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BLOGS

Choice of Forum/Venue

Court Upholds Mediation Provision Under California Law

In *Terry Delamater, et. al. v. Anytime Fitness, Inc.*, 2010 U.S. Dist. LEXIS 64126 (E.D. Cal., June 25, 2010), a California federal court granted the franchisor's motion to dismiss a franchisee's complaint for declaratory relief that sought to require the parties to mediate in California. The franchisor and the franchisee were parties to several franchise agreements, under which the parties were to engage in mediation at a site selected by the mediation organization before submitting their claims to arbitration or litigation. A dispute arose between the parties, and the franchisee demanded that they mediate. The mediation organization selected Atlanta, GA, as the venue.

Prior to the start of mediation, the franchisee filed a complaint for declaratory relief seeking to require that the mediation be held in California, claiming that the mediation clause violated the California Franchise Relations Act. The court disagreed, holding that the CFRA did not apply to nonbinding mediation. While the CFRA prohibits a franchise agreement from restricting venue to a forum outside California for any claim relating to a franchised business located in California, the court found that a mediation does not involve the assertion of "claims," but rather the parties work with a neutral in an effort to reach an agreement to a dispute. In addition, there was nothing in the CFRA or its legislative history that suggested that the statute should be applied to nonbinding mediation forum selection clauses.