BLOGS
Arbitration

Court Denies Franchisee's Motion to Compel Arbitration Based on Plain Language of Franchise Agreement

Meanwhile, a Florida federal court has denied a franchisee's motion to stay proceedings and compel arbitration of the claims filed against it by its franchisor, *Jewelry Repair Enterprises. Jewelry Repair Enters., Inc. v. Son Le Enters., Inc.*, 2016 WL 660904 (S.D. Fla. Feb. 18, 2016). Jewelry Repair's claims all arose from Son Le's alleged violations of the post-termination obligations and restrictive covenants contained in the parties' franchise agreement. One section of the franchise agreement provided for binding arbitration in the event of a dispute, while a subsequent section of the agreement excluded certain claims from that requirement. In particular, claims related to Jewelry Repair's confidential information or trademarks, Son Le's obligations upon termination, and conduct that could impair the goodwill associated with Jewelry Repair's trademarks all were expressly excluded from the scope of the agreement's arbitration clause.

The court found that the franchise agreement was clear on its face as to matters that were to be excluded from arbitration and that Jewelry Repair's claims fit squarely within that category. The court rejected Son Le's argument that any exceptions to the arbitration clause had to appear in the arbitration clause itself, rather than in a different section of the agreement. Describing Son Le's argument as "unreasonable and illogical," the court found that there was no ambiguity in the agreement and that Jewelry Repair's claims were not covered by the arbitration clause. Because the parties had not agreed to arbitrate the specific claims raised by Jewelry Repair, the court refused to compel arbitration.

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