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BLOGS
Arbitration

Court Grants Franchisor's Motion to Compel Arbitration and Enforces Forum Selection Clause

In *Edible Arrangements Int'l, Inc. v. JHRV Enter., Inc.*, 2010 U.S. Dist. LEXIS 105614 (D. Conn. Oct. 1, 2010), a Connecticut federal court enforced franchise agreements that provided for arbitration in Connecticut of all disputes arising from the franchise relationship. The franchisee had operated 18 stores in California. The franchisor and franchisee had entered into a settlement agreement to resolve one series of disputes, and the settlement agreement provided that any dispute arising out of that agreement would be resolved in California state court.

Approximately one year later, the franchisee sued the franchisor in California state court alleging various violations of the franchise agreements. The franchisor then terminated the franchise agreements and commenced an arbitration proceeding. It then filed an action in federal court in Connecticut to compel the franchisees to arbitrate the claims they had filed in California state court. The franchisee moved to dismiss for improper venue, arguing that the parties' settlement agreement contained a California forum selection clause. The court denied that motion, finding that the franchisor's claims arose under the franchise agreements rather than the unrelated settlement agreement.

The court also granted the franchisor's motion to compel arbitration. The court found that the franchisee's state court claims fell within the terms of the arbitration clause in the franchise agreements. The court also rejected the franchisee's argument that a forum selection clause requiring arbitration in Connecticut was unenforceable under the California Franchise Relations Act. The court found that law to be preempted by the Federal Arbitration Act, as previously explained by the Ninth Circuit. The court ordered the franchisee to proceed with arbitration in Connecticut.