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BLOGS

Choice of Forum/Venue

Court Applies Federal Law to Uphold Forum Selection Clause

A federal magistrate judge in Oklahoma recently upheld a forum selection clause found in a dealer agreement in *Sundowner Trailers, Inc. v. Snyder Serv., Inc.*, 2010 U.S. Dist. LEXIS 105183 (E.D. Okla. Sept. 30, 2010). The dispute arose when Synder, a horse trailer dealership, ceased operation and requested that Sundowner, the manufacturer, repurchase all of its unsold equipment and parts at 90-100% of net cost. A Tennessee law requires suppliers to repurchase inventory, at the retailer's option, in certain situations when the retailer's contract is terminated. Sundowner sought a declaratory judgment that it need not repurchase such items, claiming the Tennessee law did not apply because the products did not fall within the definition of "inventory," and the dealership chose to cancel the dealer agreement.

Pursuant to a forum selection clause in the dealer agreement, Sundowner brought the case in the Eastern District of Oklahoma. Dealer Snyder, which is located in Tennessee, moved to transfer venue to a federal court in Tennessee, citing a Tennessee statute that voids contractual terms restricting choice of forum. The judge denied the dealer's motion. The court found that since the jurisdictional basis for the action was diversity, federal procedural law applied rather than the Tennessee statute. Thus, the court upheld the forum selection clause in the dealer agreement and found the case could properly be brought in Oklahoma. However, the court noted that the ruling would not preclude application of Tennessee substantive law to the underlying issues in the case.