

BLOGS

Arbitration

## California Federal Court Grants Retail Franchisor's Motion to Compel Arbitration and Dismisses Action

A federal court in California recently granted a motion brought by a franchisor and two of its employees to compel arbitration and dismiss an action alleging violations of the California Franchise Investment Law, breach of the implied covenant of good faith and fair dealing, and misrepresentation. *Singh v. Batteries Plus, LLC*, 2024 WL 2132525 (E.D. Cal. May 13, 2024).

A federal court in California recently granted a motion brought by a franchisor and two of its employees to compel arbitration and dismiss an action alleging violations of the California Franchise Investment Law, breach of the implied covenant of good faith and fair dealing, and misrepresentation. *Singh v. Batteries Plus, LLC*, 2024 WL 2132525 (E.D. Cal. May 13, 2024). The franchise agreement between Ashwant Singh and Batteries Plus contained both mediation and arbitration provisions. The arbitration provision required all disputes and claims arising out of the franchise agreement to be resolved in arbitration, subject to the Federal Arbitration Act, and venued in Wisconsin. After an unsuccessful mediation, Singh filed suit in California state court and Batteries Plus removed the action to federal court. Batteries Plus then moved to compel arbitration and to dismiss or stay the action pending arbitration. Singh opposed this motion on the grounds that there was not a valid agreement to arbitrate, that the arbitration provision was unconscionable, and that if the arbitration provision was enforceable, it did not extend to the employee defendants.

The court granted Batteries Plus's motion on the grounds that a valid agreement to arbitrate exists, it covers the dispute, and that the unconscionable provisions could be stricken. Although Singh argued that he was unaware of the arbitration provision, the court presumed that he read the franchise agreement and understood its contents prior to signing it—therefore, the agreement to arbitrate was valid. Additionally, the court concluded that the arbitration provision's broad language encompassed the claims in dispute. Regarding Singh's procedural unconscionability arguments, the court determined that, although there was some element of surprise, there was only minimal procedural unconscionability. Despite the arbitration provision not appearing until page 32 of the 57-page agreement, the court found that Singh had "plenty of time to review and understand" it. The court also concluded that there was some substantive unconscionability because the arbitration provision lacked mutuality as to a judicial forum for injunctive relief and imposed a restriction on statutorily imposed punitive damages and exemplary damages. These unconscionable provisions were severed by the court from the franchise agreement pursuant to its severability clause and applicable California law. Moreover, the court held that the venue provision and the class action/joiner waiver were preempted by the FAA. Lastly, the court held that the employee defendants were agents of Batteries Plus because they were acting within their scope of employment at the time of the alleged misconduct.

### Related People

#### Cassie Doult

Associate

Los Angeles

310.789.4630

[cassie.doult@lathropgpm.com](mailto:cassie.doult@lathropgpm.com)

### Related Services

[Franchise & Distribution](#)



Therefore, as non-signatories, they had standing to enforce the arbitration provision as to the individual claims brought against them. Because all the claims raised in the action were subject to arbitration, the court dismissed the action without prejudice.

Lathrop GPM represented Batteries Plus and the employee defendants in this action.

*\*Lauren Atherton is a Summer Associate for Lathrop GPM who contributed to the writing of this post.*