

When A Stipulation Is Not Enough: California Court of Appeal Rules That Forum Selection Clause In Manufacturer Defendant's Warranty Could Not Be Enforced Even Though Its Counsel Offered To Stipulate That California Law Would Otherwise Apply

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Nationwide manufacturers doing business in California often seek to enforce forum selection clauses in the dispute provisions in their warranty contracts. This is particularly the case for manufacturers selling luxury motor coaches, which can often cost in excess of \$400,000. However, even if the forum selection clause is legally viable, many questions still exist as to what law applies and what are the rights of the customer.

This situation came to a head in Edward Diaz v. Thor Motor Coach, Inc. (2026) Lexis 95 ("Diaz case"). In the Diaz case, Edward Diaz and Linda Diaz purchased a Thor Motor Coach, Inc. ("Thor") motorhome from dealer Giant RV for approximately \$400,000. At the time of the purchase of the motorhome, the Diazes signed a series of forms that were drafted by Thor, including a two-page document entitled "Thor Motor Coach Product Warranty Registration Form." By signing the registration form, the Diazes acknowledged that:

- 1) They received, read, and agreed to the terms and conditions of the Thor Motor Coach Limited Warranty and the Thor Motor Coach Structural Limited Warranty;
- 2) They understood and agreed to the forum selection clause and choice of law clause set forth in the Thor Motor Coach Limited Warranty and the Thor Motor Coach Structural Limited Warranty;
- 3) That any lawsuit related to their motorhome would be decided by a judge rather than a jury; and
- 4) That the exclusive jurisdiction for deciding legal disputes related to alleged breach of warranty of representations of any nature rested in the State of Indiana.

The Diazes later filed suit in a California State Court under the California Song-Beverly Act (lemon law) against Thor and others. Thor then moved to stay the Diaz case, arguing that the forum selection clause included in the registration form and warranty guide required the Diazes to litigate their claims in Indiana. Recognizing that the Diaz couple's rights under the Song-Beverly Act would be abridged, Thor agreed that it would

disclaim the choice of law and jury waiver clauses that were included in the registration form and warranty guide in order so that the forum selection clause be enforced. Based upon that agreement, the Trial Court stayed the Diaz case and effectively ruled that the Diazes would have to file suit in Indiana.

The Diazes appealed on the basis that the Thor registration form and warranty guide violated public policy and Thor's agreement to have the Indiana Court apply the Song-Beverly Act and to have the matter adjudicated by a jury in Indiana could not and did not rehabilitate the warranty.

The Court of Appeal agreed and reversed the trial court. The Court of Appeal noted that California favors forum selection clauses where they are entered into freely and voluntarily, but expressed that the warranty clause in this case violated public policy and litigating the claims in the contractually designated forum in this case would diminish the substantive rights afforded under California law to the Diaz plaintiffs. In addition, in reversing the Trial Court, the California Court of Appeal effectively ruled that agreements to, for example, not enforce a waiver of jury clause, cannot be used as a means of enforcing a forum selection clause when the parties' contract violates public policy in a substantive way.

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