



BLOGS
Arbitration

Washington Federal Court Compels Arbitration in Colorado

A federal court in Washington recently granted a motion to compel arbitration pursuant to a forum selection clause in a Party Princess franchise agreement. *Taylor v. Rothschild*, 2019 WL 3067255 (W.D. Wash. July 12, 2019). The agreement included a broadly worded arbitration clause requiring the parties to submit all disputes arising therefrom to binding arbitration in Denver, Colorado. Party Princess, the franchisor, commenced an arbitration alleging breaches of the franchise agreement. Instead of asserting counterclaims in the arbitration, however, the franchisee declared bankruptcy and commenced state-court litigation in its home state of Washington, asserting various fraud and statutory claims against Party Princess. Party Princess removed this suit to federal court and filed a motion to compel arbitration.

Finding that the dispute fell within the broad scope of the arbitration clause, the district court granted Party Princess's motion. In doing so, the court rejected the franchisee's argument that the arbitration provision violated an interpretive statement from the Washington Securities Administrator, which stated that it is an unfair act or practice to require an arbitration clause in a franchise agreement that unfairly sets the site of arbitration in a state other than Washington. The court reasoned that the interpretive statement did not have the force of law, and even if it did, the franchisee did not plead facts showing Party Princess unfairly refused to negotiate the arbitration clause. The court also rejected the argument that if Party Princess had properly registered its franchise in Washington (which it did not), it would have been required to change the arbitration clause. The court reasoned that under Washington law, the failure to register a franchise offering does not vitiate an arbitration clause therein.

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