



Alerts

Texas Federal District Court Kicks Steel Importer's \$6M Malpractice Suit Due to Lack of Personal Jurisdiction

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Allied Fitting LP v. Steptoe & Johnson LLP et al., No. 4:20-cv-03447 (S.D. Tex. Jan. 21, 2021)

Brief Summary

A Texas federal district court dismissed a legal malpractice action brought by an international steel importer against its former attorneys due to lack of personal jurisdiction. The steel importer had sought to recover \$6 million in deposits made with the U.S. Customs and Border Protection that it was unable to get refunded due to a lapsed deadline.

The court found dispositive that: (1) defendants did not perform any of the contract in Texas and (2) the client agreed in the retainer agreement to resolve any disputes in Washington, D.C.

Complete Summary

Plaintiff, Allied Fitting, LP, was a Houston-based steel importer and distributor. Defendants, a Washington D.C.-based law firm and two of its attorneys, solicited work from plaintiff at plaintiff's Houston offices. Defendants offered to provide assistance to ensure compliance with various federal statutes and regulations, such as "anti-dumping" and fair-trade laws.

Defendants first reached out to plaintiff in July 2016 via phone calls and emails. Over the following weeks, the terms of their engagement were negotiated and formalized in an engagement letter, which included a forum selection and choice of law provision in favor of Washington D.C. In August 2016, defendants sent a single non-attorney employee to plaintiff's Texas office for in-person meetings. The contractual relationship continued until May 2017.

Among other aspects of the engagement, defendants successfully represented plaintiff against a competitor's claims regarding certain Chinese imports. As a result, plaintiff received \$9 million of a \$15 million deposit it had made pursuant to federal regulations. Customs, however, withheld the remaining \$6 million balance. By the time plaintiff inquired of defendants about the balance, the time period to claim the duty refund had expired.

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According to the court, aside from two meetings that focused—as best the court can tell—on updates and the progress of matters pending in Washington, there were no contacts with Texas. "Contracting to render a service outside the forum state does not constitute the necessary contact," the court stated. It went on to explain that finding that emails and telephone communications, and even some in-person updates, on the status of the engagement were not sufficient to satisfy the minimum contacts standard necessary for personal jurisdiction.

It appears that the death knell for plaintiffs' alleged claim in Texas was its consent to the District of Columbia's jurisdiction via the retainer agreement's choice of law and forum selection clauses.

Significance of Decision

This opinion highlights the ever-evolving nature of the minimum contacts inquiry used to assess a court's exercise of personal jurisdiction over a defendant in our digital age. Despite the ever-increasing adoption of digital communication, the central inquiry as it relates to assessing whether a court has personal jurisdiction over a law firm/lawyer defendant—at least within the context of legal malpractice actions—remains to be where the legal services were rendered.

In this case, it was relatively straightforward that while the communications regarding the attorneys' representation may have reached out to Texas, the legal work itself was performed in Washington D.C. The decision also implicitly reinforces the enforceability of forum selection clauses and choice of law provisions within attorney engagement letters