



Weekly Law Resume

A Newsletter published by Low, Ball & Lynch
Edited by David Blinn and Mark Hazelwood



WEEKLY LAW RESUME™

Issue By: Guy Stilson

August 19, 2010

Personal Jurisdiction - Minimum Contacts

Sacramento Suncreek Apartments, LLC, et al. v. Cambridge Advantaged Properties II, L.P., et al Court of Appeal, Third District (July 30, 2010)

A non-resident may be sued in California if the individual has sufficient contacts with the state, the claim arises from these contacts, and the exercise of jurisdiction is fair. This case dealt with the exercise of jurisdiction over two non-resident partnerships that owned property in the state.

Sacramento Suncreek Apartments, LLC ("Sacramento") bought a 268 unit apartment complex in Sacramento, California from a limited partnership which had been operating the property. When the apartment complex developed mold problems and its operations had to be shut down, Sacramento filed suit in California against various parties, including the limited partners of Cambridge Advantaged Properties II, L.P., which sold the property to Sacramento.

Those limited partners were Delaware entities residing in New York, who had no offices or personnel in California and had no connection to California other than their status as limited partners in the entity which owned and operated the property. Sacramento claimed the limited partners had received an improper distribution of assets from the limited partnership because the limited partnership did not hold back sufficient funds to cover likely claims before the limited partnership distributed its assets and dissolved. The limited partner defendants moved to dismiss Sacramento's claims due to lack of personal jurisdiction. The trial court granted the motion. Sacramento appealed.

The Court of Appeal affirmed. The Court noted that the Due Process Clause of the United

San Francisco Office

505 Montgomery Street, 7th Floor | San Francisco, CA 94111 | Phone: 415-981-6630 | Fax: 415-982-1634

Monterey Office

2 Lower Ragsdale Drive, Suite 120 | Monterey, CA 93940 | Telephone: (831) 655-8822 | Fax: (831) 655-8881

Web: www.lowball.com



Weekly Law Resume

A Newsletter published by Low, Ball & Lynch
Edited by David Blinn and Mark Hazelwood

States Constitution protects individuals from being subject to binding judgments in a forum with which they have not established any meaningful "contacts, ties or relations." Therefore, to exercise personal jurisdiction over a nonresident defendant, plaintiffs must establish the defendants have sufficient "minimum contacts" with the forum where the litigation is proceeding.

Sacramento asserted that if one purposefully avails himself of the benefits of a forum state for the purpose of earning income that would be subject to taxation, then he has purposefully availed himself of the benefits of the forum state for all other purposes, including personal jurisdiction. Sacramento pointed out that limited partners were subject to taxation on their income from the limited partnership in the state where the limited partnership does business, demonstrating the existence of personal jurisdiction for taxation purposes. Sacramento argued that if there are sufficient contacts to support taxable jurisdiction, then there are sufficient contacts to support personal jurisdiction, providing the lawsuit arises out of the income-producing activity.

The court differentiated limited partners' tax situations from limited partners' personal jurisdiction situations, noting that limited partnerships are treated as associations of individuals for income tax purposes but as discrete entities for other purposes. The court held that investment related activities by a limited partner in the forum state might support personal jurisdiction if the underlying claims arose from the making of the investment itself. However, it could not support personal jurisdiction if the claims arose from the normal operation of the partnership in the forum state. In this case, the limited partners did not participate in the operation of the limited partnership and had nothing to do with the sale of the property to Sacramento. Since Sacramento's claim arose from the normal operations of the partnership, Sacramento was unable to assert personal jurisdiction over the limited partners in California. The judgment of dismissal was affirmed.

COMMENT

San Francisco Office

505 Montgomery Street, 7th Floor | San Francisco, CA 94111 | Phone: 415-981-6630 | Fax: 415-982-1634

Monterey Office

2 Lower Ragsdale Drive, Suite 120 | Monterey, CA 93940 | Telephone: (831) 655-8822 | Fax: (831) 655-8881

Web: www.lowball.com



Weekly Law Resume

A Newsletter published by Low, Ball & Lynch
Edited by David Blinn and Mark Hazelwood

This case holds that with regard to limited partnerships, the fact that personal jurisdiction may exist to enable states to enforce tax obligations against the limited partners does not mean that the states necessarily have the ability to assert personal jurisdiction over the limited partners for non-tax purposes. For non-tax purposes, to be subject to jurisdiction a limited partner must have contacts with the state other than merely having made a passive investment, unless the underlying action actually arises out of the making of the investment itself.

For a copy of the complete decision see:

[HTTP://WWW.COURTINFO.CA.GOV/OPINIONS/DOCUMENTS/C060886.PDF](http://www.courtinfo.ca.gov/opinions/documents/C060886.pdf)

This content is provided for informational purposes only. The content is not intended and should not be construed as legal advice.

Visit our [website](#) for a fully searchable archive of past editions of the Weekly Law Resume and other Low, Ball & Lynch publications.

The Weekly Law Resume TM is published fifty-two times a year, and is a complimentary publication of Low, Ball & Lynch, Attorneys at Law, a Professional Corporation, with offices in San Francisco and Monterey, California. Information regarding this and other Weekly Law Resume TM articles is available at www.lowball.com.

San Francisco Office

505 Montgomery Street, 7th Floor | San Francisco, CA 94111 | Phone: 415-981-6630 | Fax: 415-982-1634

Monterey Office

2 Lower Ragsdale Drive, Suite 120 | Monterey, CA 93940 | Telephone: (831) 655-8822 | Fax: (831) 655-8881

Web: www.lowball.com