

[Cite as *Francis David Corp. v. Chris' Place*, 2010-Ohio-678.]

Court of Appeals of Ohio

EIGHTH APPELLATE DISTRICT
COUNTY OF CUYAHOGA

JOURNAL ENTRY AND OPINION
No. 93531

FRANCIS DAVID CORP., ETC.

PLAINTIFF-APPELLEE

vs.

CHRIS' PLACE, ET AL.

DEFENDANTS-APPELLANTS

**JUDGMENT:
AFFIRMED**

Civil Appeal from the
Garfield Heights Municipal Court
Case No. CVF0704757

BEFORE: Cooney, J., Gallagher, A.J., and Rocco, J.

RELEASED: February 25, 2010

**JOURNALIZED:
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N.B. This entry is an announcement of the court's decision. See App.R. 22(B) and 26(A); Loc.App.R. 22. This decision will be journalized and will become the judgment and order of the court pursuant to App.R. 22(C) unless a motion for reconsideration with supporting brief per App.R. 26(A), or a motion for consideration en banc with supporting brief per Loc.App.R. 25.1(B)(2), is filed within ten days of the announcement of the court's decision. The time period for review by the Supreme Court of Ohio shall begin to run upon the journalization of this court's announcement of decision by the clerk per App.R. 22(C). See, also, S.Ct. Prac.R. 2.2(A)(1).

COLLEEN CONWAY COONEY, J.:

{¶ 1} Defendants-appellants, Chris' Place and Christian Redman ("Redman") (collectively referred to as defendants), appeal from the municipal court's judgment in favor of plaintiff-appellee, Francis David Corp. d.b.a. First Hudson Leasing ("Francis David"), in the amount of \$7,725.60. Finding no merit to the appeal, we affirm.

{¶ 2} In December 2007, Francis David filed suit against defendants in Garfield Heights Municipal Court, alleging that Chris' Place entered into two lease agreements for credit card processing equipment and related services, and that it owed \$7,725.60. The complaint alleged that Redman guaranteed the lease agreements of Chris' Place. Francis David sought judgment against both defendants for \$7,725.60 plus interest, attorney fees, and costs. Defendants filed a motion to dismiss for lack of subject matter jurisdiction, which Francis David opposed. The matter proceeded to a hearing on the motion to dismiss, at which the following evidence was adduced.

{¶ 3} Defendants entered into two commercial leases with Francis David: one for credit and gift card equipment, and the other for a website in an online store. A Francis David sales representative met with Redman, the owner of Chris' Place, and negotiated the lease agreements. Chris' Place is located in Jeffersontown, Kentucky and Redman resides in Louisville,

Kentucky. In order to finalize the agreements, a Francis David employee in Independence, Ohio completed the agreement by signing the lease and filling in the serial numbers of the leased equipment. Francis David's principal place of business is in Independence, Ohio.

{¶ 4} Redman agreed to have the monthly payments debited from Chris' Place's checking account. Francis David processed these payments in Independence, Ohio. Defendants stopped paying under the leases and returned the equipment to Francis David. Additionally, in the lease agreements, the parties agreed to "jurisdiction of the federal and state courts located in Cuyahoga County, Ohio for the purposes of any suit, action or proceeding arising out of [defendants'] obligations under this Lease."

{¶ 5} After the hearing, the municipal court denied defendants' motion, which the defendants appealed to this court. We dismissed the appeal, sua sponte, for lack of final appealable order. Defendants then filed an answer to Francis David's complaint and the matter was set for a bench trial on October 8, 2008. The municipal court accepted exhibits and rendered judgment in favor of Francis David in the amount of \$7,725.60, with interest at the rate of 8% per annum and costs incurred therein.

{¶ 6} It is from this order that defendants now appeal, raising one assignment of error, in which they argue that the court erred when it found

that it had subject matter jurisdiction over “a Kentucky defendant and Kentucky lease agreement.”

{¶ 7} We review the issue of subject-matter jurisdiction de novo. *Cuyahoga Cty. Bd. Of Commrs. v. Daroczy*, 178 Ohio App.3d 625, 2008-Ohio-5491, 899 N.E.2d 1017, ¶4, citing *Dzina v. Avera Internatl. Corp.*, Cuyahoga App. No. 86583, 2006-Ohio-1363. Under this standard of review, we must independently review the record and afford no deference to the trial court’s decision. *Internatl. Total Serv., Inc. v. Garlitz*, Cuyahoga App. No. 20441, 2008-Ohio-3680, ¶6, citing *Herakovic v. Catholic Diocese of Cleveland*, Cuyahoga App. No. 85467, 2005-Ohio-5985.

{¶ 8} Defendants claim that the judgment rendered by the Garfield Heights Municipal Court is void because neither the defendants nor the negotiation of the leases have any relationship with the territorial limits of the Garfield Heights Municipal Court. Defendants further claim that they conduct business in Jefferstown, Kentucky and the lease “occurred” within Kentucky. They cite *Cheap Escape Co., Inc. v. Haddox, L.L.C.*, 120 Ohio St.3d 493, 2008-Ohio-6323, 900 N.E.2d 601 (“*Cheap Escape II*”), to support their position that the subject matter jurisdiction of municipal courts is limited to the adjudication of events that occurred within their territory.

{¶ 9} In *Cheap Escape*, Haddox, L.L.C., a construction firm located in Summit County, entered into two contracts with Cheap Escape to run ads in a magazine that featured business advertisements. The contracts provided that “in the event either party is in noncompliance with any provision of this Agreement the proper venue for litigation purposes will be in the Franklin County Municipal Court or Franklin County Common Pleas.”

{¶ 10} The parties agreed that the events relevant to these transactions occurred outside Franklin County and that the only connection to that forum arose from the forum-selection clauses in the contracts between them. After Haddox defaulted on the agreements, Cheap Escape filed a breach-of-contract action in the Franklin County Municipal Court, seeking \$1,984 in damages. The municipal court entered a default judgment against Haddox. Haddox moved to vacate the default judgment, arguing that the municipal court lacked subject matter jurisdiction. The court denied this motion, and Haddox appealed. The Franklin County Court of Appeals determined that R.C. 1901.18 limits municipal court subject-matter jurisdiction in civil matters to cases that have a territorial connection to the court. *Cheap Escape v. Tri-State Constr., L.L.C.*, 173 Ohio App.3d 683, 2007-Ohio-6185, 880 N.E.2d 122 (“*Cheap Escape I*”). Because the relevant actions occurred in Summit County, the court of appeals found that the municipal court did not

have subject-matter jurisdiction over the case, regardless of the forum-selection clause. *Cheap Escape I* at ¶34.

{¶ 11} The Ohio Supreme Court accepted the appeal and examined the limits of municipal court jurisdiction. The court noted that the “[s]ubject-matter jurisdiction of a court connotes the power to hear and decide a case upon its merits’ and ‘defines the competency of a court to render a valid judgment in a particular action [,]” and that “[t]erritorial jurisdiction refers to the ability of a court to act as a court of record in a specific area.” *Cheap Escape II* at ¶6, quoting *Morrison v. Steiner* (1972), 32 Ohio St.2d 86, 87, 290 N.E.2d 841. See, also, R.C. 1901.02. Furthermore, “municipal courts are statutorily created, R.C. 1901.01, and their subject-matter jurisdiction is set by statute. R.C. 1901.18(A) provides the applicable law in this regard: ‘Except as otherwise provided in this division or section 1901.181 of the Revised Code, subject to the monetary jurisdiction of municipal courts as set forth in section 1901.17 of the Revised Code, a municipal court has original jurisdiction within its territory in all of the following actions or proceedings * * *.’ The list of enumerated actions includes breach-of-contract cases, which is the cause of action here. *Id.* at (A)(3).” *Id.* at ¶7.

{¶ 12} The *Cheap Escape II* court determined that R.C. 1901.18(A) was ambiguous because the phrase “within its territory’ could refer to either

‘original jurisdiction’ or the list of actions in the statutory subsections.” *Cheap Escape II* at ¶12. “It is simply unclear from the statutory language whether the General Assembly intended to limit municipal court subject-matter jurisdiction to territorial matters or to give the municipal courts subject-matter jurisdiction over all matters suitable for municipal court review so long as the court sits within its territory when it disposes of a dispute.” *Id.*

{¶ 13} The court read R.C.1901.18 in pari materia with related statutes, and concluded that because other statutes defined the municipal courts’ territorial jurisdiction, it would be redundant to construe the phrase “within its territory” to refer to the area in which the municipal court may sit. *Id.* at ¶16. The court then determined that “the only other logical way to read the phrase is as a limit on the types of actions that a court may hear. Thus, the phrase ‘original jurisdiction within its territory in all of the following actions’ means that a municipal court may hear only those matters listed in R.C.1901.18(A)(1) through (12) that have a territorial connection to the court.” *Id.* See, also, *Francis David Corp. v. Scrapbook Memories & More*, Cuyahoga App. No. 93376, 2010-Ohio-82.

{¶ 14} Francis David argues that the Garfield Heights Municipal Court has subject-matter jurisdiction over the instant case because there are a series of territorial connections to that court. We agree.

{¶ 15} A review of the record reveals that Francis David's office is located in Independence, Ohio, payment on the lease agreements was due in Independence, and the agreements were faxed to Independence, where they were signed by a Francis David employee. Francis David instituted a breach of contract action against the defendants in Garfield Heights Municipal Court, which has jurisdiction over the municipal corporation of Independence, Ohio. See R.C. 1901.02(B). Furthermore, the actions or proceedings listed in R.C. 1901.18(A) include claims for breach of contract, such as the claim made in *Cheap Escape I* and the claim made here. See R.C.1901.18(A)(3).

{¶ 16} Thus, we conclude that the Garfield Heights Municipal Court did not err in finding that it had subject-matter jurisdiction over this action.¹ See, *Groll Furniture Co. v. Epps*, Marion App. No. 9-09-13, 2009-Ohio-3533

¹Likewise, the Garfield Heights Municipal Court had monetary jurisdiction over the case because the amount in dispute is \$7,725.60, which is less than the \$15,000 monetary limit set forth in R.C. 1901.17. The municipal court also had personal jurisdiction, given the forum-selection clauses in the contracts. See *Cheap Escape II*, at fn. 2, citing *Kennecorp Mtge. Brokers, Inc. v. Country Club Convalescent Hosp., Inc.* (1993), 66 Ohio St.3d 173, 175, 610 N.E.2d 987 (forum-selection clauses in commercial contracts are valid in the absence of fraud or overreaching and can be used to establish personal jurisdiction).

and *Cheap Escape I*, (finding subject-matter jurisdiction where the parties executed the contract.)

{¶ 17} Accordingly, the sole assignment of error is overruled.

{¶ 18} Judgment is affirmed.

It is ordered that appellee recover of appellant costs herein taxed.

The court finds there were reasonable grounds for this appeal.

It is ordered that a special mandate issue out of this court directing the municipal court to carry this judgment into execution.

A certified copy of this entry shall constitute the mandate pursuant to Rule 27 of the Rules of Appellate Procedure.

COLLEEN CONWAY COONEY, JUDGE

SEAN C. GALLAGHER, A.J., and
KENNETH A. ROCCO, J., CONCUR