

UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA

Durkin v. Mercedes-Benz USA LLC

Durkin · No. 25-cv-03064-WHO · Decided July 15, 2025

SUMMARY

The United States District Court for the Northern District of California granted Mercedes-Benz USA LLC’s motion to compel arbitration in Carleen Durkin’s Song-Beverly Consumer Warranty Act action. The court held that Mercedes-Benz USA was an intended third-party beneficiary of the arbitration provision in Durkin’s vehicle lease and that her claims fell within the provision’s scope. The action was stayed pending completion of arbitration, with the parties ordered to provide status updates.

CASE DETAILS

COURT	United States District Court for the Northern District of California
WRITING FOR THE COURT	William H. Orrick
JURISDICTION	United States District Court for the Northern District of California
DECIDED	July 15, 2025
DOCKET	25-cv-03064-WHO
DISPOSITION	other
PROCEDURAL POSTURE	Defendant removed the plaintiff's Song-Beverly Consumer Warranty Act action from California state court and moved to compel arbitration under an arbitration provision in the vehicle lease.
STANDARD OF REVIEW	The court applied the Federal Arbitration Act's mandatory enforcement standard, determining whether a valid arbitration agreement covered the dispute and whether MBUSA, although a nonsignatory, could enforce the agreement under California contract law.
PRECEDENTIAL VALUE	unpublished district court order; persuasive only
PARTIES	Carleen A. Durkin v. Mercedes-Benz USA LLC

TOPICS

- arbitration
- third party beneficiary
- consumer protection
- contracts
- civil procedure

PRACTICE AREAS

QUESTIONS PRESENTED

1. Whether MBUSA, a nonsignatory to the vehicle lease, could enforce the lease's arbitration provision as an intended third-party beneficiary.
2. Whether Durkin's Song-Beverly claims fell within the scope of the lease's arbitration provision.
3. Whether the court needed to reach MBUSA's alternative equitable-estoppel theory.

HOLDINGS

1. MBUSA may enforce the lease's arbitration provision as an intended third-party beneficiary because the lease expressly names MBUSA as a third-party beneficiary and the provision satisfies California's third-party-beneficiary requirements.
2. Durkin's claims against MBUSA fall within the scope of the arbitration agreement because her relationship with MBUSA and her claims arise out of or relate to the lease and resulting relationship.
3. The court did not reach MBUSA's alternative equitable-estoppel theory because MBUSA was entitled to compel arbitration as an intended third-party beneficiary.

KEY QUOTATIONS

“The motion is *GRANTED*, and Durkin’s claims are stayed pending arbitration.” (at 1)

“Third-party beneficiaries may enforce the provisions of a contract if they demonstrate that “in light of the ‘relevant circumstances’”” (at 2)

“All these factors lead me to conclude that MBUSA is entitled to compel Durkin’s claims against it to arbitration.” (at 4)

FACTUAL BACKGROUND

Carleen Durkin leased a 2023 Mercedes-Benz EQB-Class from Mercedes-Benz of Marin and signed a Motor Vehicle Lease Agreement. The lease contained an arbitration provision expressly identifying Mercedes-Benz USA LLC as a third-party beneficiary authorized to elect arbitration of claims or disputes arising out of or relating to the lease or resulting relationships. Durkin asserted two Song-Beverly Consumer Warranty Act claims against MBUSA, and MBUSA sought to compel arbitration.

PROCEDURAL HISTORY

Durkin filed the action in the Superior Court of California, County of Marin, on February 25, 2025. MBUSA removed the action to the Northern District of California on April 3, 2025, and moved to compel arbitration. The district court granted the motion and stayed the claims pending arbitration.

DISPOSITION

other

CASES CITED

- AT&T Mobility LLC v. Concepcion, AT&T Mobility LLC v. Concepcion, 563 U.S. 333, 336 (2011)
- Dean Witter Reynolds, Inc. v. Byrd, 470 U.S. 213, 218 (1985)
- Lifescan, Inc. v. Premier Diabetic Servs., Inc., 363 F.3d 1010, 1012 (9th Cir. 2004)
- Ferguson v. Corinthian Colls., Inc., 733 F.3d 928, 938 (9th Cir. 2013)
- Brennan v. Opus Bank, 796 F.3d 1125, 1130 (9th Cir. 2015)
- Herrera v. Cathay Pac. Airways Ltd., 104 F.4th 702, 707 (9th Cir. 2024) (as amended)
- Murphy v. DirecTV, Inc., 724 F.3d 1218, 1233-34 (9th Cir. 2013)
- Kramer v. Toyota Motor Corp., 705 F.3d 1122, 1128-29 (9th Cir. 2013)
- Ngo v. BMW of N. Am., LLC, 23 F.4th 942, 946 (9th Cir. 2022)
- Goonewardene v. ADP, LLC, 6 Cal. 5th 817, 830 (2019)
- Garcia v. Truck Ins. Exch., 36 Cal. 3d 426 (1984)
- Smalheiser, et al. v. Mercedes-Benz USA LLC, No. 3:24-cv-00219-JD (N.D. Cal.), Dkt. No. 26
- Attalah, et al. v. Mercedes-Benz USA, LLC, et al., No. 24-cv-01245-JDE (C.D. Cal.)

OPINION

Durkin v. Mercedes-Benz USA LLC

PER CURIAM.

1 2 3

4 UNITED STATES DISTRICT COURT

5 NORTHERN DISTRICT OF CALIFORNIA

6 7 CARLEEN A DURKIN, Case No. 25-cv-03064-WHO 8 Plaintiff,

ORDER GRANTING MOTION TO

9 v. COMPEL ARBITRATION

10 MERCEDES-BENZ USA LLC, Re: Dkt. No. 13 Defendant. 11 12 13 Plaintiff Carleen Durkin
filed this action on February 25, 2025, in the Superior Court of 14 California, County of Marin,
against defendant and vehicle manufacturer Mercedes-Benz, USA 15 (“MBUSA”). Durkin alleges
two claims for violations of the Song-Beverly Consumer Warranty 16 Act, arising out of Durkin’s
lease of a 2023 Mercedes-Benz EQB-Class (the “Vehicle”). MBUSA 17 removed the case to
federal court on April 3, 2025, and now moves to compel arbitration.¹ As an 18 intended third-
party beneficiary of the arbitration provision contained in the lease that Durkin 19 signed with the
dealership upon leasing the Vehicle, MBUSA is entitled to compel arbitration. 20 The motion is
GRANTED, and Durkin’s claims are stayed pending arbitration.

21 BACKGROUND

22 On or about April 8, 2024, Durkin leased the Vehicle, signing a Motor Vehicle Lease 23
Agreement with Lessor (Dealer), Mercedes-Benz of Marin. See Declaration of Ali Ameripour 24
 (“Ameripour Decl.”), Ex. 2 (Lease). The Lease defined the “Parties” as follows: “you,” “your,” 25
and “yours,” referred to Durkin; “we,” “us,” and “our,” referred to Mercedes-Benz of Marin, and

26 27 1 Upon reviewing the parties' submissions, I determined that this matter was suitable for resolution 1 after "the lease [was] assigned," to Mercedes-Benz Vehicle Trust, or its successors and assigns; 2 and "Assignee" referred to Mercedes-Benz Vehicle Trust, or its successors and assigns. Id. at p. 1. 3 The Lease also contained an arbitration provision under the heading, "Important Arbitration 4 Disclosures." Id. at p. 4. That provision provided in relevant part: "Any claim or dispute, whether in contract, tort or otherwise (including any dispute over the 5 interpretation, scope, or validity of this lease, arbitration section or the arbitrability of any 6 issue), between you and us or any of our employees, agents, successors, assigns, or the vehicle distributor, including Mercedes-Benz USA LLC (each a "Third-Party Beneficiary"), 7 which arises out of or relates to a credit application, this lease, or any resulting transaction or relationship arising out of this lease (including any such relationship with third parties 8 who do not sign this contract) shall, at the election of either you, us, or a Third-Party Beneficiary, be resolved by a neutral, binding arbitration and not by a court action." 9 Id. at p. 4 (emphasis added). 10 On May 29, 2025, MBUSA filed its Motion to Compel Arbitration. Motion to Compel 11 Arbitration ("Mot.") [Dkt. No. 13]. Durkin opposes arbitration, arguing that MBUSA is not an 12 intended third-party beneficiary of the Lease's arbitration clause and may not rely on equitable 13 estoppel to force Durkin to arbitrate because her claims are not intimately intertwined with the 14 Lease. Opposition to Motion ("Oppo.") [Dkt. No. 18]. 15

LEGAL STANDARD

16 "[T]he Federal Arbitration Act (FAA) makes agreements to arbitrate 'valid, irrevocable, 17 and enforceable, save upon such grounds as exist at law or in equity for the revocation of any 18 contract.'" *AT&T Mobility LLC v. Concepcion*, 563 U.S. 333, 336 (2011) (quoting 9 U.S.C. § 2). 19 "By its terms, the [FAA] leaves no place for the exercise of discretion by a district court, but 20 instead mandates that district courts shall direct the parties to proceed to arbitration on issues as to 21 which an arbitration agreement has been signed." *Dean Witter Reynolds, Inc. v. Byrd*, 470 U.S. 22 213, 218 (1985); see also *Lifescan, Inc. v. Premier Diabetic Servs., Inc.*, 363 F.3d 1010, 1012 (9th 23 Cir. 2004). "[A]ny doubts concerning the scope of arbitrable issues should be resolved in favor of 24 arbitration." *Ferguson v. Corinthian Colls., Inc.*, 733 F.3d 928, 938 (9th Cir. 2013) (citation 25 omitted). 26 Generally, in deciding whether to compel arbitration, the court must determine whether (1) 27 1 *Brennan v. Opus Bank*, 796 F.3d 1125, 1130 (9th Cir. 2015). A litigant who is not a party to the 2 arbitration agreement may invoke arbitration under the FAA if the relevant state contract law 3 allows the litigant to enforce the agreement. *Herrera v. Cathay Pac. Airways Ltd.*, 104 F.4th 702, 4 707 (9th Cir. 2024) (as amended). In California, a non-signatory may be entitled to enforce an 5 arbitration agreement: (1) if the non-signatory is an intended third-party; or (2) through the 6 doctrine of equitable estoppel. See *id.*; *Murphy v. DirecTV, Inc.*, 724 F.3d 1218, 1233-34 (9th Cir. 7 2013).

8 DISCUSSION

9 In California, a nonsignatory may be able to enforce an Arbitration Agreement either as an 10 (1)

intended third-beneficiary, see *Herrera v. Cathay Pac. Airways Ltd.*, 104 F.4th 702, 707 (9th Cir. 2024), or (2) through the doctrine of equitable estoppel, provided that certain stringent requirements are met, see *Kramer v. Toyota Motor Corp.*, 705 F.3d 1122, 1128-29 (9th Cir. 2013). MBUSA argues that it may compel arbitration under either theory. Because I conclude that MBUSA may compel arbitration as a third-party beneficiary to the Lease, I do not reach the issue of equitable estoppel. Third-party beneficiaries may enforce the provisions of a contract if they demonstrate that “in light of the ‘relevant circumstances’” (1) “the third party would in fact benefit from the contract;” (2) “a motivating purpose of the contracting parties was to provide a benefit to the third party;”² and (3) “permitting the third party to enforce the contract ‘is consistent with the objectives of the contract and the reasonable expectations of the contracting parties.’” *Ngo v. BMW of N. Am., LLC*, 23 F.4th 942, 946 (9th Cir. 2022) (quoting *Goonewardene v. ADP, LLC*, 6 Cal. 5th 817, 22 830 (2019)); see Cal. Civ. Code § 1559 (providing that a nonsignatory to a contract may enforce that contract as a third-party beneficiary only if the contract was “made expressly for [the nonsignatory’s] benefit.”). MBUSA bears the burden of proving that it is a third-party beneficiary of the Lease. See 2 The Ninth Circuit has held that to meet the standard laid out by section 1559, it is not enough that the contracting parties know that the third party will benefit as a result of the contract; the 1 *Murphy*, 724 F.3d at 1234 (quoting *Garcia v. Truck Ins. Exch.*, 36 Cal. 3d 426 (1984)). It has 2 carried that burden. The arbitration provision in the Lease expressly sets forth that MBUSA as a 3 “Third Party Beneficiary” to the Lease may compel arbitration. This shows that MBUSA would 4 “in fact” benefit from the Lease and accordingly satisfies the first factor laid out by the Ninth 5 Circuit in *Ngo*. Similarly, that MBUSA was expressly named in the arbitration provision shows 6 that the contracting parties purposefully provided that benefit to MBUSA, satisfying the second. 7 See *Ngo*, 23 F.4th at 946. And finally, allowing MBUSA to enforce the arbitration provision 8 would not be inconsistent with “the objectives of the contract and the reasonable expectations of 9 the contracting parties” because the arbitration provision provides that MBUSA may compel to 10 arbitration any claims or disputes arising out of or relating to the Lease or “any resulting 11 transaction or relationship arising out of” it. See *Ameripour Decl.*, Ex. 2, at p. 4. Durkin’s 12 relationship with MBUSA arises out of the Lease. All these factors lead me to conclude that 13 MBUSA is entitled to compel Durkin’s claims against it to arbitration. 14 Other courts in this circuit have reached the same conclusion with respect to identical 15 arbitration agreements in cases also involving MBUSA. See e.g., *Smalheiser, et al. v. Mercedes-Benz USA LLC*, No. 3:24-cv-00219-JD (N.D. Cal.), Dkt. No. 26 (Order by the Hon. James Donato, 17 granting MBUSA’s Motion to Compel Arbitration, and explaining that, per an identical Lease 18 agreement, MBUSA is named as a third-party beneficiary, which clearly was done “expressly for 19 [its] benefit.”); *Attalah, et al. v. Mercedes-Benz USA, LLC, et al.*, No. 24-cv-01245-JDE (C.D. 20 Cal.) (Minute Order granting MBUSA’s Motion to Compel Arbitration in a *Song-Beverly Act* 21 action, finding that MBUSA was a third-party beneficiary of an identical arbitration provision).

22 Durkin argues that MBUSA is not a third-party beneficiary because it is not receiving a 23 clear benefit from the Lease. Oppo. 10-13. Her argument is belied by the express language of the 24 arbitration provision, which names MBUSA as a third-party beneficiary and gives it the power to 25 compel arbitration of matters like this one that arise out of or relate to the Lease or any 26 relationship arising from the Lease. The relationship that Durkin shares with MBUSA arises out 27 of the Lease; Durkin would not have a relationship with MBUSA as the Vehicle's manufacturer 1 claims like Durkin's clearly confers a benefit upon MBUSA. 2 Durkin's arguments rely on inapplicable cases where the non-signatory vehicle 3 manufacturer was not named as a third-party beneficiary in the lease that the plaintiff signed. For 4 that reason, other factors had to be considered in determining whether the contract's arbitration 5 clause was intended to benefit the non-signatory manufacturer. See e.g., *Ngo v. BMW of North 6 America*, 23 F.4th 942 (9th Cir. 2022) (where only the lessor, lessee, and dealership's assignee of 7 the contract, which was not the manufacturer, were allowed to compel arbitration). Here, MBUSA 8 is named. 9 Durkin's contention that MBUSA cannot enforce the arbitration provision because 10 warranty obligations (which undergird her Song-Beverly Act claims) are independent of the Lease 11 fares no better. This contention rests on the equitable estoppel doctrine. Under that doctrine, a 12 non-signatory may invoke an arbitration agreement in a contract "when a signatory must rely on 13 the terms of the written agreement in asserting its claims against the nonsignatory or the claims are 14 intimately founded in and intertwined with the underlying contract," and "when the signatory 15 alleges substantially interdependent and concerted misconduct by the nonsignatory and another 16 signatory and the allegations of interdependent misconduct are founded in or intimately connected 17 with the obligations of the underlying agreement." *Ngo*, 23 F.4th at 948-49. But the *Ngo* analysis, 18 which considers the "intertwined" nature of the plaintiff's claims and the underlying contract, has 19 no bearing on the foregoing third-party beneficiary analysis, where MBUSA is an express 20 intended beneficiary of the contract. 21 The arbitration agreement in the Lease permits MBUSA to compel arbitration of "[a]ny 22 claim or dispute, whether in contract, tort or otherwise . . . which arises out of or relates to . . . this 23 lease, or any resulting transaction or relationship arising out of this lease (including any such 24 relationship with third parties who do not sign this contract) . . ." *Ameripour Decl.*, Ex. 2, at p. 4. 25 The relationship between MBUSA and Durkin, which gives rise to her claims against MBUSA, 26 arose out of the Lease. Her claims fall within the scope of the arbitration agreement.

27 CONCLUSION

1 STAYED pending completion of arbitration, and all dates and deadlines are vacated. The parties 2 are ORDERED to file a Notice and Request to Lift Stay within 30 days after arbitration is 3 completed. If no such Notice has been filed within six (6) months of the date below, the parties 4 are ORDERED to file a Joint Status Report regarding the status of arbitration. 5 IT IS SO ORDERED. 6 || Dated: July 15, 2025 \ g ® liam H. Orrick 9 United States District Judge 10 11 12

© 15 16 = 17 Z 18 19 20 21 22 23 24 25 26 27 28

