

BLOGS

Choice of Law

Iowa Federal Court Upholds Choice of Law Provision, Dismisses California Unfair Competition Claim

A manufacturer represented by Gray Plant Mooty recently obtained an important victory when a federal court in Iowa enforced a choice of law provision to preclude application of California's unfair competition statute. *Quality Office Furnishings, Inc. v. Allsteel, Inc.*, No. 3:17-CV-00041- JEG (S.D. Iowa Sept. 11, 2018). This dispute arose after Allsteel, a nationwide manufacturer of office furniture headquartered in Iowa, declined to renew its agreement with a California-based dealer. Although the dealer agreement designated Iowa's courts as the exclusive forum and Iowa law to govern, the dealer initially brought suit in California state court, alleging, in part, violation of California's unfair competition law. After successfully transferring the case to Iowa pursuant to the forum selection provision in the parties' dealership agreement, Allsteel then moved to dismiss the unfair competition claim, arguing that the choice of law provision precluded any claim under California law.

The court granted Allsteel's motion to dismiss, holding that because Iowa law governed the parties' agreement, the dealer could not bring a claim under California's unfair competition statute. The dealer had argued that its unfair competition claim was not related to the agreement, but the court rejected this argument based on the dealer's own allegations. The complaint specifically alleged that Allsteel violated the statute by refusing to renew the parties' agreement, demonstrating that the unfair competition claim did arise under the agreement.

The dealer's argument that California law should apply because California had the most significant relationship to the parties also was rejected. Although the dealer was based in California, the court found that significant facts in the record supported enforcement of Iowa law. Most importantly, the court noted that for the last 20 years of the parties' relationship, and specifically when the dealer entered into the final agreement, Allsteel was headquartered in Iowa and had its manufacturing and distribution centers in Iowa. The court found that in its "basic function as an Allsteel dealer," Quality Office regularly reached into Iowa through its communications and other dealings with Allsteel's headquarters. The court also noted that as a nationwide seller with dealers in multiple states, Allsteel's selection of Iowa law for consistent application of its dealer agreements was practical and not unreasonable.

Related People

Maissa Frank

Partner

Washington, D.C.

202.295.2209

maissa.frank@lathropgpm.com