

UNITED STATES DISTRICT COURT FOR THE DISTRICT OF ARIZONA

Nicholaus Rosonke v. Justin Pappan, et al.

Rosonke · No. CV-24-03663-PHX-DJH · Decided December 9, 2025

SUMMARY

The United States District Court for the District of Arizona denied Defendants’ motion to compel arbitration and transfer venue. The court held that the nonsignatory plaintiff was not bound by the arbitration provision in a Vehicle Services Agreement under Arizona’s direct-benefits estoppel doctrine because his employment and wage claims arose independently from that agreement. The court concluded that the agreement concerned management of a single vehicle and did not govern Plaintiff’s alleged employment relationship or compensation.

CASE DETAILS

COURT	United States District Court for the District of Arizona
WRITING FOR THE COURT	Diane J. Humetewa
JURISDICTION	United States District Court for the District of Arizona
DECIDED	December 9, 2025
DOCKET	CV-24-03663-PHX-DJH
DISPOSITION	other
PROCEDURAL POSTURE	Defendants moved to compel arbitration and transfer venue based on an arbitration and forum-selection provision in a Vehicle Services Agreement. The district court denied both motions.
STANDARD OF REVIEW	On a motion to compel arbitration, the court determines whether a valid agreement to arbitrate exists and whether the agreement encompasses the dispute. If a genuine dispute of material fact exists on those questions, the court applies a standard similar to the summary-judgment standard under Federal Rule of Civil Procedure 56. The existence of a valid agreement is determined under general state-law contract principles, while the scope of an arbitration provision is determined under federal law.
PRECEDENTIAL VALUE	Unknown; district court order with no reported citation or stated precedential designation.

TOPICS

arbitration

venue

employment law

employment contracts

civil procedure

PRACTICE AREAS

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QUESTIONS PRESENTED

1. Whether Plaintiff, a nonsignatory to the Vehicle Services Agreement in his individual capacity, was bound by its arbitration clause under Arizona's direct-benefits equitable-estoppel doctrine.
2. Whether Defendants were entitled to transfer venue to Santa Clara County, California under the Vehicle Services Agreement's forum-selection provision.

HOLDINGS

1. Plaintiff was not bound by the Vehicle Services Agreement's arbitration provision under direct-benefits estoppel because his employment and wage claims did not seek to enforce, depend on, or require reference to the Vehicle Services Agreement.
2. Transfer of venue was unwarranted because the forum-selection provision in the Vehicle Services Agreement was not applicable to Plaintiff's employment claims.

KEY QUOTATIONS

“Under Arizona’s doctrine of direct benefits estoppel, a non-signatory may be bound to the terms of a contract when the non-signatory (1) knowingly exploits the benefits of an agreement ..., or (2) seeks to enforce terms of that agreement or asserts claims that must be determined by reference to the agreement.” (at 7)

“Thus, Plaintiff is not bound by the arbitration agreement under direct benefits estoppel, and compelling arbitration is inappropriate under these circumstances.” (at 9)

FACTUAL BACKGROUND

Plaintiff alleged that Defendants employed him as an operations manager for their Turo-based rental-car business, required him to work extensive hours, and failed to pay minimum wage or overtime. He asserted that his employment relationship arose from an alleged verbal promise and that he had no written employment agreement with the named Defendants. Defendants relied on a Vehicle Services Agreement between Social Reflect Operations, LLC, which Plaintiff signed on behalf of that entity, and Watts Operations, LLC; the agreement concerned management and listing of a single Tesla and contained an arbitration clause requiring arbitration in Santa Clara County, California.

PROCEDURAL HISTORY

Plaintiff filed an employment-related complaint alleging unpaid minimum wages and overtime, Arizona wage-law violations, fraud, and promissory estoppel. Defendants responded with a motion to compel arbitration and transfer venue, relying on a Vehicle Services Agreement signed by Plaintiff on behalf of a nonparty entity. After briefing, the district court concluded that Plaintiff was not bound by the agreement's arbitration clause and denied both motions.

DISPOSITION

other

CASES CITED

- Khoja v. Orexigen Therapeutics, Inc., 899 F.3d 988, 999 (9th Cir. 2018)
- Chiron Corp. v. Ortho Diagnostic Sys., Inc., 207 F.3d 1126, 1130 (9th Cir. 2000)
- Concat LP v. Unilever, PLC, 350 F. Supp. 2d 796, 804 (N.D. Cal. 2004)
- Wagner v. Stratton Oakmont, Inc., 83 F.3d 1046, 1049 (9th Cir. 1996)
- Shearson/Am. Exp., Inc. v. McMahon, 482 U.S. 220, 226-27 (1987)
- Green Tree Fin. Corp.-Ala. v. Randolph, 531 U.S. 79, 92 (2000)
- Benson v. Casa De Capri Enterprises, LLC, 502 P.3d 461, 464 (Ariz. 2022)
- Comer v. Micor, Inc., 436 F.3d 1098, 1101 (9th Cir. 2006)
- Letizia v. Prudential Bache Securities, Inc., 802 F.2d 1185, 1187 (9th Cir. 1986)
- Benson v. Casa de Capri Enterprises, LLC, 980 F.3d 1328, 1331 (9th Cir. 2020), certified question answered, 502 P.3d 461 (Ariz. 2022)
- Duenas v. Life Care Centers of Am., Inc., 336 P.3d 763, 772 (Ariz. Ct. App. 2014)
- Austin v. Austin, 237 Ariz. 201, 348 P.3d 897, 906 (Ariz. Ct. App. 2015)
- Board of Trustees of IBEW Local No. 640 and Arizona Chapter NECA Health and Welfare Tr. Fund v. Cigna Health and Life Ins. Co., 2022 WL 2805111, at *1 (9th Cir. 2022)
- RLI Ins. Co. v. Natl. Constr. & Dev., Inc., 560 P.3d 330, 333, 337 (Ariz. Ct. App. 2024)
- Legacy Carbon LLC v. Potter, 2017 WL 3710787, at *7 (D. Hawai'i 2017)
- Jurosky v. BMW of N.A., LLC, 441 F. Supp. 3d 963, 970 (S.D. Cal. 2020)
- Kramer v. Toyota Motor Corp., 705 F.3d 1122, 1131 (9th Cir. 2013)
- Crawford Prof. Drugs, Inc. v. CVS Caremark Corp., 748 F.3d 249, 260 (5th Cir. 2014)