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Conflict of Laws - Full Faith and Credit - Exclusive-Remedy Provision of Foreign Workmen's Compensation Law

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RECENT DECISIONS

CONFLICT OF LAWS—FULL FAITH AND CREDIT—EXCLUSIVE-REMEDY PROVISION OF FOREIGN WORKMEN'S COMPENSATION LAW—Plaintiff, a resident of Missouri, entered into an employment contract there with a Missouri painting company. He was injured while working in Arkansas on a job his employer had subcontracted from the defendant, a Louisiana contractor. The Missouri employer's insurer voluntarily began weekly payments to the plaintiff pursuant to the Missouri workmen's compensation law, although there had been no formal proceeding or award. Payments under the Missouri act were exclusive of all other rights and remedies.[1] After receiving thirty-four payments, the plaintiff sued the defendant for negligence in the Arkansas courts.[2] The defendant had the case removed to the federal district court, where judgment was rendered for the plaintiff.[3] The court of appeals reversed.[4] On certiorari to the United States Supreme Court, *held,* reversed, three justices dissenting. Arkansas' interests in the case were substantial in light of possible problems following in the wake of the injury. Therefore, her courts were not bound by the full faith and credit clause to subserve these interests to those of Missouri, despite the exclusive remedy provision of the Missouri law. *Carroll v. Lanza,* 349 U.S. 408, 75 S.Ct. 804 (1955).

In recent years, the Supreme Court has emphasized that the full faith and credit clause embodies a policy which looks toward a maximum enforcement in each state of the rights and obligations created by statutes of sister states.[5] It has been held, for example, that a state may refuse to entertain an action based on a foreign law which is antagonistic to its public policy only if the Court feels that the policy is not outweighed by the "strong unifying principle embodied in the Full Faith and Credit Clause."[6] In the area of workmen's compensation statutes, however, the Court's

[1] This assertion is based upon the majority opinion's interpretation of Missouri law. Mo. Rev. Stat. (1949) §287.120; Bunner v. Patti, 343 Mo. 274, 121 S.W. (2d) 153 (1938). The dissent believed that Missouri courts might have found that the general contractor was not a Missouri employer and so not subject to the Missouri act. This would mean that the Missouri courts would have permitted a common law action against the defendant, and since there is no constitutional obligation to give full faith and credit to a compensation statute of another state if the foreign state's courts have not interpreted their statute as being exclusive of other remedies outside the state [Ohio v. Chattanooga Boiler and Tank Co., 289 U.S. 439, 53 S.Ct. 663 (1933)], no constitutional issue was raised by the case.

[2] Arkansas workmen's compensation provisions, while providing the exclusive remedy of the employee against his employer [Ark. Stat. (1947) §81-1304], are not exclusive against a third party. Id., §81-1340. The Arkansas court has determined that a prime contractor is such a third party and can be sued at common law for negligence by an injured worker. Baldwin Co. v. Maner, (Ark. 1954) 273 S.W. (2d) 28; Anderson v. Sanderson & Porter, (8th Cir. 1945) 146 F. (2d) 58.

[3] 116 F. Supp. 491 (1953).

[4] 216 F. (2d) 808 (1954). The court considered Magnolia Petroleum Co. v. Hunt, 320 U.S. 430, 64 S.Ct. 208 (1943), to be controlling. See note 17 infra.

[5] See 51 MICH. L. REV. 267 (1952).

[6] Hughes v. Fetter, 341 U.S. 609 at 612, 71 S.Ct. 980 (1951). See also First Nat. Bank of Chicago v. United Air Lines, Inc., 342 U.S. 396, 72 S.Ct. 421 (1952).

application of this clause has been somewhat different.[7] In *Bradford Electric Light Co. v. Clapper*[8] the Court held that the forum, New Hampshire, must give effect to a defense based upon the exclusive-remedy provision of the workmen's compensation act of Vermont, the state of the contract, residence, and regular employment,[9] despite the fact that the injury and death occurred in New Hampshire. The Court called the interest of the forum "casual,"[10] especially since there was no showing that the Vermont law was obnoxious to her public policy. In a later case such a showing was made, and the Court declared that the forum need not give effect to foreign law because the forum had an equally valid "governmental interest" in granting relief.[11] In *Pacific Employers Ins. Co. v. Industrial Accident Commission*[12] this rationale was applied to a *Clapper* type of case: California, as forum, was only the place of the injury while Massachusetts was the place of all other employer-employee relationships. The Court weighed the governmental interests[13] in favor of California, pointing first to the fact that California had expressly declared the enforcement of the foreign law to be obnoxious to her public policy and, secondly, to her interest in the legal consequences of the injury. In applying this balance-of-interest test in the principal case, the Court upholds the forum's refusal of a defense based upon a foreign exclusive-remedy statute, when the forum's only relations to the parties are that it was the place of the injury and that there was the mere possibility of other legal problems within the state growing out of the injury.[14] It has also been held that

7 "A rigid and literal enforcement of the full faith and credit clause, without regard to the statute of the forum, would lead to the absurd result that, wherever the conflict arises, the statute of each state must be enforced in the courts of the other, but cannot be in its own." Alaska Packers Assn. v. Industrial Accident Comm., 294 U.S. 532 at 547, 55 S.Ct. 518 (1935).

8 286 U.S. 145, 52 S.Ct. 571 (1932).

9 Place of contract, residence, and place of regular employment are among the employer-employee relationships which are used to determine whether or not a state will give its local workmen's compensation law extraterritorial effect. See 57 HARV. L. REV. 242 (1943).

10 Bradford Electric Light Co. v. Clapper, 286 U.S. 145 at 162, 52 S.Ct. 571 (1932).

11 Alaska Packers Assn. v. Industrial Accident Comm., note 7 supra, at 547.

12 306 U.S. 493, 59 S.Ct. 629 (1939).

13 The development of this doctrine is fully covered in Freund, "Chief Justice Stone and the Conflict of Laws," 59 HARV. L. REV. 1210 (1946).

14 While the dissent based its decision on different grounds (see note 1 supra), it believed that the majority opinion had impliedly overruled Bradford Electric Light Co. v. Clapper, note 10 supra, and had failed to consider the new provision of 28 U.S.C. (1952) §1738, which expressly requires that statutes be given full faith and credit. Since the employee was never actually treated in Arkansas, the principal case has, at least, reduced the Clapper decision to its particular facts. If the employee is killed in the state of the forum and that is the forum's only connection to the employer-employee relationship, then the forum's interest is "casual" and full faith and credit must be accorded the statutes of states with greater interests. But if the employee is only injured, then the mere possibility of problems arising within that state as a result of the injury is enough of an interest to allow the forum to disregard the statutes of other states.

Because the Clapper case was not expressly overruled, it is also important to note that there was no express showing by Arkansas that enforcement of the Missouri statute would be obnoxious to her public policy. Since the action in Arkansas was in common

even if the forum is not the place of the injury, it may award an exclusive remedy based upon its interest in (1) preventing the injured party from becoming a public charge[15] or (2) providing adequate workmen's compensation measures for its residents.[16] If a state is involved in the employer-employee relationship at all, it is now difficult to think of an interest which is not sufficient to allow it to apply its own law and ignore those of sister states.[17]

The principal case further differentiates between an attempt by a state to exclude an action based upon another state's statutes and an attempt to give its own remedy in an action in which it is interested. The interest of a state in excluding a cause of action must be very great to justify a refusal to entertain that action if it is based upon a sister state's statutes.[18] On the other hand, a relatively slight connection to an incident may be enough of an interest to permit a state to apply its own statutes or common law and to justify refusing a defense based upon a foreign statute. An evaluation of relative interests is a far from satisfactory solution to full faith and credit problems, because there are no real standards by which the conflicting and social and economic interests may be measured.[19] One can only watch the Court's decisions as to what constitutes a superior state interest and try to discern some pattern or design into which the cases seem to fit.

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law and *not* based upon a similarly exclusive statutory provision, it must be assumed that the court was either (1) limiting Clapper as stated above, (2) inferring by some means that the enforcement of the Missouri law was obnoxious to Arkansas' public policy, or (3) eliminating the need for a showing of obnoxiousness.

15 Alaska Packers Assn. v. Industrial Accident Comm., note 7 supra.

16 Cardillo v. Liberty Mutual Ins. Co., 330 U.S. 469, 67 S.Ct. 801 (1947).

17 This statement should be considered along with the possibilities of multiple recovery under the compensation acts of more than one state. The rule of Magnolia Petroleum Co. v. Hunt, note 4 supra, that a recovery by a final award in one state precludes any further recovery under the workmen's compensation laws of other states, was limited by Industrial Comm. of Wis. v. McCartin, 330 U.S. 622, 67 S.Ct. 886 (1947), to cases where the compensating state had interpreted the payment made to be exclusive of all other compensation anywhere. In the principal case, the entire Court agreed that the Magnolia Petroleum case did not apply because there had been no "final award" under the Missouri act. This further restricts the Magnolia Petroleum rule and increases the possibility of multiple recoveries even where payments are deemed exclusive.

18 Hughes v. Fetter, note 6 supra.

19 Jackson, "Full Faith and Credit—The Lawyer's Clause of the Constitution," 45 COL. L. REV. 1 (1945).