

SUPREME COURT OF ALABAMA

Ex parte Greenstreet, Inc.

806 So. 2d 1203 (Ala. 2001) · No. 1992282 · Decided June 15, 2001

SUMMARY

The Supreme Court of Alabama considered a petition for a writ of mandamus challenging a trial court order allowing discovery concerning the validity and enforceability of an arbitration provision. The court held that an opposing party seeking such discovery must provide a factually based predicate, while recognizing that discovery may be appropriate when necessary evidence is beyond that party’s knowledge. The court vacated the discovery order, directed the trial court to reconsider the motion to compel arbitration, and granted the petition in part and denied it in part.

CASE DETAILS

COURT	Supreme Court of Alabama
WRITING FOR THE COURT	Stuart, Justice; Houston, Justice; See, Justice; Lyons, Justice; Brown, Justice; Johnstone, Justice; Harwood, Justice; Woodall, Justice; Moore, Chief Justice
JURISDICTION	Alabama
DECIDED	June 15, 2001
DOCKET	1992282
DISPOSITION	other
PROCEDURAL POSTURE	Greenstreet petitioned for a writ of mandamus challenging the Walker Circuit Court's order continuing its motion to compel arbitration and allowing Hyde limited discovery concerning the validity and enforceability of the arbitration provision.
STANDARD OF REVIEW	Mandamus is an extraordinary remedy requiring a clear legal right to the requested order, an imperative duty accompanied by refusal, lack of another adequate remedy, and properly invoked jurisdiction. Mandamus may challenge a trial court's discovery ruling, but the writ will issue only if the trial court clearly abused its discretion based on the facts before it.
PRECEDENTIAL VALUE	Published Alabama Supreme Court opinion; binding precedent on the announced arbitration-discovery standard.
PARTIES	Greenstreet, Inc. v. Nella Dean Hyde

TOPICS

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QUESTIONS PRESENTED

1. Whether the Walker Circuit Court clearly abused its discretion by allowing Hyde to conduct discovery concerning the validity and enforceability of the arbitration provision without first requiring a factual showing supporting the need for that discovery.
2. Whether Greenstreet was entitled to a writ directing the trial court to compel arbitration immediately.
3. What evidentiary showing a party opposing a properly supported motion to compel arbitration must make before obtaining discovery concerning defenses that could invalidate the arbitration agreement.

HOLDINGS

1. Once the movant makes a prima facie showing that an agreement to arbitrate exists in a contract involving a transaction substantially affecting interstate commerce, the burden of persuasion shifts to the party opposing arbitration. If the opposing party seeks discovery concerning matters that could invalidate the arbitration agreement, it must first present a factually based predicate for that discovery; at minimum, it must provide an affidavit describing known circumstances relevant to its claimed defenses.
2. The trial court clearly abused its discretion by allowing Hyde to conduct discovery concerning the validity and enforceability of the arbitration provision without requiring any factual specificity supporting the need for discovery.
3. Greenstreet was not entitled at that juncture to a writ directing the trial court to compel arbitration because the trial court had not yet ruled on the motion to compel arbitration.

KEY QUOTATIONS

“We hold that once a moving party has satisfied its burden of production by making a prima facie showing that an agreement to arbitrate exists in a contract relating to a transaction substantially affecting interstate commerce, the burden of persuasion shifts to the party opposing arbitration.” (1209)

“At a minimum, a party opposing a properly supported motion to compel arbitration and seeking discovery on issues that could invalidate the arbitration agreement must provide an affidavit describing the circumstances that are within its knowledge and that are relevant to its claimed defenses to arbitration.” (1209)

“We grant Greenstreet's petition for the writ of mandamus in part and deny it in part.” (1211)

FACTUAL BACKGROUND

Hyde, a 64-year-old woman who claimed a monthly income of \$739, borrowed money from Greenstreet on multiple occasions beginning July 10, 1998. Several transactions included deferred presentment agreements containing broad arbitration clauses covering disputes arising from the transactions and delegating questions of arbitrability to the arbitrator. Hyde filed a putative class action alleging annual percentage rates exceeding Alabama limits, including rates above 200% and as high as 522%, and asserted claims under the Alabama Mini-Code and several common-law theories. After Greenstreet moved to compel arbitration, Hyde sought discovery concerning unconscionability, fraud, capacity, mutual assent, and other defenses to enforcement of the arbitration provision.

PROCEDURAL HISTORY

Hyde filed a putative class action in the Walker Circuit Court alleging that Greenstreet and other defendants charged finance rates exceeding those permitted by Alabama law. Greenstreet moved to compel arbitration. Hyde sought discovery regarding defenses to the arbitration provision, and the trial court granted limited discovery while deferring consideration of the arbitration motion. The Supreme Court of Alabama granted mandamus relief in part, denied it in part, vacated the discovery order, and directed the trial court to set the arbitration motion for hearing and apply the newly announced factually based predicate standard to any request for further discovery.

DISPOSITION

other

REMAND INSTRUCTIONS

The Walker Circuit Court must immediately set Greenstreet's motion to compel arbitration for hearing; vacate its order allowing limited discovery; grant the motion if it is properly supported and Hyde does not formally oppose it; and require Hyde to satisfy the factually based predicate standard before allowing any further discovery concerning arbitrability. Further proceedings must be consistent with the opinion.

CASES CITED

- Ex parte Inverness Construction Co., 775 So. 2d 153 (Ala. 2000)
- Ex parte Steiner, 730 So. 2d 599 (Ala. 1998)
- Ex parte Toyokuni & Co., Ltd., 715 So. 2d 786 (Ala. 1998)
- Southern Energy Homes, Inc. v. H Marcus, 754 So. 2d 622 (Ala. 1999)
- Allied-Bruce Terminix Cos. v. Dobson, 684 So. 2d 102 (Ala. 1995)
- First Family Financial Services, Inc. v. Jackson, 786 So. 2d 1121 (Ala. 2000)
- Fleetwood Enterprises, Inc. v. Bruno, 784 So. 2d 277 (Ala. 2000)
- Premiere Automotive Group, Inc. v. Welch, 794 So. 2d 1078 (Ala. 2001)
- Sisters of the Visitation v. Cochran Plastering Co., 775 So. 2d 759 (Ala. 2000)
- Ex parte General Motors Corp., 769 So. 2d 903 (Ala. 1999)
- Ex parte Jim Burke Automotive, Inc., 776 So. 2d 118 (Ala. 2000)

- Moore v. Glover, 501 So. 2d 1187 (Ala. 1986)
- Allied-Bruce Terminix Cos. v. Dobson, 513 U.S. 265 (1995)
- Ex parte Perry, 744 So. 2d 859 (Ala. 1999)
- Rogers Foundation Repair, Inc. v. Powell, 748 So. 2d 869 (Ala. 1999)
- Barber v. Covington County Commission, 466 So. 2d 945 (Ala. 1985)
- Allied-Bruce Terminix Cos. v. Dobson, 513 U.S. 265, 115 S. Ct. 834, 130 L. Ed. 2d 753 (1995)