UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

ROSTA AG, Plaintiff,	)	
	)	No. 1:16-cv-199
-v-	)	
	)	Honorable Paul L. Maloney
LOVEJOY, INC., Defendant.	)	

OPINION AND ORDER GRANTING PLAINTIFF'S MOTION TO DISMISS COUNTERCLAIM FOR BREACH OF CONTRACT

Defendant Lovejoy, Inc., had a license to manufacture and to distribute some of Rosta AG's products. The two companies executed several contracts over twenty years, with the last agreement expiring in 2014. In the complaint, Rosta AG alleges that, since the agreement expired, Lovejoy has been selling products that infringe on Rosta AG's trademarks. Rosta AG alleges several trademark-related claims and a state law claim for unfair competition. Lovejoy filed counterclaims, including one for breach of contract.

Rosta AG filed a motion to dismiss the breach of contract counterclaim. (ECF No. 28.) Rosta AG is a Swiss corporation. The agreement between the two companies provides that disputes arising under the agreement would be governed by Swiss law and resolved in a particular Swiss court. Rosta AG argues this forum-selection clause should be enforced, which requires dismissal of the breach of contract counterclaim. The Court agrees. Rosta AG did not waive the forum-selection clause by filing a lawsuit raising trademark-related claims. Rosta AG's motion will be granted.

I.

For the relief requested, Rosta AG relies on both Rule 12(b)(6) and on the doctrine of *forum non conveniens*.

The Supreme Court has left open the question of whether a party can use Rule 12(b)(6) to dismiss a claim based on a forum-selection clause. The Supreme Court has held that Rule 12(b)(3) and § 1406(a) are "not proper mechanisms to enforce a forum-selection clause." *Atlantic Marine Constr. Co., Inc. v. U.S. Dist. Ct. for the Western Dist. of Texas*, 571 U.S. 49, 61 (2013). Based on the record in *Atlantic Marine*, the Court held that § 1404(a) and the *forum non conveniens* doctrine were the appropriate mechanisms to enforce the clause.[1] *Id.* The Court declined to consider whether Rule 12(b)(6) would be a proper mechanism, because no motion was filed under that rule and the parties did not brief the issue. *Id.* The Sixth Circuit has indicated that where the moving party seeks to dismiss a claim because it was filed in the wrong forum, a Rule 12(b)(6) motion may be appropriate. *Langley v. Prudential Mortg. Capital Co., LLC*, 546 F.3d 365, 369 (6th Cir. 2008) (per curiam); *accord, Claudio-De Leon v. Sistema Universitario Ana G. Mendez*, 775 F.3d 41, 46 (1st Cir. 2014) ("In this Circuit, 'we treat a motion to dismiss based on a forum selection clause as a motion alleging the failure to state a claim for which relief can be granted under Rule 12(b)(6).'") (citation omitted); *Salovaara v. Jackson Nat'l Life Ins. Co.*, 246 F.3d 289,

[1] Section 1404(a), 28 U.S.C. § 1404(a) does not apply. The statute permits a district court to transfer the lawsuit to another federal district or division. Here, the parties agreed that the proper forum is a court in another country. *See Atlantic Marine*, 571 U.S. at 60 ("Instead, the appropriate way to enforce a forum-selection clause pointing to a state or *foreign forum* is through the doctrine of *forum non conveniens*. Section 1404(a) is merely a codification of the doctrine of *forum non conveniens* for the subset of cases in which the transferee forum is within the federal court system . . . .").

298-99 (3d Cir. 2001) ("Our holding in *Crescent* leaves no doubt that a 12(b)(6) dismissal is a permissible means of enforcing a forum selection clause that allows suit to be filed in another federal forum."). Accordingly, this Court may properly consider the motion under Rule 12(b)(6).

Under the notice pleading requirements, a complaint must contain a short and plain statement of the claim showing how the pleader is entitled to relief. Fed. R. Civ. P. 8(a)(2); *see Thompson v. Bank of America, N.A.*, 773 F.3d 741, 750 (6th Cir. 2014). The complaint need not contain detailed factual allegations, but it must include more than labels, conclusions, and formulaic recitations of the elements of a cause of action. *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007). A defendant bringing a motion to dismiss for failure to state a claim under Rule 12(b)(6) tests whether a cognizable claim has been pled in the complaint. *Scheid v. Fanny Farmer Candy Shops, Inc.*, 859 F.2d 434, 436 (6th Cir. 1988). To survive a motion to dismiss, a plaintiff must allege facts sufficient to state a claim for relief that is "plausible on its face" and, when accepted as true, are sufficient to "raise a right to relief above the speculative level." *Mills v. Barnard*, 869 F.3d 473, 479 (6th Cir. 2017) (citation omitted). "The plausibility standard is not akin to a 'probability requirement,' but it asks for more than a sheer possibility that a defendant has acted unlawfully." *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2007) (citations omitted).

For this motion, the Court may consider the contract and the forum-selection clause. Although ordinarily a court does not consider matters outside the pleadings for a Rule 12(b)(6) motion, it may consider exhibits attached to the pleadings and exhibits attached to the motion to dismiss that are referred to in the pleadings and are central to the claims.

Rondigo, LLC v. Twp. of Richmond, 641 F.3d 673, 680 (6th Cir. 2011) (citation omitted). Lovejoy's counterclaim relies on the existence of the agreement, so the written contract is essential to the counterclaim. Rosta AG has attached copies of the 1988, the 2000, and the 2006 Agreements as exhibits to the complaint and a copy of the 2006 Agreement as an exhibit to the motion to dismiss.

II.

The most recent agreement between Rosta AG and Lovejoy was executed on January 22, 2006. (ECF No. 1-5 2006 Agreement at 17 PageID.60.) The 2006 Agreement replaced the previous contracts and agreements between the parties. (*Id.* at 1 PageID.44 and at 16 PageID.59.) The agreement contains both a choice of law and a forum-selection clause. The parties agreed that the "Agreement shall be governed in all respects by Swiss law." (*Id.* at 16 PageID.59.) The parties also agreed that "[a]ny disputes arising under this Agreement will be settled by the court of Hunzenschwil, Switzerland." (*Id.*) Rosta AG seeks enforcement of this forum-selection clause and the dismissal of the breach of contract counterclaims

A.

By contract, the parties mutually agreed that disputes "arising under" the contract would be settled by a court in Switzerland. Lovejoy argues that, by filing a lawsuit here, Rosta AG waived its contractual right to insist that the breach of contract claim be resolved in the Swiss court. Parties to an agreement may waive the contractual rights to demand a particular forum by (1) taking actions that are completely inconsistent with the contractual right, and (2) delaying the assertion of the right to an extent that the opposing party incurs action

prejudice.[2] *Hurley v. Deutsche Bank Trust Co. Americas*, 610 F.3d 334, 338 (6th Cir. 2010) (discussing how a party might waive a contractual agreement to arbitrate). Typically, the "arising under" phrase is broadly interpreted to include "'any dispute between the contracting parties that is in any way connected with their contract.'"[3] *Highlands Wellmont Health Network, Inc. v. John Deere Health Plan, Inc.*, 350 F.3d 568, 578 (6th Cir. 2003) (quoting *Sweet Dreams Unlimited, Inc. v. Dial-A-Mattress Int'l, Ltd.*, 1 F.3d 639, 642 (7th Cir. 1993) and agreeing with its reasoning). Generally, the party opposing the enforcement of a forum-selection clause bears the burden of showing why the clause should not be enforced. *E.g., Good v. Nippon Yusen Kaisha*, No. 1:12-cv-1882, 2013 WL 2664193, at *4 (E.D. Cal. July 12, 2013); *see Moses H. Cone Mem'l Hosp. v. Mercury Constr. Corp.*, 460 U.S. 1, 24-25 (1983) (holding that any doubts concerning the scope of arbitrable issues should be resolve in favor of arbitration, including a waiver allegation); *Krinsk v. Sun Trust Banks, Inc.*, 654 F.3d 1194, 1200 n.17 (11th Cir. 2011) (holding that the party asserting the waiver of a

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[2] There is a paucity of federal appellate court opinions addressing the waiver of contractual forum-selection clauses. The standards for waiving an arbitration agreement should apply as arbitration agreements are specific types of forum-selection provisions. *See Vimar Seguros y Reaseguros, S.A. v. M/V Sky Reefer*, 515 U.S. 528, 534 (1995) (commenting that "foreign arbitration clauses are but a subset of foreign forum selection clauses in general."); *Scherk v. Alberto-Culver Co.*, 417 UY.S. 506, 519 (1974) ("An agreement to arbitrate before a specified tribunal is, in effect, a specialized kind of forum-selection clause . . . ."); *Moses v. Business Card Express, Inc.*, 929 F.2d 1131, 1138 (6th Cir. 1991) (referring to arbitration clauses as "a particular type of forum selection clause.").

[3] The Sixth Circuit has suggested that the "arising under" language for forum-selection clauses may not need to be interpreted as broadly as the "arising under" language for arbitration clauses. The strong public policy favoring the enforcement of arbitration agreements leads courts to resolve doubts about whether the agreement covers a particular dispute in favor of arbitration. *See Moses H. Cone Mem. Hosp. v. Mercury Constr. Corp.*, 460 U.S. 1, 24-25 (1983); *Johnson Assocs. Corp. v. HL Operating Corp.*, 680 F.3d 713, 717 (6th Cir. 2012). But, there is no similar policy principle favoring the enforcement of other types of forum-selection clauses. *Traton News, LLC v. Traton Corp.*, 528 F. App'x 525, 528 (6th Cir. 2013) (involving Ohio law).

contractual right to arbitration bears a heavy burden); *Fisher v. A.G. Becker Paribas Inc.*, 791 F.2d 691, 694 (9th Cir. 1986) (same).

Lovejoy has not established that Rosta AG waived its contractual right to have disputes with Lovejoy arising under the 2006 Agreement resolved in a Swiss court. First, Rosta AG's complaint does not allege a violation of any contractual rights under the 2006 Agreement. In the complaint, Rosta AG acknowledges the contract and summarizes the parities' prior business relationship. Paragraphs 27 through 33, explicitly referred to by Lovejoy in its response, plead that Rosta AG preserved its trademark rights in the contract and extended a license to Lovejoy. The first four causes of action or claims all reference federal statutes, not the terms of the 2006 Agreement. The fifth cause of action asserts a state tort. In other words, none of the claims pled in the complaint rely on the existence of a contract between the two parties. The references to the 2006 Agreement eliminate Lovejoy's license defense to the trademark claims. Second, the forum-selection clause applies only to disputes arising from the contract. The parties agreed to resolve those contract disputes in a Swiss court. The parties did not agree to resolve any and all possible disputes, including future disputes unrelated to the contract, in the Swiss court. Rosta AG's trademark claims against Lovejoy do not arise under the contract. Indeed, Rosta AG likely could not have brought the trademark claims while the contract was in force because the contract authorized Lovejoy to use Rosta AG's trademarks and logo. (2006 Agreement at 12 PageID.55.) Accordingly, litigating the federal statutory claims and the state tort pled in this complaint is not "completely inconsistent" with the contractual right to demand that claims arising from the contract be resolved in a Swiss Court. And, Rosta AG timely objected to this forum as proper location

for resolving the breach of contract claim. Approximately six weeks after Lovejoy filed its answer and counterclaims, Rosta AG filed this motion to dismiss the counterclaim.

B.

Having concluded that Rosta AG has not waived its right to rely on the forum-selection clause, the Court considers whether the clause should be enforced and Lovejoy's breach of contract counterclaims dismissed. Lovejoy argues any dismissal based on the doctrine of *forum non conveniens* should be denied. In a footnote, Lovejoy contends that Rosta AG's motion should be evaluated as a *forum non conveniens* motion and not as a motion under Rule 12(b)(6). (ECF No. 31 Def. Resp. at 6 n.1 PageID.283.)

"[A] forum selection clause is one way in which contracting parties may agree in advance to submit to the jurisdiction of a particular court." *Preferred Capital, Inc. v. Assocs. In Urology*, 453 F.3d 718, 721 (6th Cir. 2006). Generally, forum-selection clauses in agreements between commercial entities are valid and enforceable and should control, absent a strong showing that the clause should be set aside. *Id.*; *see Security Watch, Inc. v. Sentinel Sys., Inc.*, 176 F.3d 369, 374 (6th Cir. 1999) ("Although formerly disfavored, forum-selection clauses generally are enforced by modern courts unless enforcement is shown to be unfair or unreasonable.") (citing Restatement (Second) of Conflict of Laws § 80 (1988 Revision)). When considering whether the enforce a forum-selection clause, courts should look at three factors: (1) whether the clause was obtained by fraud, duress, or other unconscionable means; (2) whether the designated forum would ineffectively or unfairly handle the suit; and (3) whether the designated forum would be so seriously inconvenient that requiring the suit be brought there would be unjust. *Wong v. PartyGaming Ltd.*, 589

F.3d 821, 828 (6th Cir. 2009) (citing *Security Watch*, 176 F.3d at 375). "The party opposing the forum selection clause bears the burden of showing that the clause should not be enforced." *Id.* (citation omitted).

Lovejoy has not established that the forum-selection clause should not be enforced. Lovejoy does not address the portion of Rosta AG's motion that relies on Rule 12(b)(6), other than to argue that a more appropriate vehicle for the motion is the doctrine of *forum non conveniens*. But establishing that one procedural vehicle would be more appropriate does not establish that the other procedural vehicle is legally impermissible. The Supreme Court declined to eliminate Rule 12(b)(6) as a basis for enforcing a forum-selection clause. And, the Sixth Circuit has at least suggested that Rule 12(b)(6) as a means of enforcing forum-selection clauses. Lovejoy has not argued or established that the forum-selection clause was obtained by fraud, duress, or other unconscionable means. Neither has Lovejoy argued or established that the Swiss court would ineffectively or unfairly handle the lawsuit. By implication, Lovejoy has argued that litigating its breach of contract claim in the Swiss court would be inconvenient. However, by signing the contract, Lovejoy agreed to the forum and is now precluded from asserting that that Swiss court is inconvenient or even less convenient for it or its witnesses. *Atlantic Marine*, 571 U.S. at 64. Therefore, any inconvenience Lovejoy faces by having to litigate the contract claim in the agreed upon court cannot now be said to be unjust.

For the sake of argument, the Court has also reviewed whether the doctrine of *forum non conveniens* would result in the dismissal of the breach of contract counterclaims and concludes that it would. Under the doctrine, the court ordinarily considers the convenience

of the parties and various public-interest factors. *Atlantic Marine*, 571 U.S at 62; *Zions Firt Nat'l Bank v. Moto Diesel Mexicana, S.A. de C.V.*, 629 F.3d 520, 523 (6th Cir. 2010). However, when the parties' contract contains a forum-selection clause, the calculus changes because the parties have expressed an agreement to resolve their disputes in a particular forum. *Atlantic Marine*, 571 U.S. at 63. First, the party defying the forum-selection clause bears the burden of establishing that the use of the contractually-designated forum would be unwarranted. *Id.* at 63-64. Second, arguments about the parties' private interests are given no weight. *Id.* at 64. Because the parties agreed to a particular forum, "they waive the right to challenge the preselected forum as inconvenient or less convenient . . . ." *Id.* Third, the law of the preselected forum, not the law where the suit was filed, will govern the dispute. *Id.* at 65.

Using this calculus, the balance of factors weighs in favor of requiring the breach of contract claims to be resolved in the Swiss courts. The parties agreed to resolve their disputes arising under the contract in that forum. Thus, the private interests of the parties and their witnesses do not factor into the balance. The public interest favors resolution of the dispute in a Swiss court. The parties agreed that Swiss law would apply to disputes arising under the contract. This Court is not familiar with Swiss contract law. The Supreme Court has held that "the public interest factors point toward dismissal where the court would be required to 'untangle problems in conflict of laws, and in law foreign to itself.'" *Piper Aircraft Co. v. Reyno*, 454 U.S. 235, 251 (1981) (quoting *Gulf Oil Corp. v. Gilbert*, 330 U.S. 501, 509 (1947)).

III.

Through the contract between the parties, Defendant Lovejoy agreed to resolve any disputes arising under that contract in a court in Switzerland. After the contract was terminated, Rosta AG sued Lovejoy for trademark infringement, a claim which arose after the contract expired and did not arise under the contract. Rosta AG did not waive the forum-selection clause by filing its trademark lawsuit here. Under Rule 12(b)(6) and under the doctrine of *forum non conveniens*, Rosta AG is entitled to dismissal of the breach of contract counterclaim filed by Lovejoy.

ORDER

For the reasons provided in the accompanying Opinion, Plaintiff Rosta AG's motion to dismiss Defendant Lovejoy's breach of contract counterclaims (ECF No. 28) is **GRANTED. IT IS SO ORDERED.**

Date: April 23, 2018

/s/ Paul L. Maloney
Paul L. Maloney
United States District Judge