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configurations, patterns, or ornamental features that are judged aesthetically and that are applied to an article. A graphical user interface (GUI) of a computer program associated with a screen can be considered to fall under the category of a "pattern" or "ornament" as protected by the Industrial Design Act. Industrial design protection for an original GUI or icon should therefore be considered and could be an important tool in offering protection.

Integrated Circuit Topography

The Integrated Circuit Topography Act protects original integrated circuit topographies whether the design has been embodied in an integrated circuit product or not.

Software that has been or may be embedded in a semiconductor may be protectable by registered topography.

Conclusion

Intellectual property protection for software in Canada goes beyond patent protection. Software includes various aspects. A solid intellectual property strategy should consider alternative methods of protection. Three such forms have been briefly summarized here and include copyright, industrial design, and integrated circuit topography protection. Software developers and licensors should discuss these options with their IP professionals to realize the full potential of their intellectual property rights based on their individual needs, so they do not solely rely on patent protection for their computer software programs.

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Franchising Law

Matthew Kreutzer

The Forum-Selection Clause in Your Franchise Agreement: Why It's Important

One of the most common provisions in franchise agreements is the "forum-selection" clause. Under these provisions, the parties agree that any lawsuit filed by either one of the parties will be brought only in a court in a specified city and state. The chosen court almost always will be in the city where the franchisor has its home office.

A forum-selection clause is used as a cost-shifting tool in franchise contracts. The franchisor, which presumably has a large number of franchisees in diverse geographic locations, would find it financially burdensome to have to hire different lawyers in a number of different states to defend or prosecute lawsuits against its franchisees. Using the forum-selection provision, it shifts the burden of traveling for a lawsuit (and obtaining counsel in a sometimes-remote forum) to the franchisee.

Some states have laws that consider forum-selection clauses in franchise agreements to be void. That means a franchisee protected by state law will be able to sue and be sued in his or her home state. Other states will stop short of voiding those provisions but will permit a franchisee who sues the franchisor first to do so in his/her home jurisdiction.

Case Study: *Maaco Franchising, Inc. v. Tainter*

Even where forum-selection state laws do exist, they don't always carry the day. Take, for example, the recent case involving Maaco Franchising and two California-based franchisees. In 2004, Maaco entered into a franchise agreement with Richard and Diane Tainter for the operation of a Maaco automotive painting and repair shop located in Palo Alto, California.

The franchise agreement contained a Pennsylvania choice-of-law provision, as well as a forum-selection provision, requiring that all litigation occur in Pennsylvania federal or state courts. Under the franchise agreement, the Tainters agreed that they would submit to the personal jurisdiction of Pennsylvania courts, and waived all objections to the jurisdiction or venue of any action brought in Pennsylvania. This type of language—requiring a franchisee to waive objections

to the jurisdiction of the other state's courts—is common in franchise agreements.

Before signing the franchise agreement, the Tainters also received a franchise offering circular with a California-specific addendum. This type of addendum can be found in any franchise disclosure document where the franchisor is registered to sell franchises in a registration state such as California.

The California addendum in the agreement stated that California has a statute that "might supersede" the franchise agreement, "including the areas of termination and renewal." Importantly, however, the franchise agreement **itself** did not have any state-specific addendum modifying the terms of the contract.

Maaco's Lawsuit against the Tainters

In September 2012, Maaco sued the Tainters in September 2012, alleging that the Tainters failed to pay royalty and advertising fees, and for failing to comply with an audit. Maaco filed the lawsuit in Pennsylvania court (in accordance with the forum-selection clause).

Opposing Maaco's decision to sue them in Pennsylvania, the Tainters argued (among other things) that: (1) the forum-selection clause was invalid because the parties did not reach a "meeting of the minds" agreeing to a forum outside California; (2) the forum-selection clause should not be enforced because it is contrary to California's "strong public policy disfavoring the enforcement of out-of-state forum-selection clauses," citing California Business & Professions Code § 20040.5; and (3) that even if the forum-selection clause was valid and enforceable, other factors weighed in favor of transferring the case to the Northern District of California.

The Court analyzed the matter by referring to 28 U.S.C. § 1404(a), which allows a court to transfer a case to any other district or division where the case could have been brought "for the convenience of parties and witnesses, and in the interests of justice." The Court recognized that the forum-selection clause in the contract was entitled to "substantial consideration," but that it would not be dispositive. The Court noted that the Tainters, as the moving party, had the burden of showing why they should not be bound by the forum-selection clause and that a transfer was necessary in this case.

Meeting of the Minds

The Tainters argued that they did not "agree" to a forum outside of California based on the US Court of Appeals for the Ninth Circuit's holding in ***Laxmi Investments, LLC v. Golf USA*** [193 F.3d 1095, 1097 (9th Cir. 1999)]. In ***Laxmi***, the court found that there was no "meeting of the minds" about the forum-selection clause because California Business & Professions Code § 20040.5 prohibits franchise agreements from "restricting venue to a forum outside of California."

Based on the above statutory provision, the Tainters argued that they never agreed to a Pennsylvania forum for its dispute; in other words, that there was no "meeting of the minds" between the parties regarding the Pennsylvania forum-selection clause. To support that argument, the Tainters pointed out language in the Franchise Disclosure Document (which said that California "might have statutes that supersede the Franchise Agreement") meant that Maaco could not insist on a forum outside of California.

Analyzing the Tainters' argument, the Court said that, "under federal law, forum-selection clauses are presumptively valid and enforceable unless enforcement is shown by the resisting party to be unreasonable under the circumstances." To meet this burden, the resisting party must show: "(1) the clause was invalid for such reasons as fraud or overreaching; (2) enforcement of the clause would contravene a strong public policy of the forum in which the suit is brought; or (3) that enforcement of the clause would be so gravely difficult and inconvenient as to be unreasonable and unjust and that it would deprive the party of its day in court."

Reasoning that the unambiguous language in the agreement clearly stated that the parties waived any objection to the jurisdiction or venue of Pennsylvania courts, the Court found that the language in the separate disclosure document was "insufficient to negate the Tainters' express agreement to litigate in a Pennsylvania forum." In other words, the fact that the **disclosure document** said that California law "*might* supersede" the parties' choice of Pennsylvania as the proper forum for disputes wasn't good enough to overcome the clear language of the contract.

As a result, the Court found that there **was** a meeting of the minds between the parties regarding the forum-selection clause in the Franchise Agreement.

Strong Public Policy

Next, the Tainters argued that the forum-selection clause was unenforceable as it contravened California's "strong public policy," as embodied in California Business & Professions Code § 20040.5.

Turning to this argument, the Court said that the question is not whether enforcing a forum-selection clause is contrary to *any* strong public policy, but whether it would "contravene a strong public policy of the forum *in which the suit is brought*."

Pennsylvania courts, the Court said, regularly enforce clauses electing a Pennsylvania choice of forum. As a result, the Court held that the Tainters' "strong public policy" argument could not override enforcement of the forum-selection clause.

Transfer for Convenience of Parties and Witnesses

Lastly, the Tainters argued that the Court should transfer the case for the convenience of the parties and witnesses, as permitted by 28 U.S.C. § 1404(a). The interests that can be considered under this Section are "plaintiff's forum preference as manifested in the original choice; the defendant's preference; whether the claim arose elsewhere; the convenience of the parties as indicated by their relative physical and financial condition; the convenience of the witnesses—but only to the extent that the witnesses may actually be unavailable for trial in one of the fora; and the location of books and records." [*Quoting Jumara v. State Farm Ins. Co.*, 55 F.3d 873, 879 (3d Cir. 1995).]

The Court found that a California forum certainly would be more convenient for the Tainters, who live in the state. Presumably, the Tainters' witnesses, books, and records would all be located there. On the other hand, the Court reasoned that Pennsylvania would be a more convenient forum to Maaco, which had its principal place of business in the state during its relationship with the Tainters and maintained offices there.

Noting that the function of a venue transfer is not to "shift inconvenience from one party to another," the Court held that a "plaintiffs' choice of venue should not be lightly disturbed," particularly in light of the contractual forum-selection clause. Additionally, the Court said that Pennsylvania courts are more familiar with Pennsylvania law, which the parties had chosen as the law governing the franchise agreement. Therefore, the Court declined to order transfer of venue to California.

Maaco v. Tainter: Lessons Learned

Currently, many franchise registration states specifically require, as a condition to registration, that the franchise agreement have a state-specific addendum to the *franchise agreement* (as opposed to the disclosure document, as in the case of the Tainters) that says that the franchisee has the right to sue or be sued in her home state. Those provisions usually will be enforced.

The key takeaway for franchisors from *Maaco v. Tainter* is that forum-selection clauses are valuable tools that can help them shift some of the burden of litigation costs to their franchisees. Courts in states that don't have special franchise laws usually will enforce forum-selection provisions, unless there is a clear reason not to do so. A state-specific addendum to a franchise agreement, which may be at play in certain franchise registration states, usually will be enough to require a court to transfer a case to the franchisee's home state.

For prospective franchisees, the lesson from *Maaco v. Tainter* is that it's important to read and understand the franchise agreement—and any state-specific addenda—before signing the contract. If your proposed franchise agreement contains a forum-selection clause, understand what that provision will mean to you if your relationship with the franchisor implodes.

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