

U.S. Supreme Court Opens Door for Companies to Face Lawsuits in Any State They Are Registered to Do Business

Corporate News: A Legal Update

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In a recent decision, *Mallory v. Norfolk Southern Railway Co.*, the U.S. Supreme Court opened the door for companies to face lawsuits in the state where they have registered to do business. The ruling stems from a case involving a Virginia-based former employee's lawsuit against Norfolk Southern in Pennsylvania, despite the alleged injuries occurring in other states. The Court's majority decision upheld the notion of "registration by consent" laws, allowing states to assert jurisdiction over out-of-state companies based on corporate registration.

The Supreme Court's 5-4 majority ruling invokes the precedent set by the 1917 case *Pennsylvania Fire Insurance Co. v. Gold Issue Mining & Miling Co.* This ruling permits a state to establish jurisdiction over out-of-state companies through registration, irrespective of the volume of business conducted within such state. Justice Neil Gorsuch, writing for the majority, emphasized that Norfolk Southern's registration in Pennsylvania conferred benefits and obligations similar to those of domestic corporations. The Court's decision has significant implications for corporate practices, potentially subjecting companies to litigation in states where they are merely registered to do business.

The majority opinion reverses the Supreme Court of Pennsylvania's decision and remands the case for further proceedings. Dissenting, Chief Justice Roberts, Justices Barrett, Kavanaugh, and Kagan argue against the expansion of jurisdiction, asserting that registration alone does not justify subjecting companies to lawsuits in a particular state. They caution that broad jurisdiction over out-of-state corporations could infringe upon due process rights and hinder interstate commerce.

Justice Alito expressed skepticism regarding the constitutionality of consent-by-registration laws. He suggests that the case should be reconsidered under the Dormant Commerce Clause. Justice Barrett echoed concerns about due process rights and highlighted potential conflicts with the *International Shoe* decision. The ruling has sparked debate about the fairness and predictability of business

operations across state borders and the balance between state jurisdiction and constitutional rights.

The ruling allows lawsuits against out-of-state companies based on registration, potentially expanding corporate jurisdiction. While currently limited to Pennsylvania, the decision raises concerns about the adoption of similar laws by other states and their impact on corporations.

As the legal landscape evolves, ongoing vigilance and potential challenges will shape the realm of corporate jurisdiction. Looking ahead, legal experts anticipate potential amendments to registration statutes in other states, with Pennsylvania as a model. Companies must navigate these complex waters, mindful of their compliance obligations and potential future constitutional disputes.

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