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Choice of forum clause prevented plaintiffs' assertion of federal claims

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A federal district court granted defendants' motion to dismiss an action arising from plaintiffs' purchase of 100% of the stock in defendants' company. Plaintiffs asserted, among other things, claims under Section 10(b) of the Securities Exchange Act of 1934, alleging that defendants made materially false representations in order to induce plaintiffs to purchase their stock.

Defendants argued that the filing of the lawsuit in Cook County, where the federal courthouse for the Northern District of Illinois is located, violated the forum selection clause in the parties' stock purchase agreement, which specified that "exclusive jurisdiction" over all disputes arising out of or relating to the "[stock purchase] agreement and the other transaction documents" was to be in a court located in Lake County, Illinois. While Lake County is in the federal judicial district for the Northern District of Illinois, no federal courthouse is located in Lake County.

After determining that the forum selection clause in the stock purchase agreement governed, the court ruled that it was enforceable because it was not alleged to have resulted from fraud, undue influence or unequal bargaining power and did not contravene a strong public policy. The court noted that there was ample precedent supporting the dismissal of a federally filed case where the applicable forum selection clause specified a forum in which no federal courthouse was located.

The court recognized that enforcement of the forum selection clause would prevent plaintiffs from pursuing their Section 10(b) claims because the Securities Exchange Act provides for exclusive federal court jurisdiction. It noted, however, that such a result also occurs in cases in which the agreements in issue contain exclusive foreign jurisdiction forum selection clauses, provided that the specified foreign forum provides claimants with sufficient remedies to vindicate their rights. Based upon such precedent, the court ruled that enforcement of the forum selection clause was appropriate because claims under the Illinois securities law and common law fraud were "more than adequate substitutes" for plaintiffs' federal securities claims. (*Spenta Enters., Ltd., et al. v. Coleman*, 2008 WL 2959935 (N.D. Ill. Aug. 4, 2008))

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