

SUPREME COURT OF NORTH CAROLINA

Beem USA Limited-Liability Limited Partnership and Stephen Stark v. Grax Consulting LLC

No. 360A18 · No. No. 360A18 · Decided February 28, 2020

SUMMARY

The Supreme Court of North Carolina held that North Carolina courts could exercise specific personal jurisdiction over Grax Consulting LLC, a South Carolina company, in an action involving its conduct as a partner of Beem USA Limited-Liability Limited Partnership. The court concluded that Grax purposefully established substantial contacts with North Carolina through business meetings, banking activities, and communications related to Beem, and that the plaintiffs' claims arose from or related to those contacts. The court reversed the Business Court's orders denying default judgment and remanded for further proceedings.

CASE DETAILS

COURT	Supreme Court of North Carolina
WRITING FOR THE COURT	Justice Davis
JURISDICTION	North Carolina
DECIDED	February 28, 2020
DOCKET	No. 360A18
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Plaintiffs appealed pursuant to N.C.G.S. § 7A-27(a)(2) from Business Court orders denying their motion for default judgment and motion for reconsideration concerning whether Grax Consulting LLC was subject to personal jurisdiction in North Carolina.
STANDARD OF REVIEW	The appeal concerned whether the record established sufficient minimum contacts to support the exercise of personal jurisdiction over the nonresident defendant. The Supreme Court reviewed the Business Court's jurisdictional determination and applied the two-step North Carolina long-arm-statute and federal due-process analysis.
PRECEDENTIAL VALUE	Published opinion
PARTIES	Beem USA Limited-Liability Limited Partnership, Stephen Stark v. Grax Consulting LLC

TOPICS

personal jurisdiction

default judgment

appellate jurisdiction

due process

breach of contract

PRACTICE AREAS

civil procedure

commercial litigation

partnership law

constitutional law

QUESTIONS PRESENTED

1. Whether North Carolina's long-arm statute authorized the exercise of personal jurisdiction over Grax Consulting LLC.
2. Whether Grax's contacts with North Carolina constituted sufficient minimum contacts for the exercise of specific personal jurisdiction consistent with the Due Process Clause of the Fourteenth Amendment.
3. Whether the Business Court erred by treating only contacts occurring after Grax's removal as relevant to the specific-jurisdiction analysis.

HOLDINGS

1. Grax's contacts with North Carolina were sufficient to satisfy North Carolina's long-arm statute because the statute reaches the full jurisdictional power permissible under federal due process.
2. North Carolina courts could constitutionally exercise specific personal jurisdiction over Grax because Grax purposefully established numerous contacts with North Carolina relating to its partnership relationship with Beem, and plaintiffs' claims arose out of or related to those contacts.
3. The Business Court erred by requiring an excessively strict temporal connection between Grax's North Carolina contacts and the particular misconduct alleged after Grax's removal as general partner.

KEY QUOTATIONS

“As a result, plaintiffs’ claims alleging breach of the partnership agreement and breach of fiduciary duty “arise out of” or, at the very least, “relate to” Grax’s contacts with North Carolina such that the doctrine of specific jurisdiction applies here.” (at 15)

“Our holding today that personal jurisdiction exists in this case pursuant to the doctrine of specific jurisdiction is faithful to the United States Supreme Court’s characterization of specific jurisdiction as being based on “case-linked” contacts.” (at 16)

FACTUAL BACKGROUND

Grax Consulting LLC, a South Carolina limited liability company, partnered with North Carolina resident Stephen Stark to form Beem USA, a Nevada limited-liability limited partnership. Grax's representative traveled to North Carolina to open Beem's bank account and met with Stark and Beem's banker in North Carolina on multiple occasions. Grax also regularly communicated with Stark in North Carolina and mailed him partnership records and correspondence. After Grax was removed as general partner, plaintiffs alleged that it continued acting for Beem, withheld business records, and engaged in conduct giving rise to breach-of-contract and breach-of-fiduciary-duty claims.

PROCEDURAL HISTORY

Plaintiffs sued Grax for breach of contract and breach of fiduciary duty and sought injunctive relief. After service of process and Grax's failure to respond, default was entered. The Business Court denied plaintiffs' motion for default judgment, concluding that plaintiffs had not established personal jurisdiction, and later denied reconsideration after plaintiffs submitted sworn affidavits and additional contact information. The Supreme Court of North Carolina reversed and remanded.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

The case was remanded to the Business Court for further proceedings consistent with the opinion.

CASES CITED

- Skinner v. Preferred Credit, 361 N.C. 114, 638 S.E.2d 203 (2006)
- Dillon v. Numismatic Funding Corp., 291 N.C. 674, 231 S.E.2d 629 (1977)
- Helicopteros Nacionales de Colombia, S.A. v. Hall, 466 U.S. 408 (1984)
- Pennoyer v. Neff, 95 U.S. 714 (1878)
- Burger King Corp. v. Rudzewicz, Burger King Corp. v. Rudzewicz, 471 U.S. 462 (1985)
- International Shoe Co. v. State of Washington, International Shoe Co. v. Washington, 326 U.S. 310 (1945)
- Milliken v. Meyer, 311 U.S. 457 (1940)
- Walden v. Fiore, Walden v. Fiore, 571 U.S. 277 (2014)
- Hanson, Executrix, et al. v. Denckla et al., Hanson v. Denckla, 357 U.S. 235 (1958)
- World-Wide Volkswagen Corp. v. Woodson, 444 U.S. 286 (1980)
- Daimler AG v. Bauman, 571 U.S. 117 (2014)
- Goodyear Dunlop Tires Operations, S.A. v. Brown, 564 U.S. 915 (2011)
- Shaffer v. Heitner, 433 U.S. 186 (1977)
- Bristol-Myers Squibb Co. v. Superior Court of California, San Francisco County, 137 S. Ct. 1773 (2017)
- Tom Togs, Inc. v. Ben Elias Industries Corp., 318 N.C. 361, 348 S.E.2d 782 (1986)