

BLOGS
Arbitration

California Federal Court Enforces Hotel Franchisor's Arbitration Provision and Compels Arbitration

06/05/2025 | 2 minute read

A federal court in California recently granted a franchisor's motion to compel arbitration and stay the lawsuit in a dispute alleging breach of contract, breach of the implied covenant of good faith and fair dealing, and fraud. *CS Anaheim Hotel Invs. LLC v. Choice Hotels Int'l, Inc.*, 2025 WL 1359015 (C.D. Cal. May 9, 2025).

CS Anaheim and Choice entered into a franchise agreement to operate a Choice-branded hotel. CS Anaheim alleged that Choice violated the agreement by accepting kickbacks from vendors who then allegedly pass on the cost of the kickbacks to franchisees, improperly using system fees, and charging fees not previously disclosed. Choice moved to compel arbitration pursuant to the franchise agreement's arbitration provision, which included a delegation clause that delegated the question of arbitrability to an arbitrator, and a forum selection addendum that stated the venue provision, which required venue to be limited to Maryland, "may not be enforceable under California law."

The court granted Choice's motion. CS Anaheim claimed that all three provisions were unenforceable because (1) California law should control, (2) there was lack of mutuality, and (3) the delegation clause was unconscionable. First, the court determined that the choice of law was irrelevant as the delegation clause was enforceable under either California or Maryland law. Second, the court held that the argument that the provision lacked mutuality rested on the addendum's language that the forum selection provision "may not be enforceable under California law." The addendum referred solely to forum selection without mention of arbitration generally. Thus, a lack of mutuality with respect to the forum selection clause did not impact the enforceability of the arbitration provision as a whole. Finally, the court rejected CS Anaheim's assertion that the delegation clause, and by extension the entire arbitration provision, is unconscionable due to the arbitrator's inability to apply California law, and an alleged lack of "meeting of the minds" about venue. The court reiterated that lack of assent to forum selection is distinct from a lack of assent to arbitration. Further, CS Anaheim did not provide evidence of substantive unconscionability. Thus, the parties were compelled to arbitrate the claims.

**Emily Sparling is a Summer Associate for Lathrop GPM who contributed to the writing of this post.*

Related People

Theresa Nolan Breslin

Associate

Washington, D.C.

202.295.2224

theresa.breslin@lathrooggpm.com

Related Services

[Franchise & Distribution](#)