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Delaware Chancery Court Enjoins Texas Lawsuit Based on Forum Selection Clause

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The Delaware Chancery Court enjoined a lawsuit pending in Texas state court based on a forum selection clause providing for exclusive jurisdiction in Delaware over claims arising out of the parties' agreements.

Several contracts between defendant Richard Malouf and plaintiff ASDC Holdings contained a forum selection clause providing the Delaware Courts with exclusive jurisdiction of "any claim or cause of action arising under or relating to th[e] Agreement[s]" Other plaintiffs in the Delaware action, however, were not signatories to the agreements containing the forum selection clause.

After Malouf sued the plaintiffs in Texas, the plaintiffs sued in Delaware and sought to enjoin the Texas case based on the Delaware forum selection clause. Malouf asserted that the plaintiffs should make their forum selection argument in Texas, not Delaware, and sought dismissal of the Delaware action.

The Delaware Chancery Court granted the plaintiffs' motion and enjoined the Texas case. It found that the language in the forum selection clause that any action "arising under or relating" to the agreements must be heard in Delaware was sufficiently broad to reflect the parties' agreement to litigate *any* dispute relating to the agreements in Delaware. The Chancery Court further found that the plaintiffs, although they were not signatories to the agreements, were entitled to invoke the forum clause against Malouf because they were "closely related" to the agreements' signatories.

ASDC Holdings LLC v. The Richard J. Malouf 2008 All Smiles Grantor Retained Annuity Trust, C.A. No. 6562-VCP (Del. Ch. Sept. 14, 2011)