

OREGON SUPREME COURT

Trinity Bank v. Apex Directional Drilling, LLC

363 Or. 257 (2018) · Decided July 5, 2018

SUMMARY

The Oregon Supreme Court held that a contractual forum-selection clause requiring litigation in San Francisco was presumptively valid and enforceable. The trial court applied the wrong standard by considering whether Oregon was a more convenient forum rather than whether enforcement would be unfair, unreasonable, or seriously inconvenient. The court issued a peremptory writ of mandamus directing dismissal of the action against the guarantor.

CASE DETAILS

COURT	Oregon Supreme Court
WRITING FOR THE COURT	Balmer, J.
JURISDICTION	Oregon
DECIDED	July 5, 2018
DISPOSITION	writ_granted
PROCEDURAL POSTURE	Lachner petitioned the Oregon Supreme Court for a writ of mandamus after the trial court denied his ORCP 21 A(1) motion to dismiss based on a contractual forum-selection clause.
STANDARD OF REVIEW	Mandamus is available when the trial court's refusal to enforce a forum-selection clause is legal error and the law compels a single course of action. The law of the forum where the action was filed governs enforceability, and the court reviews whether the trial court applied the correct legal standard.
PRECEDENTIAL VALUE	Published Oregon Supreme Court opinion
PARTIES	Lachner v. Trinity Bank

TOPICS

- forum non conveniens
- motions to dismiss
- appellate procedure
- civil procedure
- contracts

PRACTICE AREAS

- civil procedure
- contracts
- commercial litigation
- remedies
- appellate procedure

QUESTIONS PRESENTED

1. Whether mandamus was an appropriate remedy to challenge the trial court's refusal to enforce the contractual forum-selection clause.
2. Whether the forum-selection clause was unfair or unreasonable, or whether litigating in San Francisco would be so seriously inconvenient as to be unjust.
3. Whether the trial court had discretion to deny Lachner's ORCP 21 A(1) motion to dismiss based on the forum-selection clause.

HOLDINGS

1. Mandamus is an appropriate mechanism for challenging a trial court's decision not to enforce a forum-selection clause when the decision falls outside the permissible range of discretion and the law compels a single course of action.
2. A contractual forum-selection clause is presumptively valid and must be enforced unless the party seeking to avoid it proves that enforcement would be unfair or unreasonable, including that the selected forum would be so seriously inconvenient that requiring litigation there would be unjust.
3. The trial court had no discretion to deny Lachner's ORCP 21 A(1) motion to dismiss because the forum-selection clause was enforceable and none of the recognized grounds for refusing enforcement was present.

KEY QUOTATIONS

"For that reason, the trial court did not have discretion to deny Lachner's ORCP 21A (1) motion to dismiss based on the forum-selection clause: The law required the court to dismiss the action." (263)

"In other words, the inquiry is not whether, on balance, another forum is more convenient or more reasonable than the agreed upon forum, but whether the latter forum is so "seriously inconvenient" that it would be "unjust" to enforce the forum-selection clause." (261-62)

FACTUAL BACKGROUND

Trinity Bank loaned money to Apex Directional Drilling, LLC, and Lachner, an Apex part owner, signed a personal guaranty. The guaranty, drafted by Trinity, required litigation relating to the guaranty to be brought only in San Francisco, California, and consented to jurisdiction there. After Apex and Lachner defaulted, Trinity filed claims in Oregon, despite the clause. The trial court found that Oregon was more convenient because witnesses, counsel, collateral, and enforcement activities were located there, but the Supreme Court concluded that those circumstances did not establish that California was seriously inconvenient or that enforcement would be unjust.

PROCEDURAL HISTORY

Trinity Bank filed separate breach-of-contract claims in Clackamas County Circuit Court against Apex Directional Drilling, LLC, on the loan and against Lachner, on his personal guaranty. Apex defaulted, and a default judgment was entered against it. Lachner moved to dismiss the claim against him because the guaranty required litigation in San Francisco, California. The trial court denied the motion, initially stating that it had discretion, and after issuance of an alternative writ of mandamus, held another hearing and issued findings that

Oregon was the more reasonable forum. The Oregon Supreme Court concluded that the trial court applied the wrong legal standard and issued a peremptory writ.

DISPOSITION

writ_granted

REMAND INSTRUCTIONS

A peremptory writ of mandamus shall issue directing the trial court to vacate its order denying Lachner's motion to dismiss and grant the motion.

CASES CITED

- Roberts v. TriQuint Semiconductor, Inc., 358 Or. 413, 364 P.3d 328 (2015)
- Reeves v. Chem Industrial Co., 262 Or. 95, 495 P.2d 729 (1972)
- Bagley v. Mt. Bachelor, Inc., 356 Or. 543, 340 P.3d 27 (2014)