IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF SOUTH CAROLINA
ANDERSON DIVISION

Ryobi North American, Incorporated,
A Delaware Corporation, and
Ryobi Motor Products Corporation,
A Delaware Corporation,

Plaintiffs,

v.

The Singer Company, Limited,
An Alien Corporation,

Defendant.

C/V No. 8:96-1661-21

O-R-D-E-R

Plaintiffs Ryobi North America, Incorporated, and Ryobi Motor Products Corporation (collectively, "Ryobi") moved the court for a preliminary injunction pursuant to Federal Rule of Civil Procedure 65 to enjoin Defendant The Singer Company Limited ("Singer") from interfering with Ryobi's proposed sale of a sublicense to Bissell, Incorporated ("Bissell"). In responding to Ryobi's motion, Singer moved the court to compel arbitration pursuant to the Federal Arbitration Act ("Act"), 9 U.S.C.A. §§ 1-307 (West Supp. 1996), and deny the motion for preliminary injunction. Concluding that this litigation must be arbitrated, the court grants Singer's motion to compel arbitration and denies Ryobi's motion for a preliminary injunction.

I.

Singer's predecessor-in-interest agreed to license to Ryobi certain rights to employ the "Singer" trademark in connection with Ryobi's production of various power equipment. The contract memorializing Ryobi's right to use Singer's trademark provided in pertinent part that Ryobi could sublicense Singer's trademark subject to Singer's approval:

> The rights and licenses granted hereunder shall include the right to sublicense, provided, however, that any sublicense agreement shall be in writing and shall be in form and substance reasonably acceptable to Singer; it being understood that sublicense agreements containing terms and conditions the same or substantially similar to those included in license agreements currently in effect between Singer and third party licensees and assumed by Buyer . . . shall be deemed acceptable to Singer . . . subject to such modifications as may be necessary to reflect future changes in law. . . .

"Trademark License Agreement," ¶ 1(d). Thus, provided Ryobi obtained Singer's approval, Ryobi could sublicense the "Singer" trademark.

Eventually, Ryobi decided to sell some of its assets to Bissell, and in this connection, contracted to sell its floor care division of products, including those products using the "Singer" trademark, to Bissell. Ryobi attempted to effectuate this sale and use of the "Singer" trademark despite the fact that it failed to obtain approval for the sublicense from Singer. Accordingly, Ryobi wished to execute two sublicenses: (1) a sublicense to Bissell under which Bissell could sell its floor care products under the "Singer" trademark; and (2) a sublicense to TechTronic Industries Company, Incorporated ("TechTronic"), permitting Techtronic to manufacture products for Bissell using the "Singer" trademark.

On learning of Ryobi's proposed sublicenses, Singer balked, reminding Ryobi that before Ryobi could sublicense, it must obtain approval from Singer. Consequently, Ryobi filed suit, seeking various remedies. Material for purposes of this order, Ryobi seeks an injunction enjoining Singer from interfering with the execution of the two sublicenses. Asserting that this litigation must be arbitrated, Singer opposes the injunction, pointing out that the Trademark License Agreement provides in pertinent part:

> Any dispute arising from this Agreement shall be resolved by arbitration according to the rules of the American Arbitration Association.

"Trademark License Agreement," ¶ 7(h).

While paragraph 7(h) demands arbitration, paragraph 7(g) provides that an aggrieved party may seek judicial remedies:

> It is accordingly agreed that an aggrieved party shall be entitled to an injunction or injunctions to prevent breach of the provisions of this Agreement and to enforce specifically the terms and provisions hereof in any court of the United States or any state thereof having jurisdiction, in addition to any other remedy to which the aggrieved party may be entitled at law or in equity.

"Trademark License Agreement," ¶ 7(g). Thus, the Trademark License Agreement at first blush perhaps can be read as ambiguous because it purports to grant a party a right to judicial action, yet simultaneously to compel arbitration. As demonstrated in Part IIA, however, no ambiguity exists.

II.

The Act determines the enforceability of arbitration agreements in sales contracts. In pertinent part, the Act provides that a written arbitration agreement "in any . . . transaction or a contract evidencing a transaction involving commerce . . . shall be valid, irrevocable, and enforceable, save upon such grounds as exist at law or in equity for the revocation of any contract." 9 U.S.C.A. § 2. Because Singer is an alien corporation trading with a United States corporation, the Act triggers application of the Convention on the Recognition and Enforcement of Foreign Arbitral Awards ("Convention"), which, along with the Act, governs the duty to arbitrate in the context of international commercial transactions, see id. § 202. The Convention provides in pertinent part:

> Each Contracting State shall recognize an agreement in writing under which the parties undertake to submit to arbitration all or any differences which have arisen or which may arise between them in respect of a defined legal relationship, whether contractual or not, concerning a subject matter capable of settlement by arbitration.
>
> . . . .
>
> The court of a Contracting State, when seized of an action in a matter in respect of which the parties have made an agreement within the meaning of this article, shall, at the request of one of the parties, refer the parties to arbitration, unless it finds that the said agreement is null and void, inoperative or incapable of being performed.

Id. § 201 Art. II ¶ 1, 3 (emphasis added). The Act, therefore, compels arbitration at the request of a party, provided the

agreement is not void. See I.T.A.D. Assocs., Inc. v. Podar Bros., 636 F.2d 75, 77 (4th Cir. 1981) (holding that the Convention "clearly mandates" referral of the parties' dispute to arbitration absent an enumerated exception).

The Act was designed "to overrule the judiciary's longstanding refusal to enforce agreements to arbitrate," Dean Witter Reynolds, Inc. v. Byrd, 470 U.S. 213, 219-20 (1985), and to place arbitration agreements "on the same footing as other contracts," Scherk v. Alberto-Culver Co., 417 U.S. 506, 511 (1974) (internal quotation marks omitted). In this regard, the Act creates a "liberal federal policy favoring arbitration agreements," Moses H. Cone Mem. Hosp. v. Mercury Constr. Corp., 460 U.S. 1, 24 (1983), thereby giving rise to "a body of federal substantive law establishing and regulating the duty to honor an agreement to arbitrate" claims, id. at 25 n.32. While there exists a strong federal policy in favor of arbitration, the Act "does not require parties to arbitrate when they have not agreed to do so, nor does it prevent parties who do agree to arbitrate from excluding certain claims from the scope of their arbitration agreement." Volt Info. Sciences, Inc. v. Stanford Univ., 489 U.S. 468, 478 (1989) (citations omitted). Thus, while the court must "rigorously enforce" arbitration agreements, Dean Witter Reynolds, Inc., 470 U.S. at 221, the court must first determine whether the parties intended to arbitrate their dispute, see Mitsubishi Motors Corp. v. Soler Chrysler-Plymouth, Inc., 473 U.S. 614, 626 (1985). Amalgamating these principles regarding arbitration, the court must first ascertain whether a party agreed to submit to arbitration, and if so, second, determine which discrete disputes the parties agreed to submit to arbitration.

A.

In determining whether a party agreed to arbitrate a dispute, the court generally "appl[ies] ordinary state-law principles that govern the formation of contracts." See First Options of Chicago, Inc. v. Kaplan, 115 S. Ct. 1920, 1924 (1995). In Volt Info. Sciences, Inc., the Supreme Court explained that in analyzing arbitration agreements, the courts must apply the law of the forum selected by parties, provided, of course, state law has not been pre-empted. See Volt Info. Sciences, Inc., 489 U.S. at 477-79. Here, the Trademark License Agreement provides that New York law will govern the dispute. Pursuant to New York law, unambiguous contracts must be enforced as written by the parties, see Kushlin v. Bialer, 301 N.Y.S.2d 181, 182 (App. Div. 1969), and in this regard, the terms used by the parties must be given their plain meaning, see Brooke Group, Ltd. v. JCH Syndicate, 663 N.E.2d 635, 638 (N.Y. 1996). As applied to arbitration agreements, New York law unequivocally dictates that an unambiguous arbitration clause in a contract mandates that the parties proceed to arbitration. See Board of Educ. of Deer Park Union Free Sch. Dist. v. Deer Park Teachers Ass'n, 409 N.E.2d 1356, 1357 (N.Y. 1980); L.A. Syver Co. v. John W. Cowper Co., 389 N.Y.S.2d 197, 198 (App. Div. 1976). Arbitration is particularly appropriate concerning international

commercial transactions. See Mitsubishi Motors [illegible] p., 473 U.S. at 629.

Here, while the Trademark License Agreement may appear ambiguous given any perceived conflict between paragraphs 7(g) and 7(h), the New York courts have found no ambiguity in reconciling judicial injunction and compelled arbitration. See Cooper v. Ateliers de la Morobecane, 442 N.E.2d 1239 (N.Y. 1982). In Cooper, the Court of Appeals of New York concluded that neither an injunction nor an attachment could operate to defeat compelled arbitration. See id. at 1240-43. According to the Cooper court, arbitration was compelled under the Convention because providing any other judicial remedy stymied the purpose of arbitration:

> The essence of arbitration is resolving disputes without the interference of the judicial process and its strictures. When international trade is involved, this essence is enhanced by the desire to avoid unfamiliar foreign law. The [United Nations] Convention has considered the problems and created a solution, one that does not contemplate significant judicial intervention until after an arbitral award is made. The purpose and policy of the [United Nations] convention will be best carried out by restricting prearbitration judicial action to determining whether arbitration should be compelled.

Id. at 1243 (emphasis added). Cooper, therefore, dictates that the court is restricted to merely determining whether arbitration can be compelled, and here, the court concludes that it is. By its express terms, the Trademark License Agreement explicitly provides that any disputes arising between Singer and Ryobi must be submitted to arbitration. See id. (ordering arbitration); Sisters of St. John the Baptist v. Phillips R. Geraghty Constr., Inc., 494

N.E.2d 102, 103 (N[illegible] 1996) (mem.) (ordering arbitration), and because both parties are sophisticated entities, they are bound by the contractual language to which they assented, see Oppenheimer & Co. v. Oppenheim, Appel, Dixon & Co., 660 N.E.2d 415, 420 (N.Y. 1995). Accordingly, the parties[1] are compelled to arbitration.[2]

B.

The second prong requires determining if the dispute is arbitrable, which is an issue for the court, "[u]nless the parties unmistakably provide otherwise." A T & T Technologies, Inc. v. Communication Workers of Am., 475 U.S. 643, 649 (1986). Balancing the policy favoring arbitration against the court's jurisdiction results in a reverse presumption concerning arbitrability: if a contract is tacit or ambiguous respecting whether the court or arbitrator should determine arbitrability, the issue is presumed to be a matter for the court; but if a contract is tacit or ambiguous respecting whether a particular dispute is subject to arbitration, the presumption is reversed, with the dispute presumed to be subject to arbitration. See First Options, 115 S. Ct. at 1924. New York law comports with this principle, explaining that the court must first determine arbitrability, and if so, whether the subject dispute is a matter fit for arbitration. If the dispute is

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[1] While the court has explained that Ryobi North American Incorporated and Ryobi Motor Products Corporation are collectively referred to as "Ryobi," both entities are compelled to arbitration, thereby dispelling any confusion.

[2] Alternatively, the court holds that paragraphs 7(g) and 7(h) can be reconciled by construing paragraph 7(g) as providing for injunctions as an aid to arbitration by maintaining the status quo in order to have the dispute resolved by arbitration.

MEALEY PUBLICATIONS, INC., WAYNE, PA
B-4
VOL. 11, #9, 9/96

to be arbitrated, the arbitrator interprets the contractual language:

> It is of course for the court in the first instance to determine whether parties have agreed to submit their disputes to arbitration and, if so, whether the disputes generally come within the scope of their arbitration agreement. The court's inquiry ends, however, where the requisite relationship is established between the subject matter of the dispute and the subject matter of the underlying agreement to arbitrate. In disputes subject to arbitration, interpretation of particular contract terms must be left for the arbitrators.

Sisters of St. John the Baptist, 494 N.E.2d at 103. If an arbitration clause is broadly worded and refers all disputes to arbitration, it will be upheld and all disputes arising between the parties will be subject to arbitration. See, e.g., id. (broadly worded clause providing for arbitration "arising out of or relating to the contract documents" is to be arbitrated); Board of Educ. of Deer Park, 409 N.E.2d at 1357 (holding that arbitration clause "encompassing all disputes" is a matter for arbitration).

Applying these principles, the court concludes that the dispute here is arbitrable because the contract expressly provides that "[a]ny dispute arising from this Agreement shall be resolved by arbitration." This broad, general language encompasses the dispute to be resolved here. Therefore, the court holds that arbitration of this dispute is compelled.

Regarding location of arbitration, the parties agreed to be governed by the American Arbitration Association International Arbitration Rules, which provide that the arbitrator will select an

arbitration situs. In this regard, Ryobi's insistence that Jain v. De Méré, 51 F.3d 686 (7th Cir. 1995), compels arbitration within this judicial district is misplaced. In Jain, as opposed to the instant suit, the parties failed to stipulate to both a location for arbitration and a method for selecting arbitrators. See id. at 688. Here, the parties contracted to be bound by the American Arbitration Association International Arbitration Rules.

III.

Even assuming that the merits of the case are properly before the court, the court nevertheless concludes that Ryobi's motion for a preliminary injunction is properly denied, applying the test for determining preliminary relief as articulated in Blackwelder Furniture Co. v. Seilig Mfg. Co., 550 F.2d 189 (4th Cir. 1977). Blackwelder set forth four factors for a district court to consider in determining whether to grant a preliminary injunction: (1) the likelihood of irreparable harm to the plaintiff balanced against the likelihood of harm to the defendant;[1] (2) success on the merits; (3) likely harm to the defendant; and (4) the public interest. See id. at 195-96.

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[1] The first consideration in ruling on a motion for a preliminary injunction "is for the court to balance the 'likelihood of harm to the defendant; and if a decided imbalance of hardship should appear in plaintiff's favor, then the likelihood-of-success test if displaced by" consideration of the merits of the action. See Blackwelder, 550 F.2d at 195. In this connection, "[t]he importance of probability of success increases as the probability of irreparable injury diminishes[.]" Id. Here, because Ryobi is not likely to suffer irreparable harm, the court need not consider the shift that transpires if a plaintiff is likely to suffer irreparable harm. Indeed, as explained in text, an injunction would not preserve, but rather frustrate, the status quo.

Application of these factors requires denial of Ryobi's motions. First, Ryobi is not likely to suffer irreparable harm versus the likelihood of harm to Singer because the purpose of an injunction is to preserve the status quo, and refraining from issuing an injunction here preserves that function. Second, although at this juncture in the proceedings predicting success on the merits is somewhat elusive, Singer would appear to be the prevailing party: the Trademark License Agreement explicitly provides that Ryobi must obtain consent from Singer before sublicensing the "Singer" trademark, which Ryobi failed to do. Third, there is likely harm to Singer because its trademark may be used without its approval. Fourth, public interest often favors maintaining the status quo, and here that purpose is served by not issuing the injunction. Accordingly, the court concludes that entertaining the merits of Ryobi's motion weighs in favor of denying the preliminary injunction.

IV.

The parties are directed to proceed to arbitration and the instant dispute is to be resolved by arbitration. Even entertaining the merits, however, preliminary relief is denied. Accordingly, Singer's motion to compel arbitration is granted, and Ryobi's motion for a preliminary injunction is denied.

IT IS SO ORDERED.

William B. Traxler, Jr.
WILLIAM B. TRAXLER, JR.
UNITED STATES DISTRICT JUDGE

August 30, 1996
Greenville, South Carolina.