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BLOGS
Arbitration

New Jersey Appeals Court Requires Discovery Before Dismissal Pursuant to Arbitration Clause

Plaintiffs hoping to avoid having to comply with contractual arbitration clauses were given a glimmer of hope in *Brooks v. Fetch! Pet Care, Inc.*, 2011 N.J. Super. LEXIS 1236 (N.J. Super. Ct. App. Div. May 13, 2011). In this case, the New Jersey Superior Court reversed the trial court's dismissal of the plaintiffs' complaint and remanded the case for further discovery. The trial court held that the constitutional Supremacy Clause and Federal Arbitration Act ("FAA") required enforcement of the mandatory arbitration provision in the parties' franchise agreement, which required arbitration in California. In so holding, the trial court rejected the plaintiffs' contention that their general claims of fraud warranted New Jersey being the venue for resolution of their disputes pursuant to the New Jersey Franchise Practices Act.

The New Jersey Superior Court reversed, finding that dismissal was premature. The plaintiffs raised arguments that could provide valid defenses to enforcement of an arbitration clause under the FAA. Based on certifications filed by the plaintiffs in opposition to the motion, as well as their allegations of fraud in relation to the franchise agreement negotiations, the appellate court remanded the case for additional discovery to develop the record on whether the contract was one of adhesion, whether the arbitration clause was unconscionable, or whether plaintiffs made a conscious business decision that the agreement's overall benefits outweighed the detriments of its inclusion of an out-of-state arbitration provision.