

**BLOGS**

Arbitration

## North Carolina Federal Court Stays Litigation of Non-arbitrable Claims Pending Resolution of Related Arbitration

A federal court in North Carolina has held that considerations of judicial economy required that litigation of nonarbitrable claims should be stayed pending completion of a related arbitration. *Medical Search Consultants, LLC v. Pasture Gate Holdings, Inc.*, 2023 WL 8532400 (W.D.N.C. Dec. 8, 2023).

A federal court in North Carolina has held that considerations of judicial economy required that litigation of nonarbitrable claims should be stayed pending completion of a related arbitration. *Medical Search Consultants, LLC v. Pasture Gate Holdings, Inc.*, 2023 WL 8532400 (W.D.N.C. Dec. 8, 2023). A healthcare recruiting company, Medical Search Consultants, LLC, entered into a franchise agreement with Pasture Gate that granted it access to MSC's confidential operating information such as trademarks, business plans, and training materials. Michael Dunmire and his sister, principals of Pasture Gate, signed related agreements and guarantees. After performing under the agreement for about two years, MSC claimed that the Dunmires created a competing staffing and recruiting firm, Pyxis, and misappropriated MSC's trademarks. MSC sued alleging breaches of the franchise agreement and misappropriation of trade secrets, among other claims. Shortly thereafter, Pasture Gate and Michael Dunmire commenced an arbitration against MSC and its CEO.

The parties to the litigation agreed that some of the claims were not arbitrable, including claims involving parties that had not signed the franchise agreement. However, they disputed whether the litigation concerning the nonarbitrable claims should be stayed or proceed in parallel. The court concluded that MSC's nonarbitrable claims should be stayed until the arbitration's resolution because the factual issues were inextricably intertwined with the claims asserted in the arbitration such that there was a risk of inconsistent results if the court proceedings were permitted to continue.

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