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BLOGS

Choice of Forum/Venue

Federal Court Holds Forum-Selection Clause in Nonrestaurant Franchise Agreement Does Not Violate Arkansas Public Policy

The United States District Court for the Eastern District of Arkansas recently held that a forum selection clause in a series of franchise agreements was enforceable and did not violate Arkansas public policy. *Ajax Holdings, LLC v. Comet Cleaners Franchise Grp., LLC*, 2015 WL 5898310 (E.D. Ark. Oct. 9, 2015). Ajax and Comet Cleaners entered into a series of franchise agreements for Ajax to operate Comet Cleaners dry cleaning and laundry businesses. Under the franchise agreements, the parties agreed to bring all lawsuits arising from or relating to the agreements in the state or federal courts in Tarrant County, Texas. Ajax brought the lawsuit in Arkansas state court alleging that Comet Cleaners violated the Arkansas Franchise Practices Act ("AFPA") due to various alleged misrepresentations, fraudulent acts, and intentional omissions. Comet Cleaners removed the suit to federal court and moved to transfer venue to the Northern District of Texas pursuant to the forum selection clause. In opposition, Ajax argued that the forum selection clause did not apply to its claims, that various statutory factors weighed against transfer, and that the forum selection clause violated Arkansas public policy.

After finding that the forum selection clause applied to the claims and that the statutory factors supported enforcement of the clause, the court turned its attention to the public policy argument. Ajax argued that the forum selection clause was against public policy because the enforcement of the clause would displace the protection afforded to it by the AFPA. In response, Comet Cleaners argued that unlike the Arkansas Procedural Fairness for Restaurant Franchisees Act, the AFPA does not preclude forum selection clauses in nonrestaurant franchise agreements. The court agreed and held that the forum selection clause controlled.

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