

Ohio Appellate Court Finds Virtual Contact is not Enough for Personal Jurisdiction

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On June 30th, 2022, the Ninth District Court of Appeals issued a significant decision in *Magnum Asset Acquisition, LLC v. Green Energy Technologies, LLC*. The Court decided that virtual communication between parties to a contract was not enough to establish personal jurisdiction over a non-resident company. In *Magnum Asset*, the court reinforced that Ohio courts have a two-part personal jurisdiction analysis including both the state long arm statute and federal due process protections. In analyzing the facts of this case, the court found that virtual contacts, such as phone calls and emails, were not enough for personal jurisdiction over a non-resident company.

In the case, *Magnum Asset*, an Ohio corporation, brought a claim for breach of contract in the Summit County Court of Common Pleas, against *Green Energy Technology*, a Michigan company. The dispute arose because *Magnum Asset* and *Green Energy* entered into a contract for *Green Energy* to purchase lighting controls from *Magnum Asset*. *Magnum Asset* employees delivered and installed these lighting controls in Michigan at *Green Energy* facilities. Additionally, any maintenance or repair work was done by *Magnum Asset* employees in Michigan. *Green Energy* representatives or employees were never physically in Ohio for this business arrangement. *Magnum Asset* later filed its claim alleging that *Green Energy* did not pay for the product or services. *Green Energy* responded by filing a motion to dismiss for lack of personal jurisdiction. The Summit County Court of Common Pleas dismissed the claim against *Green Energy* for lack of personal jurisdiction. The Ninth District Court affirmed and granted *Green Energy*'s motion to dismiss partially based on the decision that phone calls, emails, texts, and other virtual communication methods between the parties were not enough to establish the minimum contacts to justify personal jurisdiction in Ohio.

The Ninth District found that *Green Energy*'s contacts with Ohio and *Magnum Asset* were only through virtual communications and payment methods. Like many companies and corporations in today's world, most of the negotiation and communication was done by phone or computer. The Ninth District Court affirmed in *Magnum Asset*, that these virtual contacts between the companies were not enough to exercise jurisdiction over *Green Energy*. As a part of their analysis, the court discussed whether *Green Energy* had made substantial contact with Ohio sufficient enough that exercising personal jurisdiction over them would have been reasonable. The Court found that "the use of interstate facilities, including telephone, mail, and e-mail are secondary or ancillary factors and cannot alone provide the minimum contacts required by due process." This suggested that such contacts may be considered but are not given significant weight in the analysis.

The Court stated that the burden to show that *Green Energy* had minimum contact with Ohio was not met. The minimum contacts analysis for specific personal jurisdiction requires that a party purposefully avail themselves of the forum state, that the dispute came from the party's contacts within that state, and that jurisdiction over the party would be reasonable. *Green Energy* had only reached Ohio through online and over the phone communication. The Ninth District found that *Green Energy* "did not have a substantial connection with Ohio that would allow them to 'reasonably anticipate being haled into court

[in Ohio].” As a result of this ruling, having a contract with a non-resident company and negotiating virtually will not always subject that company to adjudication of a dispute in Ohio.

The Ninth District confirmed that today’s world of virtual communication and screen-to-screen contact will not substantially alter the analysis of personal jurisdiction. The *Magnum Asset* case demonstrates that even in today’s virtual environment, online communication alone will not be sufficient to establish personal jurisdiction. This stands to be a significant decision as the pandemic has created more opportunities for online communication and business dealings with out-of-state companies.

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