in hotels or business buildings temporarily for that purpose. The cost of such rentals is reimbursed by appellant."
- **The relevance of the above statement to the case is that International Shoe Co. is intending to argue the fact that it should be considered to have no "presence" in the state of Washington. Their first point of argument is that their salesmen, although residing in Washington, were under direct supervision and control by sales managers located in St. Louis. By this statement, International Shoe Co. is trying to suggest that its activities although confined to the state of Washington, were directly supervised by agents in St. Louis, thus implying that any suits relating to the companies activities should be brought in a court of the state of Delaware rather than Washington.**
- "The Supreme Court of Washington was of opinion that the regular and systematic solicitation of orders in the state by appellant's salesmen, resulting in a continuous flow of appellant's product into the state, was sufficient to constitute doing business in the state so as to make appellant amenable to suit in its courts. But it was also of opinion that there were sufficient additional activities shown to bring the case within the rule frequently stated, that solicitation within a state by the agents of a foreign corporation plus some additional activities there are sufficient to render the corporation amenable to suit brought in the courts of the state to enforce an obligation arising out of its activities there."

- **The Supreme Court of Washington concluded that the orders placed in the state of Washington by International Shoe Co.'s salesmen was sufficient evidence to prove that International Shoe Co. was in fact doing business within the state thus making the suit brought against it in its court adequate. The recurring orders placed by clients in Washington, resulted in the continuous entering of International Shoe Co. product to the state. The flow of product into the state of Washington entitled the state to take International Shoe Co. into a suit in its court.**
- "Historically the jurisdiction of courts to render judgment *in personam* is grounded on their de facto power over the defendant's person. Hence his presence within the territorial jurisdiction of a court was prerequisite to its rendition of a judgment personally binding him. [\*Pennoyer v. Neff\*, 95 U.S. 714, 733](#). But now that the *capias ad respondendum* has given way to personal service of summons or other form of notice, 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"
- **This statement is relating to precedence. According to previous cases, presence within Washington would have been a requirement for International Shoe Co. in order for a Washington court to bring it to a suit. However, if presence is absent, due process requires only that in order to bring a party to suit, the party have minimum contacts with the territory, and in this case, the state of Washington. In other words, although International Shoe Co. was not a Washington corporation, its minimum contacts (orders) in that state, expose it to suits in Washington.**
- "Appellant also insists that its activities within the state were not sufficient to manifest its "presence" there and that in its absence the state courts were without jurisdiction, that consequently it was a denial of due process for the state to subject appellant to suit. It refers to those cases in which it was said that the mere solicitation of orders for the purchase of goods within a state, to be accepted without the state and filled by shipment of the purchased goods interstate, does not render the corporation seller amenable to suit within the state."
- **In this statement, the appellant argues that based on similar cases where only the solicitation of orders for the purchase of goods within a state, does not make the corporation seller responsible for the suits brought against it within that state. Thus arguing that International Shoe Co.'s activities within the state of Washington were not enough evidence for its "presence" within the state. State courts disregarded due process when bringing International Shoe Co. to suit in a Washington state court.**
- "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 the laws which it was the purpose of the due process clause to insure. That clause does not contemplate that a state may make binding a judgment *in personam* against an individual or corporate defendant with which the state has no contacts, ties, or relations. Cf. [\*Pennoyer v. Neff\*, supra; \*Minnesota Commercial Assn. v. Benn\*, 261 U.S. 140.](#)"
- **This statement relates to the impartiality of the suit. The court questioned whether new principles needed to be defined in the due process clause as to clarify jurisdiction. The state decided that the due process clause would affect the states by taking from them the power to protect its citizens in their business activities outside of their state boundaries.**

- "Appellant having rendered itself amenable to suit upon obligations arising out of the activities of its salesmen in Washington, the state may maintain the present suit *in personam* to collect the tax laid upon the exercise of the privilege of employing appellant's salesmen within the state. For Washington has made one of those activities, which taken together establish appellant's "presence" there for purposes of suit, the taxable event by which the state brings appellant within the reach of its taxing power. The state thus has constitutional power to lay the tax and to subject appellant to a suit to recover it. The activities which establish its "presence" subject it alike to taxation by the state and to suit to recover the tax."
- **If a corporation has the privilege of conducting activities within a state and enjoys the benefits and protection of the laws of that state, such privilege may give rise to obligations, as long as those obligations arise out of or are connected with the activities within the state, which requires the corporation to respond to a suit brought to enforce them within that state.**
- **The state of Washington won the case as it was established that International Shoe Co. had proven sufficient "presence" in the state. There were plenty activities performed by International Shoe Co.'s agents which rendered the corporation amenable to suits brought in the courts of the state in which it is performing such activities.**