

UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

Doctor's Associates, LLC v. Tripathi

No. 16-4329-cv, United States Court of Appeals for the Second Circuit (December 23, 2019)

SUMMARY

The Second Circuit affirmed an injunction barring franchisees from pursuing state-court claims against a Subway franchisor and its non-signatory agent, holding that the district court had jurisdiction under the All Writs Act and the relitigation exception to the Anti-Injunction Act. The court found that the arbitration agreement clearly and unmistakably delegated issues of arbitrability, including the enforceability of a clause precluding claims against agents, to the arbitrator under AAA Commercial Rules. The effective-vindication doctrine did not apply because the franchisees could still vindicate their state-law rights in arbitration against the franchisor.

CASE DETAILS

COURT	United States Court of Appeals for the Second Circuit
WRITING FOR THE COURT	Per Curiam; AMALYA L. KEARSE; RICHARD J. SULLIVAN; MICHAEL H. PARK
JURISDICTION	Federal
DECIDED	December 23, 2019
DOCKET	16-4329-cv
DISPOSITION	affirmed
PROCEDURAL POSTURE	Appeal from order granting petition to compel arbitration and enjoining state-court action
PRECEDENTIAL VALUE	unpublished
PARTIES	Manoj Tripathi, Sadhana Tripathi v. Doctor's Associates, LLC

TOPICS

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PRACTICE AREAS

[Arbitration](#)[Franchise Law](#)[Appellate Procedure](#)

QUESTIONS PRESENTED

1. Whether the district court had jurisdiction under the Anti-Injunction Act to enjoin the California state-court action with respect to claims against Patel, who was not a party to the federal action.
2. Whether the arbitration provision precluding claims against Patel is enforceable.

HOLDINGS

1. The district court had jurisdiction under the All Writs Act and the relitigation exception to the Anti-Injunction Act because the district court's delegation ruling that gateway issues of arbitrability were for the arbitrator would be contradicted by a state court reaching the merits, and the relitigation exception does not require identical parties.
2. The arbitration agreement clearly and unmistakably delegated the issue of enforceability of the preclusion provision to the arbitrator in the first instance because the parties incorporated the AAA Commercial Rules, which empower arbitrators to decide objections to the scope, validity, or arbitrability of the agreement.

KEY QUOTATIONS

“[The Tripathis] may only seek damages or any remedy under law or equity for an arbitrable claim against [DAL] or [its] successors or assigns. [The Tripathis] agree that [DAL's] . . . agents . . . and their affiliates[] shall not be liable nor named as a party in any arbitration or litigation proceeding commenced by [the Tripathis] where the claim arises out of or relates to this [Franchise] Agreement. [The Tripathis] further agree that the foregoing parties are intended beneficiaries of the arbitration clause; and that all claims against them that arise out of or relate to this [Franchise] Agreement must be resolved with [DAL] through arbitration.” (3)

“AAA Rule R-7(a) – ‘any objections with respect to the existence, scope, or validity of the arbitration agreement or to the arbitrability of any claim or counterclaim’” (5)

FACTUAL BACKGROUND

The Tripathis operated Subway franchises under a franchise agreement with Doctor's Associates, LLC (DAL). They brought an action in California state court against DAL and its development agents (Patel), alleging that Patel provided false inspection reports and that DAL wrongfully terminated the franchises. The Tripathis sought a declaration that the arbitration agreement was unenforceable as to claims against DAL and barred claims against Patel. DAL filed a petition to compel arbitration and a motion to enjoin the state-court action.

PROCEDURAL HISTORY

The district court granted DAL's petition to compel arbitration and motion to enjoin the California state-court action, concluding that an injunction was appropriate under the All Writs Act and Anti-Injunction Act. The Tripathis appeal only the injunction as to claims against Patel.

DISPOSITION

affirmed

CASES CITED

- Ret. Sys. of Ala. v. J.P. Morgan Chase & Co., 386 F.3d 419, 425 (2d Cir. 2004)
- Wyly v. Weiss, 697 F.3d 131, 139 (2d Cir. 2012)
- Doctor's Associates, Inc. v. Stuart, 85 F.3d 975, 984–85 (2d Cir. 1996)
- ACLI Gov't Sec., Inc. v. Rhoades, 963 F.2d 530, 532–33 (2d Cir. 1992)
- Contec Corp. v. Remote Sol., Co., 398 F.3d 205, 208 (2d Cir. 2005)
- Am. Express Co. v. Italian Colors Rest., 570 U.S. 228, 235–36 (2013)
- Ferguson v. Corinthian Colls., Inc., 733 F.3d 928, 936 (9th Cir. 2013)
- Gingras v. Think Fin., Inc., 922 F.3d 112, 127 (2d Cir. 2019)
- Kroll v. Doctor's Assocs., Inc., 3 F.3d 1167 (7th Cir. 1993)