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BLOGS
Arbitration

Louisiana Appellate Court Refuses to Enforce Arbitration Clause

In *O'Neal v. Total Car Franchising Corp.*, 2009 WL 4827152 (La. App. 2d Cir., Dec. 16, 2009), a Louisiana appellate court found for O'Neal on appeal finding that the arbitration clause in his area developer agreement did not apply to the dispute between O'Neal and the franchisor, Total Car Franchising Corporation ("TCF"), which was the franchisor of the Colors on Parade system.

O'Neal and TCF entered into an area developer agreement under which O'Neal agreed to arbitrate all "disagreements within the Colors on Parade community" providing that "[o]ne or each disputant submits a demand for arbitration to us [TCF]. We [TCF] will assist in the selection of arbitrators and serve as case administrator." O'Neal argued that the arbitration provision appeared to apply to disputes between O'Neal and Colors on Parade franchisees, but that the provision did not apply to disputes between O'Neal and TCF itself. In response, TCF argued that it too was part of the Colors on Parade community and, as a result, this dispute should be subject to arbitration. The appellate court agreed with O'Neal, finding that despite the presumption in favor of arbitration, it was not clear that this dispute was covered by the arbitration clause.