



BLOGS
Arbitration

Massachusetts Federal Court Dismisses Individual's Claims Related to Ongoing Arbitration Against Franchisee

A federal court in Massachusetts dismissed a franchisee's declaratory judgment, consumer protection, and fraud claims against a franchisor, two of its employees, and its outside counsel and enforced the arbitration clause in the parties' franchise agreement. *Restuccia v. H&R Block Tax Services LLC, et al.* 2021 WL 4658734 (D. Mass. Oct. 7, 2021), Restuccia converted his accounting firm into an H&R Block franchise through a series of agreements he entered into in 2015.

A federal court in Massachusetts dismissed a franchisee's declaratory judgment, consumer protection, and fraud claims against a franchisor, two of its employees, and its outside counsel and enforced the arbitration clause in the parties' franchise agreement. *Restuccia v. H&R Block Tax Services LLC, et al.* 2021 WL 4658734 (D. Mass. Oct. 7, 2021), Restuccia converted his accounting firm into an H&R Block franchise through a series of agreements he entered into in 2015. Block subsequently provided assistance in his acquisition of another accounting business, in exchange for an ownership interest in the new business. When a dispute arose concerning royalties due for the newly acquired business, Restuccia's firm initiated arbitration against Block. It then filed for bankruptcy, and Block moved to join Restuccia as an individual. Restuccia then sued Block and several individuals in federal court to avoid being added to the arbitration and alleging claims of fraud and consumer protection violations. Block moved to dismiss.

The court first considered and determined that it did not have personal jurisdiction over Block's outside counsel and its employees. Block's outside counsel only had offices in Kansas and Missouri, and its only contact with Massachusetts was the Missouri-venued arbitration with the franchisee, a Massachusetts company. Similarly, the Block employees' only contacts with Massachusetts occurred within the scope of their employment with Block. Next, the court considered Restuccia's argument that he was not personally bound by the arbitration provision in the franchise agreement. The court disagreed, as Restuccia agreed to the provision individually as the franchisee's principal. Further, the arbitration agreement's incorporation of the AAA's Commercial Arbitration Rules constituted clear and unmistakable evidence the parties intended to arbitrate the issue of arbitrability. Therefore, the court dismissed Restuccia's claims against Block and compelled arbitration.

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