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BLOGS
Arbitration

California Federal Court Orders Arbitration of Franchisee’s Employment Claims

Meanwhile, a federal court in California has granted a franchisor’s motion to compel arbitration in a putative class action lawsuit filed by one of its franchisees. *Jacobson v. Snap-on Tools Co.*, 2015 WL 8293164 (N.D. Cal. Dec. 9, 2015). Jacobson argued that his work was so closely regulated by Snap-on Tools, a franchisor of automotive and shop equipment, that he should be treated as an employee under California law, rather than as an independent franchisee, and that Snap-on Tools failed to properly pay him for employment-related expenses, overtime, and meal and rest breaks. Snap-on Tools responded by moving to compel arbitration of the dispute based on the arbitration clause in its standard franchise agreement, which provided that any controversy relating to the franchisee’s business or the performance of the agreement would be subject to binding arbitration.

The court held that the arbitration clause was valid and enforceable, and it ordered Jacobson to pursue his claims for violation of California employment laws and unfair business practices in arbitration. Jacobson had argued that the arbitration clause was procedurally and substantively unconscionable because he had not read it, it was hidden, and Snap-on Tools failed to make him aware of it. The court rejected each of those arguments, finding that the arbitration provision was clear and visible and that Snap-on Tools was not required to call the provision to Jacobson’s attention. The court did, however, find merit in Jacobson’s argument that the fee-splitting provision contained in the franchise agreement was unconscionable under the circumstances of this case because it only obligated Snap-on Tools to pay “expenses up to \$7,500 for demands less than \$75,000.” The court also exempted Jacobson’s representative claim under the Private Attorneys General Act from arbitration because the franchise agreement specifically exempted class actions from arbitration.

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