IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

AMERICAN PROCESS, INC., API-INTELLECTUAL PROPERTY HOLDINGS, LLC, and AMERICAN GREEN + LLC,	**CIVIL ACTION FILE**
Plaintiffs,	**NO. 1:16-CV-4234-MHC**
v.	
GRANBIO INVESTIMENTOS S.A., GRANBIO LLC, and BIOFLEX AGROINDUSTRIAL S.A.,	
Defendants.	

ORDER

This case comes before the Court on Plaintiffs American Process Inc., API-Intellectual Property Holdings, LLC, and American Green+ LCC (collectively, "American Process," or "API")'s Motion for Preliminary Injunction [Doc. 2] and Defendants GranBio Investimentos S.A., GranBio LLC, and Bioflex Agroindustrial S.A. (collectively, "GranBio")'s Motion to Compel Arbitration and Stay Proceedings Pending Arbitration [Doc. 24]. For the following reasons, GranBio's Motion to Compel is **GRANTED** and API's Motion for Preliminary Injunction is **DENIED WITHOUT PREJUDICE**.

I. BACKGROUND

This action concerns a breach of contract dispute between GranBio, a Brazilian corporation that produces renewable biofuels, and API, an engineering and technology development company hired by GranBio to provide engineering services. See First Am. Compl. [Doc. 78] ¶¶ 34-38.

GranBio owns and operates a commercial-scale cellulosic ethanol plant in Alagoas, Brazil, known as "Bioflex 1." Id. ¶ 39. On June 5, 2015, GranBio and API entered into an Engineering Services Agreement ("ESA") pursuant to which API agreed provide services and technology at the Bioflex 1 facility. Id. ¶ 60; see Engineering Services Agreement [Doc. 2-21] ("ESA"). In relevant part, Section 8.4 of the ESA provides that "any improvement" made by API to Bioflex 1's "existing technology at the plant . . . shall be the exclusive property of [GranBio][.]" ESA § 8.4. By contrast, Section 11.14 provides that, "[t]o the extent that [GranBio] . . . decides to use any API technology, the parties shall . . . enter into a license agreement and a basic engineering package and service agreements in connection with such technology[.]" Id. § 11.14. Phrased otherwise, the ESA appears to provide that any intellectual property related to improvements to existing technology at the Bioflex 1 facility belongs to GranBio, while intellectual property related to the use of API technology is owned by API

and subject to a royalty-free license. At issue in this case is whether the services API rendered to GranBio constitute the "use of API technology" (as API alleges), or whether those services instead constituted improvements "to existing technology at the plant." ASI contends that GranBio must take a royalty-free license under the ESA, while GranBio contends that no such license is required. See Mem. in Supp. of Defs.' Mot. to Compel [Doc. 25] ("Defs.' Mem.") at 6.

On November 11, 2016, API filed its original Complaint [Doc. 1] in this action, bringing claims for misappropriation of its trade secrets in violation of the Defend Trade Secrets Act, 18 U.S.C. § 1836 *et seq.*, and the Georgia Trade Secrets Act, O.C.G.A. § 10-1-760 *et seq.*, as well as for breach of contract. Concurrently, API also requested that this Court enter a preliminary injunction enjoining GranBio from, *inter alia*, disclosing, disseminating, making, and/or using its trade secrets. See Pls.' Mot. for Prelim. Inj. at 2-3. GranBio has responded by invoking the ESA's arbitration clause and moving to compel arbitration.

II. LEGAL STANDARD

Defendants request that the Court compel arbitration under Sections 3 and 4 of the Federal Arbitration Act ("FAA"), 9 U.S.C. §§ 3, 4. See Defs.' Mem. at 4. The FAA creates a "presumption of arbitrability" such that "any doubts concerning the scope of arbitrable issues should be resolved in favor of arbitration." Dasher v.

RBC Bank (USA), 745 F.3d 1111, 1115-16 (11th Cir. 2014) (citations omitted), cert. denied, 135 S. Ct. 144 (2014); see also Bazemore, 827 F.3d at 1329. However, "while doubts concerning the scope of an arbitration clause should be resolved in favor of arbitration, the presumption does not apply to disputes concerning whether an agreement to arbitrate has been made." Dasher, 745 F.3d at 1116 (quotation marks and citation omitted omitted); Bazemore, 827 F.3d at 1329 (quoting Dasher).

The existence of an agreement to arbitrate between the parties is "simply a matter of contract." First Options of Chi., Inc. v. Kaplan, 514 U.S. 938, 943 (1995). Therefore, in construing arbitration agreements, courts apply state-law principles relating to contract formation, interpretation, and enforceability. Caley v. Gulfstream Aerospace Corp., 428 F.3d 1359, 1367-68 (11th Cir. 2005); see also Bazemore, 827 F.3d at 1330. A genuine factual dispute concerning contract formation precludes a court from deciding as a matter of law whether the parties entered into an agreement to arbitrate. See Granite Rock Co. v. Int'l Bhd. Of Teamsters, 561 U.S. 287, 297-99 (2010); Solymar Invs., Ltd. v. Banco Santander S.A., 672 F.3d 981, 989-90 (11th Cir. 2012); Magnolia Capital Advisors, Inc. v. Bear Stearns & Co., 272 F. App'x 782, 785-86 (11th Cir. 2008). Because an order to arbitrate a contested agreement is "in effect a summary disposition of the issue

of whether there ha[s] been a meeting of the minds on the agreement to arbitrate," the Eleventh Circuit applies a standard akin to that used in summary judgment "in deciding what is sufficient evidence to require a trial on the issue of whether there was an agreement to arbitrate." Magnolia Capital Advisors, 272 F. App'x at 785-86 (quoting and citing Par-Knit Mills, Inc. v. Stockbridge Fabrics Co., 636 F.2d 51, 54 & n.9 (3rd Cir. 1980)); see also In re Checking Account Overdraft Litig., 754 F.3d 1290, 1294 (11th Cir. 2014).

III. DISCUSSION

The ESA contains a broad arbitration provision that provides in relevant part:

> In the event of any dispute between the Parties which cannot be resolved by their senior executives within 60 business days after the date of dispute notice, all disputes arising out of or in connection with the present AGREEMENT shall exclusively and finally be settled under the American Arbitration Association ["AAA"] Arbitration Rules by three arbitrators appointed in accordance with said rules.

ESA § 11.4. However, Section 11.5 creates a limited exception to the breadth of this provision:

> Notwithstanding the arbitration requirements, either Party may seek injunctive or other equitable relief in an appropriate court of law if necessary to immediately protect its rights which otherwise might be lost if proceedings were delayed.

Id. § 11.5.

The parties agree that, at a minimum, the issue of damages in this suit is subject to arbitration under the terms of the ESA. See Pls.' Resp. in Opp'n to Defs.' Mot. to Compel Arbitration [Doc. 48] ("Pls.' Resp.") at 4 n.5. At issue is whether API's request for injunctive relief falls within the scope of Section 11.5's so-called "carve-out." According to GranBio, the parties' agreement in Section 11.4 of the ESA to incorporate the AAA Rules, under which questions of arbitrability are reserved for the arbiter, necessarily delegates questions of arbitrability to an arbitral tribunal—including whether the injunctive relief API now seeks is the same kind of "injunctive or other equitable relief" contemplated in Section 11.5. See Defs.' Mem. at 14. API responds that this Court has the inherent authority to hear its request for a preliminary injunction notwithstanding Section 11.5, and further that, even were the Court to consider the scope of the ESA, this action qualifies as one that may be brought "in an appropriate court of law" pursuant to Section 11.5. See Pls.' Resp. at 14-18.

Another court in this district recently was presented with the same question. In Cellairis Franchise, Inc. v. Duarte, the parties disputed whether the plaintiff's request for injunctive relief fell within the scope of a nearly identical carve-out for "injunctive or other equitable relief" in an underlying arbitration clause. No. CV 2:15-CV-00101-WCO, 2015 WL 11422299, at *4-5 (N.D. Ga. July 20, 2015).

Although the plaintiff in Duarte argued (as API does here) that the arbitration provision "facially provide[d] [for] an election between court and arbitration for claims seeking injunctive relief," the court concluded that this argument "blend[ed] the question of arbitrability inquiry and the scope inquiry." Id. at *5. As it explained, courts overwhelmingly have found that the parties to an arbitration clause "remove scope determinations from the court's purview" by agreeing to incorporate the AAA rules. Id. at *4 (citing U.S. Nutraceuticals, LLC v. Cyanotech Corp., 769 F.3d 1308, 1311 (11th Cir. 2014) (quoting Terminix Int'l Co., LP v. Palmer Ranch Ltd. P'ship, 432 F.3d 1327, 1332 (11th Cir. 2005)); see also Oracle Am., Inc. v. Myriad Grp. A.G., 724 F.3d 1069, 1074 (9th Cir. 2013) ("Virtually every circuit to have considered the issue has determined that incorporation of the [AAA's] arbitration rules constitutes clear and unmistakable evidence that the parties agreed to arbitrate arbitrability."). In concluding that a court "necessarily decides arbitrability by finding that a claim falls within the scope of a carve-out provision," see id. at *5-6 (citing Oracle, 724 F.3d at 1075-76 (holding that the scope of an analogous carve-out provision[1] constituted an arbitrability determination)), Duarte states as follows:

[1] Specifically, the arbitration clause at issue in Oracle included the following carve-out provision: "either party may bring any action, in a court of competent jurisdiction (which jurisdiction shall be exclusive), with respect to any dispute

> Here, the parties expressly delegated questions of arbitrability to the arbitrator and incorporated the AAA rules which . . . provide that questions of arbitrability are reserved for the arbitrator. The court must apply the parties' arbitration provision as written. The agreement clearly and unmistakably delegates all questions of arbitrability to the arbitrator. Plaintiffs, in effect, ask the court to rewrite the arbitration clause so that questions of arbitrability relating to claims that may be brought in court or in arbitration are reserved for the court and all other questions of arbitrability belong to the arbitrator.
>
> The Eleventh Circuit has not addressed the precise issue before the court, but this court believes that Oracle is consistent with decision in this circuit that expressly hold that the incorporation of the AAA rules into an arbitration clause demonstrates that the parties to an agreement "clearly and unmistakably contracted to submit questions of arbitrability to an arbitrator." See U.S. Nutraceuticals, LLC, 769 F.3d at 1311 (interpreting and applying Terminix Int'l Co., 432 F.3d at 1332). The scope of a carve-out provision constitutes an arbitrability determination. See Oracle Am., Inc., 724 F.3d at 1076 ("The decision that a claim relates to [an excepted claim] constitutes an arbitrability determination. . . .").
>
> Arbitrability determinations, without exception, are reserved for the arbitrator. Any decision to the contrary would represent a departure from the parties' clear and unmistakable intent to submit questions of arbitrability to the arbitrator. Therefore, the court must refrain from addressing the scope of the carve-out provision and faithfully apply the arbitration provision as it is written.

Id. at *6. For the same reasons set forth above, the Court must decline to decide Plaintiffs' motion for a preliminary injunction. See Cellairis Franchise, Inc. v.

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relating to such party's Intellectual Property Rights or with respect to [Myriad's] compliance with the TCK license." Oracle, 724 F.3d at 1075 (emphasis added).

Connor Enters., Inc., No. 1:15-CV-00435-ELR, 2015 WL 12844484, at *1 (N.D. Ga. Mar. 17, 2015) (concluding that contract's incorporation of the AAA rules was "evidence that the parties . . . clearly intended that an arbitrator should determine issues of arbitrability," and declining to rule on plaintiff's request for injunctive relief); see also E. El Paso Physicians' Med. Ctr., LLC v. Aetna Health Inc., No. EP-16-CV-44-KC, 2017 WL 876313, at *5 (W.D. Tex. Mar. 2, 2017) (finding that scope of the equitable relief exception in the parties arbitration agreement was a question for the arbitrator); A & C Disc. Pharmacy, L.L.C. v. Caremark, L.L.C., No. 3:16-CV-0264-D, 2016 WL 3476970, at *6 (N.D. Tex. June 27, 2016) (same); RX Pros, Inc. v. CVS Health Corp., No. CV 16-0061, 2016 WL 316867, at *3 (W.D. La. Jan. 26, 2016) (same); Grasso Enters., LLC v. CVS Health Corp., 143 F. Supp. 3d 530, 543-44 (W.D. Tex. 2015) (same).

API argues in the alternative that the Court has the inherent authority to hear its request for preliminary injunctive relief regardless of the scope of the parties' arbitration agreement. See Pls.' Resp. at 5-12. But as API concedes, the Eleventh Circuit has yet to resolve the question of whether a district court may grant injunctive relief where a valid agreement to arbitrate exists. Compare Toyo Tire Holdings of Americas Inc. v. Cont'l Tire N. Am., Inc., 609 F.3d 975, 981 (9th Cir. 2010) (concluding that a district court "may issue interim injunctive relief on

arbitrable claims if interim relief is necessary to preserve the status quo and the meaningfulness of the arbitration process," and collecting cases from the First, Second, Third, Fourth, Seventh, and Tenth circuits) with Merrill Lynch, Pierce, Fenner & Smith, Inc. v. Hovey, 726 F.2d 1286, 1292 (8th Cir. 1984) ("[W]here the Arbitration Act is applicable and no qualifying contractual language has been alleged, the district court errs in granting injunctive relief."). In spite of this split of authority, courts in both the Eleventh and Fifth Circuits have consistently found that, even where injunctive relief is sought pursuant to analogous carve-out provisions, the incorporation of the AAA rules constitutes "clear and unmistakable evidence" that parties agreed to arbitrate arbitrability. See, e.g., A & C Disc. Pharmacy, 2016 WL 3476970, at *6 ("In the present case, the court need not enter the circuit split and decide whether it can consider a request for preliminary injunctive relief after it has decided that the case is arbitrable. This is so because both parties agree that the AAA Rules are incorporated into the Arbitration Agreement, and the express incorporation of the AAA Rules into the Arbitration Agreement 'constitutes clear and unmistakable evidence that the parties agreed to arbitrate arbitrability.'") (quoting Crawford Prof'l Drugs, Inc. v. CVS Caremark Corp., 748 F.3d 249, 262-63 (5th Cir. 2014)); Grasso Enters., 143 F. Supp. 3d at 543 (reaching the same result); Duarte, 2015 WL 11422299, at *7.

Furthermore, even assuming *arguendo* that the Court has the power to grant injunctive relief here in order to maintain the status quo, this power still would not authorize it to "examine claims that would otherwise be subject to mandatory arbitration." Duarte, 2015 WL 11422299, at *7. Here, as in Duarte, API has not demonstrated that waiting for the arbitrator's decision on questions of arbitrability would "eviscerate the arbitration process and make it a hollow formality, with needless expense to all concerned." Id. (internal quotations and citations omitted). To the contrary, it appears that as of at least March 3, 2017—more than three months after API filed its initial Complaint—API had yet to file an arbitration demand. See Defs.' Reply in Supp. of Mot. to Compel Arbitration [Doc. 61] at 14.[2]

Absent this showing, other courts have refused to entertain claims brought pursuant to similar carve-outs for fear that plaintiffs will simply disguise their otherwise arbitrable claims as demands for equitable and declaratory relief, thus "circumvent[ing] arbitration by claiming irreparable injury pending the arbitrator's decision on questions of arbitrability." Duarte, 2015 WL 11422299, at *7; see, e.g., Clarus Med., LLC v. Myelotec, Inc., No. CIV. 05-934 DWF/JJG, 2005 WL 3272139, at *4 (D. Minn. Nov. 30, 2005) ("[I]f the Court were to adjudicate

[2] It is unclear from the current record whether API has now done so.

Clarus's requests for declaratory relief, the Court would, in effect, read out the broad arbitration clause of section 20(a). In other words, so long as a claim was disguised as a declaratory judgment action, that claim could be brought before a court and thus circumvent the very broad language of the arbitration clause."); see also WMT Inv'rs, LLC v. Visionwall Corp., No. 09 CIV. 10509 (RMB), 2010 WL 2720607, at *3-4 (S.D.N.Y. June 28, 2010) (collecting cases). Indeed, "[h]olding otherwise would allow a party to request—and potentially obtain—preliminary injunctive relief in court even if determinations on the validity of such relief were unconditionally subject to arbitration." Duarte, 2015 WL 11422299, at *7.

Accordingly, the Court will enforce the parties' arbitration clause.

IV. CONCLUSION

For the foregoing reasons, it is hereby **ORDERED** that Defendants' Motion to Compel Arbitration and Stay Proceedings Pending Arbitration [Doc. 24] is **GRANTED**. By virtue of the Court's ruling, Plaintiffs' Motion for Preliminary Injunction [Doc. 2] is **DENIED WITHOUT PREJUDICE**.[3]

It is further **ORDERED** that this action is **STAYED** and shall be **ADMINISTRATIVELY CLOSED** until the arbitrator makes a determination on

[3] For the same reason, GranBio's Motion for Leave to File Surreply in Opposition to API's Motion for Preliminary Injunction [Doc. 62] is **DENIED AS MOOT**.

questions of arbitrability. The parties shall notify the Court upon completion of arbitration, and either party shall have the right to move to reopen this case to resolve any remaining issues of contention.

IT IS SO ORDERED this 26th day of July, 2017.

MARK H. COHEN
United States District Judge