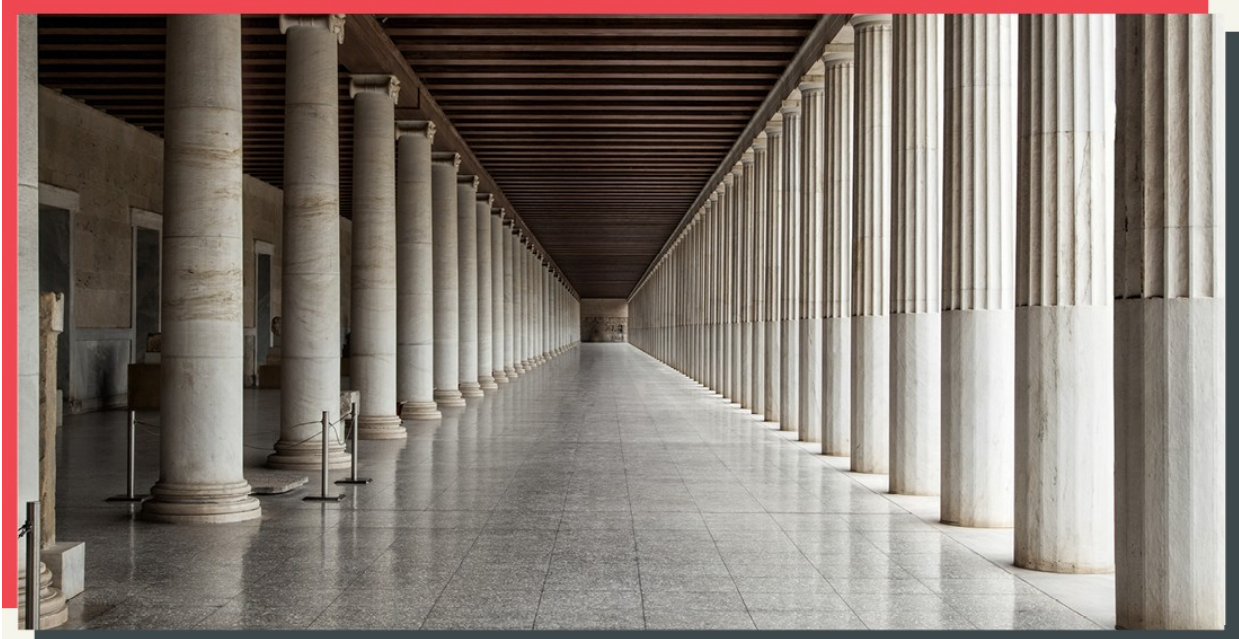


NY Court of Appeals Rules Asset Acquirers Step Into Shoes of Transferors for Personal Jurisdiction

05/01/24



By **Marley Coyne**, *associate* and **Andrew Dunlap**, *partner*

A recent decision by the New York Court of Appeals established that an entity that acquires all of another entity's assets and liabilities inherits the transferring entity's status for purposes of specific personal jurisdiction, even if the two entities do not merge. [Lechook v. Société Générale de Banque au Liban SAL, N.Y. Slip Op. 02081 \(April 18, 2024\)](#).

To have authority to hear a case, a New York court must have either general personal jurisdiction, N.Y. C.P.L.R. § 301, or specific personal jurisdiction, N.Y. C.P.L.R. § 302, over a defendant. While general personal jurisdiction creates blanket authority over parties domiciled or “essentially at home in New York,” specific personal jurisdiction depends on establishing a nexus between the defendant's contacts with the state and the underlying allegations. *Aybar v. Aybar*, 37 N.Y.3d 274, 282 (2021).

In *Lechook*, plaintiffs harmed by a series of 2006 rocket attacks in Israel sued the Lebanese Canadian Bank (LCB) under the Anti-Terrorism Act of 1990 for providing financial services to Hezbollah, the terrorist organization that perpetrated the attacks. After Société Générale de Banque au Liban (SGBL), a private Lebanese corporation, acquired all of LCB's assets and liabilities, plaintiffs sued SGBL as LCB's successor. The district court dismissed the case against SGBL for lack of personal jurisdiction. The Second Circuit certified the question of whether New York law permits successor jurisdiction in these circumstances to the New York Court of Appeals.

The Court of Appeals considered several factors, including the “impact of our rule on parties to a potential acquisition, whether imputing jurisdiction fairly reflects the reasonable assumptions and expectations of the parties to such transactions, whether doing so induces responsible parties to internalize responsibility for risks they create, and the impact of imputing jurisdiction on those injured by a predecessor's act.” Emphasizing that a sophisticated party like SGBL would be on notice of LCB's potential legal exposure, the Court concluded that the balance tipped in favor of finding that SGBL inherited the specific personal jurisdiction of its predecessor. Finding successor jurisdiction in such circumstances, the Court explained,

would prevent the “unfortunate incentives” created by “[a]llowing a successor to acquire all assets and liabilities, but escape jurisdiction in a forum where its predecessor would have been answerable.”

In light of *Lelchook*, parties to asset acquisitions may want to consider the types of conduct that could subject transferors—and thus their transferees—to specific personal jurisdiction in New York. In recent years, for example, New York appeals courts have affirmed the exercise of specific personal jurisdiction over foreign banks that allegedly used correspondent New York bank accounts for improper purposes, *Al Rushaid v. Pictet & Cie*, 28 N.Y.3d 316 (2016); manufacturers that sold allegedly defective products in New York, *Eng. v. Avon Prod., Inc.*, 206 A.D.3d 404 (2022); cryptocurrency platforms that allegedly defrauded New York-based customers, *James v. iFinex Inc.*, 185 A.D.3d 22 (2020); and sellers that allegedly engaged in false advertising in New York, *People by James v. JUUL Labs, Inc.*, 212 A.D.3d 414 (2023). Under *Lelchook*, entities that acquired such companies’ assets and liabilities could be haled into New York state court to answer for the transferors’ conduct. As the Court of Appeals put it, as successor entities, transferees “should understand where jurisdiction over such liabilities may lie and the potential cost if ultimately found liable.” *Lelchook*, 2024 WL 1661460 at *4.

Attorney

- Andrew R. Dunlap

Practice

- Appellate