UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF CALIFORNIA

Mullis v. J.P. Morgan Chase & Co.

Mullis · No. 3:24-cv-01334-JES-MSB · Decided May 29, 2025

SUMMARY

The United States District Court for the Southern District of California grants Defendants' joint motion to compel arbitration and stay the case, and denies the pending motions to dismiss as moot. The court holds that Plaintiff's contract defenses of economic duress and fraudulent omission do not invalidate the arbitration agreements, while unconscionability is unavailable at this stage under the Convention. The court also concludes that nonsignatory Defendants may enforce the arbitration provisions under equitable estoppel because Plaintiff's claims are intertwined with the agreements.

CASE DETAILS

COURT	United States District Court for the Southern District of California
WRITING FOR THE COURT	James E. Simmons Jr.
JURISDICTION	United States District Court for the Southern District of California
DECIDED	May 29, 2025
DOCKET	3:24-cv-01334-JES-MSB
DISPOSITION	other
PROCEDURAL POSTURE	Defendants moved to compel arbitration and stay the action under the Federal Arbitration Act and the Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Plaintiff opposed on contract-enforceability grounds and argued that nonsignatory defendants could not enforce the arbitration agreements. Defendants also moved to dismiss the First Amended Complaint.
STANDARD OF REVIEW	The court applied the FAA and Convention standards governing a motion to compel arbitration: whether a valid arbitration agreement exists and whether it encompasses the dispute. Under the Convention, the court must refer the parties to arbitration unless the agreement is null and void, inoperative, or incapable of being performed.
PRECEDENTIAL VALUE	unknown
PARTIES	Joseph N. Mullis v. J.P. Morgan Chase & Co., Does 1 to 2, Neology Inc., Francisco Martinez De Velasco, Avery Dennison Corp., Rick

Smith

TOPICS

arbitration · civil procedure · contracts · commercial litigation · motions to dismiss

PRACTICE AREAS

arbitration · civil procedure · contracts · commercial litigation

QUESTIONS PRESENTED

1. Whether the Mullis/OEP Agreements contain valid and enforceable arbitration agreements covering Mullis's claims.
2. Whether Mullis's economic-duress defense invalidates the arbitration provisions.
3. Whether Mullis's fraudulent-omission theory presents a court-resolvable fraud-in-the-execution defense to the arbitration provisions or instead concerns the contracts as a whole and must be arbitrated.
4. Whether the court could consider Mullis's unconscionability defense at the enforcement stage under the Convention.
5. Whether nonsignatory defendants may enforce the arbitration provisions under equitable estoppel.
6. Whether the motions to dismiss should remain pending after the court compelled arbitration.

HOLDINGS

1. The arbitration provisions in the 2014 Sale Agreement, 2014 Loan Agreement, and 2018 Termination Agreement cover Mullis's claims because the claims and alleged damages depend on rights and the value of the interest acquired and transferred under those agreements.
2. Mullis failed to establish that his assent to the arbitration provisions was obtained through economic duress.
3. Mullis did not establish fraud in the execution directed at the arbitration provisions, and his fraud claims concerning the contracts as a whole must be decided by the arbitrator.
4. The court declined to consider Mullis's unconscionability defense at the motion-to-compel stage because the Convention's null-and-void defense is limited to internationally recognized contract-formation defenses.
5. The nonsignatory defendants may enforce the arbitration provisions under equitable estoppel because Mullis's claims and alleged injuries are intertwined with the agreements containing those provisions.

KEY QUOTATIONS

> *"By its terms, the Act leaves no place for the exercise of discretion by a district court, but instead mandates that district courts shall direct the parties to proceed to arbitration on issues as to which an arbitration agreement has been signed."* (at 3)

> *“Thus, because Plaintiff's claims and alleged injuries are intertwined with the Mullis/OEP Agreements, Defendants, even as nonsignatories, can enforce the arbitration provisions in those agreements.”* (at 10)

FACTUAL BACKGROUND

Mullis acquired a partial partnership interest in OEP Technologie Beteiligungs GbR through a 2014 Sale and Transfer Agreement financed by a Loan Agreement, and later transferred the interest back under a 2018 Termination Agreement. Those agreements contained arbitration provisions requiring arbitration in Frankfurt, Germany, under the German Institution of Arbitration Rules. Mullis alleged that defendants fraudulently devalued his investment and coerced him into releasing his rights, relying in part on a 2012 letter concerning a management equity program. The court found that his alleged damages and claims depended on rights and value established by the Mullis/OEP Agreements.

PROCEDURAL HISTORY

Plaintiff filed this action in federal court, and the case proceeded on a First Amended Complaint. Defendants moved to dismiss and jointly moved to compel arbitration and stay the case. After oral argument, the court granted the motion to compel arbitration, stayed the action pending arbitration, ordered a joint status report after arbitration, and denied the motions to dismiss as moot.

DISPOSITION

other

CASES CITED

- Kramer v. Toyota Motor Corp., 705 F.3d 1122, 1126 (9th Cir. 2013)
- Chiron Corp. v. Ortho Diagnostic Sys., Inc., 207 F.3d 1126, 1130-31 (9th Cir. 2000)
- Revitch v. DIRECTV, LLC, 977 F.3d 713, 716-17 (9th Cir. 2020)
- Dean Witter Reynolds Inc. v. Byrd, 470 U.S. 213, 218 (1985)
- Simula, Inc. v. Autoliv, Inc., 175 F.3d 716, 719, 726 (9th Cir. 1999)
- Chloe Z Fishing Co. v. Odyssey Re (London) Ltd., 109 F. Supp. 2d 1236, 1241, 1259 (S.D. Cal. 2000)
- Sedco, Inc. v. Petroleos Mexicanos Mexican Nat. Oil Co., 767 F.2d 1140 (5th Cir. 1985)
- Mullen Techs., Inc. v. Qiantu Motor (Suzhou) LTD., No. 3:19-cv-1979-W-AHG, 2020 WL 3573371, at *3 (S.D. Cal. July 1, 2020)
- Lindo v. NCL (Bahamas), Ltd., 652 F.3d 1257, 1263 (11th Cir. 2011)
- Bautista v. Star Cruises, 396 F.3d 1289, 1301 (11th Cir. 2005)
- Hicks v. PGA Tour, Inc., 897 F.3d 1109, 1119 (9th Cir. 2018)
- Rich & Whillock, Inc. v. Ashton Dev., Inc., 157 Cal. App. 3d 1154, 1158 (1984)
- Itkoff v. ABC Phones of N. Carolina, Inc., No. 8:17-CV-02043-JLS-JDE, 2018 WL 6242158, at *6 (C.D. Cal. Oct. 11, 2018)
- In re Marriage of Balcof, 141 Cal. App. 4th 1509, 1522-23 (2006)

- Lagatree v. Luce, Forward, Hamilton & Scripps, 74 Cal. App. 4th 1105, 1129 (1999)
- Rosenthal v. Great W. Fin. Sec. Corp., 14 Cal. 4th 394, 415-20, 423 (1996)
- Ford v. Shearson Lehman Am. Express, Inc., 180 Cal. App. 3d 1011, 1028 (1986)
- OCM Principal Opportunities Fund, L.P. v. CBIC World Mkts. Corp., 157 Cal. App. 4th 835, 845 (2007)
- L'Garde, Inc. v. Raytheon Space & Airborne Sys., No. CV 11-4592-GW(AGRx), 2013 WL 12113998, at *17 (C.D. Cal. Sept. 6, 2013)
- BASF Corp. v. Platinum Collision Centers, Inc., No. EDCV 18-1614-MWF (KKx), 2019 WL 6317776, at *6 (C.D. Cal. July 3, 2019)
- Oakberry SD UTC, LLC v. Oakberry Acai, Inc., No. 23cv1883-BEN (MSB), 2024 WL 3463651, at *5 (S.D. Cal. July 18, 2024)
- Escobar v. Celebration Cruise Operator, Inc., 805 F.3d 1279, 1286 (11th Cir. 2015)
- GE Energy Power Conversion France SAS, Corp. v. Outokumpu Stainless USA, LLC, 140 S. Ct. 1637, 1644, 1169 (2020)
- MouseBelt Labs Pte. Ltd. v. Armstrong, 674 F. Supp. 3d 728, 736-37 (N.D. Cal. 2023)