

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

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OPINION

Rosonke

PER CURIAM.

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6 IN THE UNITED STATES DISTRICT COURT

7 FOR THE DISTRICT OF ARIZONA

8 9 Nicholaus Rosonke, No. CV-24-03663-PHX-DJH 10 Plaintiff, ORDER 11 v. 12 Justin  
Pappan, et al., 13 Defendants. 14 15 On March 7, 2025, Defendant Justin Pappan, Watts  
Operations, LLC, and Social 16 Reflect Corporation (collectively, “Defendants”) filed a Motion to  
Compel Arbitration and 17 Motion to Transfer Venue. (Doc. 11). Plaintiff Nicholaus Rosonke  
 (“Plaintiff”) filed a 18 Response (Doc. 16) opposing Defendants’ Motion, and Defendants  
 thereafter filed a Reply 19 (Doc. 18). 20 I. Background 21 Plaintiff’s Complaint arises from an  
 employment dispute with Defendants. (See 22 generally Doc. 1). Plaintiff claims he was not  
 compensated for the work he performed for 23 Defendants. (Id.) In response, Defendants submit a  
 contract that they believe governs the 24 adjudication of Plaintiff’s claims and compels arbitration  
 or a change of venue. (See 25 generally Doc. 11). 26 A. Plaintiff’s Complaint 27 Plaintiff alleges  
 that, at all relevant times, each Defendant was his “employer” and 28 that he was their  
 “employee.” (Doc. 1 at ¶¶ 2–5). Defendant Justin Pappan (“Defendant 1 Pappan”) is alleged to be  
 the “sole shareholder” of Defendant Social Reflect Corp. 2 (“Defendant SRC”), the “sole  
 member/manager” of Defendant Watts Operations, LLC 3 (“Defendant Watts”), and “the day-to-  
 day decisionmaker for all material business decisions 4 for both entities.” (Id. at ¶ 6). Plaintiff  
 alleges that “these parties were sufficiently 5 interrelated that all three Defendant[s] may be held  
 jointly and severally liable as a 6 “common enterprise” or “joint employer” and/or agents of one  
 another with respect to 7 Plaintiff for purposes of all of the causes of action herein.” (Id.) 8  
 Defendants “own and manage a fleet of private rental cars that are platformed 9 through the Turo  
 application.” (Id. at ¶ 14). In 2022, Plaintiff says he relocated to Arizona 10 from Iowa, having  
 been verbally promised by Defendant Pappan a role as operations 11 manager that would match or  
 exceed his previous annual income of \$150,000. (Id. at ¶¶ 13, 12 15, 17). Upon starting his  
 employment with Defendants, Plaintiff alleges that he “worked 13 seven days a week, often for  
 10-12 hours a day,” and that his duties included “handling 14 customer bookings of the cars,  
 washing and maintaining cars, and resolving operational 15 issues.” (Id. at ¶¶ 20–21). 16 As to  
 compensation, Plaintiff alleges that he was “provided a room...and a limited 17 monthly food

budget.” (Id. at ¶ 19). However, his request to Defendants for payment 18 based on his hours worked was unsuccessful, despite Defendants having no excuse for their 19 refusal to pay. (Id. at ¶¶ 23–24). Plaintiff resigned in March of 2023 and claims, that same 20 month, he received his only two paychecks, totaling \$4,000.00 before withholdings. (Id. 21 at ¶ 25). Plaintiff alleges that “Defendants otherwise utterly failed to pay minimum wage 22 or overtime as required,” leading to his conclusion that they never intended to pay Plaintiff. 23 (Id. at ¶¶ 24, 26). 24 Consequently, Plaintiff brought suit against Defendants on December 20, 2024, 25 claiming violations of the Fair Labor Standards Act (“FLSA”), Arizona minimum wage 26 violation, Fair Wages and Healthy Families Act violation, fraud, and promissory estoppel. 27 (Id. at ¶¶ 28–65). In response to Plaintiff’s Complaint, Defendants filed a Motion to 28 Compel Arbitration and a Motion to Transfer Venue. (Doc. 11). 1 B. The Contract 2 In support of the Motion to Compel Arbitration, Defendants point to a January 1, 3 2023, Vehicle Services Agreement (“VSA”) entered into between nonparty Social Reflect 4 Operations, LLC (“SRO, LLC”) and Defendant Watts. (See Doc. 11-3). Plaintiff signed 5 the VSA on behalf of SRO, LLC1 and Defendant Pappan signed on behalf of Defendant 6 Watts. 7 The VSA identifies SRO, LLC as “Owner” and states that SRO, LLC is “the owner 8 and operator of one or more Tesla motorized electric vehicles.” (Id. at 1). The agreement 9 states that SRO, LLC “desires to utilize certain services offered by Watts to list, promote, 10 and make available the Vehicles for short term use...by individuals...through ‘Turo’ peer- 11 to-peer car sharing platform...and Watts wishes to provide such services to [SRO, LLC].” 12 (Id.) The VSA identifies a singular 2022 Tesla that SRO, LLC was seeking to list with 13 Watts (the “Tesla”). (Id. at 14). The VSA requires SRO, LLC to obtain regular 14 maintenance on the identified Tesla, make sure it is clean, drop off and pick up the car, and 15 maintain proper automobile insurance on it. (Id. at 2–4). The VSA and the attached Form 16 Statement of Work state that for a monthly service charge of \$400, Watts would list and 17 promote the Tesla, and, on a monthly basis, pay SRO, LLC a “Platform Revenue” 18 generated through the Tesla’s listings on a monthly basis. (Id. at 12). The VSA’s Form 19 Statement of Work obligates Watts to, among other things, list and promote the Tesla on 20 Turo, store the Tesla between reservations, and collect and manage revenues generated on 21 renting the Tesla. (Id. at 12). 22 The VSA makes clear that “[t]he parties are independent contractors with respect to 23 each other, and nothing in this Agreement shall be construed as creating an employer- 24 employee relationship, a partnership, fiduciary, or agency relationship or any association 25 or joint venture between the parties.” (Id. at ¶ 11). The VSA includes an arbitration 26 1 The Court will take judicial notice of Doc. 11-4, the Articles of Organization for Social 27 Reflect Operations LLC, showing Plaintiff as the sole member of the member-managed entity. See *Khoja v. Orexigen Therapeutics, Inc.*, 899 F.3d 988, 999 (9th Cir. 2018) (noting 28 that a court may take judicial notice of matters of public record without converting the motion into one for summary judgment). 1 agreement that states: 2 This Agreement and the relationship between the parties shall be construed under and governed by the laws of the State of Arizona, as if the Agreement 3 was entered into and fully performed

therein, without regard to the conflict 4 of law rules thereof. The parties agree that any dispute shall be finally settled by binding arbitration in Santa Clara County, California under the Federal 5 Arbitration Act (9 U.S.C. §§ 1-307) and the then current rules of JAMS 6 (formerly known as Judicial Arbitration & Mediation Services) by one (1) arbitrator appointed in accordance with such rules. Where arbitration is not 7 required by this Agreement, the exclusive jurisdiction and venue of any 8 action with respect to the subject matter of this Agreement will be the state and federal courts located in Santa Clara County, California, and each of the 9 parties hereto waives any objection to jurisdiction and venue in such courts. 10 In any dispute resolution proceeding between the parties in connection with this Agreement, the prevailing party will be entitled to recover its reasonable 11 attorney's fees and costs in such proceeding from the other party. 12 (Id. at ¶ 15). Defendants have moved to compel arbitration of Plaintiff's employment 13 claims pursuant to the VSA's arbitration provision. They also invoke this provision as 14 grounds to transfer venue to a California court. (Doc. 11 at 9). 15 II. Legal Standard 16 The Federal Arbitration Act ("FAA") allows "[a] party aggrieved by the alleged 17 failure, neglect, or refusal of another to arbitrate under a written agreement for arbitration 18 [to] petition any United States District Court . . . for an order directing that . . . arbitration 19 proceed in the manner provided for in [the arbitration] agreement." 9 U.S.C. § 4. If a party 20 has failed to comply with a valid arbitration agreement, the district court must compel 21 arbitration. Id. The district court must also stay the proceedings pending resolution of the 22 arbitration at the request of one of the parties bound to arbitrate. Id. at § 3. 23 In determining whether to compel arbitration, the court must limit its review to (1) 24 whether a valid agreement to arbitrate exists and, if so, (2) whether the agreement 25 encompasses the dispute at issue. *Chiron Corp. v. Ortho Diagnostic Sys., Inc.*, 207 F.3d 26 1126, 1130 (9th Cir. 2000). If the answer is affirmative on both queries, then the court 27 must enforce the arbitration agreement in accordance with its terms. Id. at 1130. If a 28 genuine dispute of material fact exists as to these queries, a court should apply a "standard 1 similar to the summary judgment standard of [Federal Rule of Civil Procedure 56]." 2 *Concat LP v. Unilever, PLC*, 350 F. Supp. 2d 796, 804 (N.D. Cal. 2004). 3 While the scope of an arbitration provision is determined by applying federal law, 4 whether there is a valid agreement to arbitrate is determined "by applying general state- 5 law principles of contract interpretation, while giving due regard to the federal policy in 6 favor of arbitration by resolving ambiguities as to the scope of arbitration in favor of 7 arbitration." *Wagner v. Stratton Oakmont, Inc.*, 83 F.3d 1046, 1049 (9th Cir. 1996). 8 Arbitration agreements governed by the FAA are presumed to be valid and 9 enforceable. See *Shearson/Am. Exp., Inc. v. McMahon*, 482 U.S. 220, 226–27 (1987). The 10 party opposed to arbitration bears the burden of showing the arbitration agreement is 11 invalid or does not encompass the claims at issue. See *Green Tree Fin. Corp.-Ala. v. 12 Randolph*, 531 U.S. 79, 92 (2000). 13 III. Discussion 14 The parties do not dispute that the VSA is a valid contract that contains an equally 15 valid arbitration agreement. (Doc. 11 at 4; Doc. 16 at 1–2). Instead, the primary debate 16 concerning validity is whether the Defendants can enforce the arbitration

provision against 17 Plaintiff, who is not a signatory to the VSA. 18 “Nonparties to a contract are generally not bound by an arbitration agreement.” 19 *Benson v. Casa De Capri Enterprises, LLC*, 502 P.3d 461, 464 (Ariz. 2022). However, 20 ““nonsignatories of arbitration agreements may be bound by the agreement under ordinary 21 contract and agency principles.”” *Comer v. Micor, Inc.*, 436 F.3d 1098, 1101 (9th Cir. 22 2006) (quoting *Letizia v. Prudential Bache Securities, Inc.*, 802 F.2d 1185, 1187 (9th Cir. 23 1986)). State law, in this case Arizona’s, governs whether a nonsignatory is bound by an 24 arbitration agreement. *Benson v. Casa de Capri Enterprises, LLC*, 980 F.3d 1328, 1331 25 (9th Cir. 2020), certified question answered, 502 P.3d 461 (Ariz. 2022). The principles 26 available to bind non-signatories include incorporation by reference, assumption, agency, 27 veil piercing/alter ego, equitable estoppel, and third-party beneficiary. *Id.* (citing *Duenas 28 v. Life Care Centers of Am., Inc.*, 336 P.3d 763, 772 (Ariz. App. 2014)). 1 The parties primarily dispute whether equitable estoppel or, more specifically, 2 “direct benefits estoppel” binds Plaintiff to the arbitration agreement. “Under Arizona’s 3 doctrine of direct benefits estoppel, a non-signatory may be bound to the terms of a contract 4 when the non-signatory (1) knowingly exploits the benefits of an agreement ..., or (2) seeks 5 to enforce terms of that agreement or asserts claims that must be determined by reference 6 to the agreement.” *Id.* (quoting *Austin v. Austin*, 237 Ariz. 201, 348 P.3d 897, 906 (Ariz. 7 Ct. App. 2015)) (internal quotation marks omitted). Defendants argue that Plaintiff’s 8 claims for compensation and his claim that he is Defendant’s employee must be determined 9 by reference to the VSA. (Doc. 11 at 6). Plaintiff disagrees and argues that the VSA is 10 wholly separate from his employment claims. (Doc. 16 at 8). 11 In support of its argument, Defendants cite *Board of Trustees of IBEW Local No. 12 640 and Arizona Chapter NECA Health and Welfare Tr. Fund v. Cigna Health and Life 13 Ins. Co.*, 2022 WL 2805111, \*1 (9th Cir. 2022). The plaintiff there alleged that the 14 defendant schemed to obtain more compensation than it was entitled to and charged 15 excessive fees to the ERISA plan. *Id.* at \*1. The Ninth Circuit affirmed the district court’s 16 conclusion that “that the ERISA plan at issue, even if separate from the Fund, is equitably 17 bound by the Fund’s agreement to arbitrate under the principle of direct benefits estoppel.” 18 *Id.* (internal citation omitted). In so ruling, the court explained that “[d]etermining what 19 compensation defendant was ‘entitled to’ or whether its fees were ‘excessive’ is impossible 20 without reference to the Administrative Services Only [ ] Agreement, which specifies the 21 fees that [defendant] may charge.” *Id.* 22 In contrast, the court in *RLI Ins. Co. v. Natl. Constr. & Dev., Inc.*, 560 P.3d 330 23 (Ariz. Ct. App. 2024) ruled that an arbitration agreement contained in a construction 24 contract could not be enforced against a nonsignatory plaintiff on the basis of direct 25 benefits estoppel. *Id.* at 337. There, the construction contract was entered into between 26 the defendant construction company and an individual. *Id.* at 333. After the individual 27 failed to pay the defendant’s invoice and defendant filed a lien, the individual secured a 28 “statutory discharge of lien bond” from the nonsignatory plaintiff. *Id.* The defendant 1 attempted to compel arbitration with the plaintiff, arguing that “direct benefits estoppel 2 applies because [plaintiff’s]’s obligations ‘arise[ ]

out of [the individual's] contractual obligation to pay [defendant] for the work it performed.” Id. at 337. The court disagreed, stating that “[plaintiff's] obligations arise from § 33-1004, the notice and claim of lien, and the bond agreement itself; they do not arise from the construction contract.” Id. Ultimately, the court concluded that the defendant had “not shown that either prong of the estoppel standard applies here: there is no suggestion that [plaintiff] exploited a benefit deriving from the construction contract, or that [plaintiff] was seeking to enforce terms of the construction contract.” Id. The circumstances here are more analogous to those in RLI rather than those in IBEW. Plaintiff claims that Defendant Pappan “operates Defendant companies to own and manage a fleet of private rental cars...through the Turo application.” (Doc. 1 at ¶ 14). He further asserts that Defendant Pappan verbally promised him “a role as operations manager[.]” (Doc. 1 at ¶ 15). His alleged duties for Defendants included “handling customer bookings of the cars, washing and maintaining cars, and resolving operational issues.” (Id. at ¶ 21). Plaintiff maintains that he was not appropriately compensated for this work. (See id. at ¶¶ 23–26). His Complaint alleges several statutory claims for compensation as well as claims related to the alleged verbal promise. By comparison, the VSA came about because “[SRO, LLC] desire[d] to utilize certain services offered by Watts to list, promote, and make available the Vehicles...through the ‘Turo’ peer-to-peer car sharing platform...and Watts wishes to provide such services to [SRO, LLC].” (Doc. 11-3 at 2). The VSA concerns the listing of a singular vehicle owned by Plaintiff and, essentially, amounts to a property management agreement. Indeed, SRO, LLC's responsibilities are limited to standard upkeep of the vehicle, including “obtaining regularly scheduled maintenance of the Vehicles” and “making sure the Vehicles are clean at the start of each Listing Period.” (Id. at 3–4). The VSA stipulates that SRO, LLC is to pay Watts a monthly service fee of \$400 for the Tesla, and Watts would pay the monthly “Platform Revenue” generated through the Tesla listings to SRO, LLC. (Id. at 12). Plaintiff states that he had “no formal written employment agreement of any kind with any of the named Defendants at any time[.]” (Doc. 16-1 at 2). And the allegations regarding the terms of the verbal agreement in the Complaint are sparse. But the VSA does not serve as the basis for Plaintiff's employment claims in the absence of a written employment agreement. In IBEW, the plaintiff's claims squarely referred to the fees that were governed under an existing agreement, whereas here the wages and compensation sought by Plaintiff are not dictated by the VSA. The VSA is a narrow agreement concerning the rental of a singular car and is no way implicated by Plaintiff's employment claims. Like RLI, Defendants' alleged obligation to pay Plaintiff arises out of a source separate from the VSA—the alleged verbal employment contract. Simply put, Plaintiff is not attempting to enforce the terms of the VSA or seek recovery from any non-payment or other breach related to the management or listing of his Tesla. See *Legacy Carbon LLC v. Potter*, 2017 WL 3710787, \*7 (D. Hawai'i 2017) (“Cases applying direct benefits estoppel tend to involve nonsignatories asserting claims against signatories based on the underlying agreement.”); *Jurosky v. BMW of N.A., LLC*, 17 441 F. Supp.

3d 963, 970 (S.D. Cal. 2020) (finding equitable estoppel inapplicable to 18 compel a purchase agreement's arbitration provision in part because the plaintiff alleged 19 "no duty, obligation, term, or condition imposed by the purchase agreement that [the 20 defendant] breached").<sup>2</sup> Stated in another way, any recovery that may have been obtained 21 from a breach of the VSA would in no way impact the recovery of unpaid wages at the 22 heart of Plaintiff's Complaint. *Kramer v. Toyota Motor Corp.*, 705 F.3d 1122, 1131 (9th Cir. 2013) (declining to apply equitable estoppel to compel arbitration where the plaintiffs' 24 implied warranty claims against the defendant arose independently of the purchase 25 agreements). 26 In sum, the Court can establish the nature of Plaintiff's employment and determine 27 2 Given the "dearth of Arizona precedent on this subject," the Court will consider the well- 28 reasoned decisions of other jurisdictions. See *Crawford Prof. Drugs, Inc. v. CVS Caremark Corp.*, 748 F.3d 249, 260 (5th Cir. 2014) 1 || the total compensation owed to Plaintiff for his alleged hours worked without reference to 2|| the VSA. Thus, Plaintiff is not bound by the arbitration agreement under direct benefits 3 || estoppel, and compelling arbitration is inappropriate under these circumstances. Because 4|| Defendants' Motion to Transfer is based on the VSA and the Court has determined that it 5 || 1s not applicable here, Defendants' Motion to Transfer is also denied. 6 Accordingly, 7 IT IS ORDERED that Defendants' Motion to Compel Arbitration and Transfer 8 || Venue (Doc. 11) is DENIED. An Order setting a Rule 16 Scheduling Conference will 9|| issue by separate Order. 10 Dated this 9th day of December, 2025. 11 12 oC. . fo □□ □ 13 norable' Diang<sup>4</sup>. Huretewa 14 United States District Fudge 15 16 17 18 19 20 21 22 23 24 25 26 27 28 -9-