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I. Background

a. Factual Background¹

Petitioner HeavenSeven GmbH ("HeavenSeven") is a marketing and public relations service-provider and a company of limited liability organized under the laws of Austria with its principal place of business in Austria. Pet. ¶ 3. Respondent Love Tuner, Inc. ("Love Tuner")² is a California corporation with its principal place of business in Los Angeles County. *Id.* ¶ 4.

On April 7, 2021, Love Tuner initiated arbitration proceedings against HeavenSeven with the International Centre for Dispute Resolution ("ICDR"), alleging breach of a purported "Confidentiality Agreement and Project Contract" (the "Contract"). *Id.* ¶ 7. The Contract contained the following text: "IN WITNESS WEREOF Love Tuner and Daniel Grenzner have duly affixed their signatures under hand on this 2nd day of August 2019," under which were the purported signatures of the CEO of Love Tuner and Daniel Grenzner ("Grenzner"), HeavenSeven's principal. *Id.* The Contract also contained an arbitration clause, which was the basis upon which Love Tuner brought its arbitration claim before the ICDR. *Id.* HeavenSeven disputed the claim and argued that the ICDR did not have jurisdiction because Grenzner had never signed the Contract, rendering the arbitration clause invalid. *Id.* ¶ 8.

HeavenSeven requested that Love Tuner produce the original Contract, but Love Tuner represented that it could not be located. ECF No. 1-1 ("Arbitration Award") at 2. Although HeavenSeven objected to the Arbitrator's jurisdiction, it nonetheless consented to have the Arbitrator decide the question of his jurisdiction. ECF No. 19 ("Cross-Complaint Opp'n") at 2; Declaration of Ahmad S. Takouche, ECF No. 19-1 ("Takouche Decl."), Ex. A. HeavenSeven consented to the Arbitrator's retention of an independent handwriting expert. *Id.* The Arbitrator

²⁶ Unless otherwise indicated, the factual allegations included in this section are taken from the Petition to Confirm Arbitration Award. ECF No. 1 ("Petition" or "Pet.").

² The initial Petition filed by HeavenSeven, and therefore the case caption, refer to Respondent as "LoveTuner" (one word). *See generally* Pet. However, Respondent refers to itself as "Love Tuner" (two words). *See generally* ECF No. 12 ("Cross-Compl."). The Respondent was unable to clarify at the hearing. As such, the Court will refer to Respondent throughout this Order as "Love Tuner."

thereafter retained a handwriting expert to analyze the various handwriting samples of Grenzner produced as evidence by the parties. Arbitration Award at 2.

On October 21, 2021, Love Tuner filed a Notice of Dismissal of its claim against HeavenSeven without prejudice. *Id.* at 3. HeavenSeven, still contesting the ICDR's jurisdiction over the dispute, objected to the termination of the arbitration. *Id.* The Arbitrator entered a ruling on January 11, 2022, declining to dismiss the arbitration and rescheduling an evidentiary hearing for February 21, 2021. *Id.* Subsequently, the arbitrator issued a final ruling and award on March 9, 2022. *See generally id.* The ruling stated in relevant part:

- 1. The evidence is clear and convincing that the signature of Daniel Grenzner appearing on page 7 of the Contract in both his individual and representative capacity for Heaven Seven . . . is not authentic."
- 2. . . .[N]either Daniel Grenzner nor the entit[y] Heaven Seven . . . agreed to have disputes, claims or controversies 'arising out of, or relating to the [Contract] . . . determined exclusively . . . by binding arbitration."
- 3. Pursuant to ICDR Article 21, the Arbitrator does not have jurisdiction to decide any matter related to the Contract including but not limited to its validity, enforceability or breach and accordingly orders the arbitration be terminated

Id. at 4.

Citing ICDR Article 37, the arbitrator further found that he had the authority to reasonably allocate costs among the parties based on the circumstances and that exercise of such authority was appropriate because Love Tuner had elected to arbitrate its claim under the ICDR and HeavenSeven had consented to have the issue of jurisdiction arbitrated. *Id.* The arbitrator found it reasonable to shift costs and attorneys' fees to Love Tuner, as it had initiated the arbitration and "failed to offer any explanation or evidence as to how the [inauthentic] signature had become affixed to the Contract, or that [HeavenSeven] had ever agreed to the Contract." *Id.* at 5.

In his ruling, the arbitrator ordered Love Tuner to pay HeavenSeven \$97,902 in attorneys' fees, \$5,328 in expert fees, and a \$15,572.50 reimbursement for administrative fees and arbitrator compensation, for a total award of \$118,802.50. *Id.* HeavenSeven now seeks to have this final award confirmed and enforced by the Court. *See generally* Pet.

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b. Procedural History

On May 20, 2022, HeavenSeven filed the instant Petition to confirm the final arbitration award issued in its favor. *See generally* Pet. On June 3, 2022, Love Tuner filed a Cross-Complaint for Declaratory Relief or, in the Alternative, Cross-Petition to Vacate Arbitration Award. ECF No. 12 ("Cross-Complaint"). The Petition was fully briefed on June 24, 2022. *See* ECF Nos. 15 ("Pet. Opp'n"); Cross-Complaint Opp'n. On July 1, 2022, Love Tuner filed a Reply. ECF No. 20 ("Reply"). On July 7, 2022, the Court heard oral argument on this matter and thereafter took the matter under submission. ECF No. 22.

II. Applicable Law

A. The New York Convention

The United States is a signatory to the "Convention on Recognition and Enforcement of Foreign Arbitral Awards" ("the New York Convention"). 9 U.S.C. § 201. "The United States implemented its Convention obligations in domestic law by way of the second chapter of the Federal Arbitration Act ("FAA")." *China Nat'l Metal Prods. Import/Export Co. v. Apex Digital, Inc.*, 379 F.3d 796, 799 (2004). A district court "shall confirm the award unless it finds one of the grounds for refusal or deferral of recognition or enforcement of the award specified in the said Convention." 9 U.S.C. § 207 (emphasis added); see also China Nat'l Metal Prods., 379 F.3d at 799. A district court's "review of a foreign arbitration award is quite circumscribed" and allows for "little discretion." *Ministry of Defense of the Islamic Republic of Iran v. Gould, Inc.*, 969 F.2d 764, 770 (9th Cir. 1992).

Article V of the New York Convention sets forth seven grounds for refusing to confirm an award:

• The parties to the agreement referred to in article II were, under the law applicable to them, under some incapacity, or the said agreement is not valid under the law to

³ The Court notes that Love Tuner's Reply is untimely. Per Local Rule 7-10, "[a] moving party may, not later than fourteen (14) days before the date designated for the hearing of the motion, serve and file a reply memorandum, and declarations or other rebuttal evidence." C.D. Cal. L.R. 7-10 (emphasis added). Under Local Rule 7-12, "[t]he Court may decline to consider any . . . document not filed within the deadline set by order or local rule." C.D. Cal. L.R. 7-12. As a result, the Court declines to consider Love Tuner's Reply.

- which the parties have subjected it or, failing any indication thereon, under the law of the country where the award was made;
- The party against whom the award is invoked was not given proper notice of the appointment of the arbitrator or of the arbitration proceedings or was otherwise unable to present his case;
- The award deals with a difference not contemplated by or not falling within the terms of the submission to arbitration, or it contains decisions on matters beyond the scope of the submission to arbitration, provided that, if the decisions on matters submitted to arbitration can be separated from those not so submitted, that part of the award which contains decisions on matters submitted to arbitration may be recognized and enforced;
- The composition of the arbitral authority or the arbitral procedure was not in accordance with the agreement of the parties, or, failing such agreement, was not in accordance with the law of the country where the arbitration took place;
- The award has not yet become binding on the parties, or has been set aside or suspended by a competent authority of the country in which, or under the law of which, that award was made;
- The subject matter of the difference is not capable of settlement by arbitration under the law of that country; or
- The recognition or enforcement of the award would be contrary to the public policy of that country.

Ministry of Def. & Support for the Armed Forces of the Islamic Republic of Iran v. Cubic Def. Sys., Inc., 665 F.3d 1091, 1096 n.2 (9th Cir. 2011). "These defenses are construed narrowly, and the party opposing recognition or enforcement bears the burden of establishing that defense applies." Id. at 1096.

B. The Federal Arbitration Act

Under Section 2 of the FAA, arbitration clauses in contracts "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. § 2. The FAA reflects the "fundamental principle that arbitration is a matter of contract." *AT&T Mobility LLC v. Concepcion*, 563 U.S. 333, 339 (2011) (quoting *Rent-A-Center, West, Inc. v. Jackson*, 561 U.S. 63, 67 (2010)). As such, "a party cannot be required to submit any dispute which he has not agreed so to submit." *Three Valleys Mun. Water Dist. v. E. F. Hutton & Co.*, 925 F.2d 1136, 1139 (9th Cir. 1991) (internal quotation marks omitted) (quoting *AT&T Mobility*, 563 U.S. at 648).

Nonetheless, "[a]n agreement to arbitrate an issue need not be express; . . . it may be implied from the conduct of the parties." *Fortune, Alsweet & Eldridge, Inc. v. Daniel*, 724 F.2d 1355, 1356

(9th Cir. 1983). As such, "[v]oluntary initiation of arbitration can be interpreted as waiver of any objection [a party] may have had over the authority of the arbitrator." *Nghiem v. NEC Elec., Inc.*, 25 F.3d 1437, 1440 (9th Cir. 1994). "On whatever basis it rests, waiver, estoppel or new contract, the result is that the grievance submitted to the arbiter defines his authority without regard to whether the parties had a prior legal obligation to submit the dispute." *Id.* (quoting *Piggly Wiggly Operators' Warehouse, Inc. v. Piggly Wiggly Operators' Warehouse Indep. Truck Drivers Union, Local No. 1*, 611 F.2d 580, 584 (5th Cir. 1980)).

The FAA further permits a district court to vacate an arbitration award "where the arbitrators exceeded their powers, or so imperfectly executed them that a mutual, final, and definite award upon the subject matter submitted was not made." 9 U.S.C. § 10(a)(4). An arbitrator exceeds his powers when the award is "irrational" or "exhibits a manifest disregard of law." *Kyocera Corp. v. Prudential-Bache Trade Servs., Inc.*, 341 F.3d 987, 997 (9th Cir. 2003) (quoting *French v. Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 784 F.2d 902, 906 (9th Cir. 1986); *Todd Shipyards Corp. v. Cunard Line, Ltd.*, 943 F.2d 1056, 1060 (9th Cir. 1991)); *see also Bosack v. Soward*, 586 F.3d 1096, 1106 (9th Cir. 2009) ("An award draws its essence from the agreement if the award is derived from the agreement, viewed in light of the agreement's language and context, as well as other indications of the parties' intentions." (internal quotation marks omitted) (quoting *McGrann v. First Albany Corp.*, 424 F.3d 743, 749 (8th Cir. 2005)).

C. The International Centre for Dispute Resolution Rules

The ICDR Rules provide that:

Where parties have agreed to arbitrate disputes under these International Arbitration Rules ("Rules"), or have provided for arbitration of an international dispute by either the International Centre for Dispute Resolution ("ICDR"), the international division of the American Arbitration Association ("AAA"), or the AAA without designating particular rules, the arbitration shall take place in accordance with these Rules as in effect at the date of commencement of the arbitration, subject to modifications that the parties may adopt in writing. The ICDR is the Administrator of these Rules.

International Centre for Dispute Resolution [ICDR], International Dispute Resolution Procedures, art. 1(1) (amended Mar. 1, 2021),

Rules"). Moreover, the ICDR Rules further state that "[w]hen parties agree to arbitrate under these Rules, or when they provide for arbitration of an international dispute by the ICDR or the AAA without designating particular rules, they thereby authorize the ICDR to administer the arbitration." *Id.* art. 1(3). Article 21 of the ICDR Rules allows the Arbitrator to "rule on [his] own jurisdiction . . . without any need to refer such matters first to a court." *Id.* art. 21(1). This includes the authority "to determine the existence or validity of a contract of which an arbitration clause forms a part." *Id.* art. 21(2). Additionally, the ICDR Rules mandate that "[t]he arbitral tribunal shall fix the costs of arbitration in its award(s). The tribunal may allocate such costs among the parties if it determines that allocation is reasonable, taking into account the circumstances of the case." *Id.* art. 37.

III. Discussion

A. The Arbitrator did not exceed his authority to issue an Arbitration Award.

HeavenSeven argues that the arbitrator was well within his power to issue the arbitration award because he possessed authority to do so under the ICDR Rules and the New York Convention. Petition Memo. at 3–13. Love Tuner contends that the arbitrator exceeded his powers by issuing an arbitration award not derived from any valid arbitration agreement between the parties. Pet. Opp'n at 4–5.

In the instant matter, the parties agreed to have the jurisdictional issues raised by HeavenSeven resolved by the Arbitrator. HeavenSeven specifically requested bifurcation for this purpose. Pet. Opp'n, Ex. B ("HeavenSeven Objection to Jurisdiction") ¶ 53 ("Respondents [HeavenSeven] therefore request to bifurcate the proceedings in accordance with Article 22(4) ICDR Rules, whereby only the validity of the contract and thus the question of jurisdiction is to be clarified in the first stage of the proceedings."). The Arbitrator acknowledged this. Arbitration Award at 4 ("Respondents [HeavenSeven] subsequently agreed to have the jurisdiction issue decided by the ICDR also under its Rules."); Cross-Complaint Opp'n, Ex. A ("Ruling RE Respondent's Objection to Dismissal and Scheduling Order") at 1 ("The Arbitrator further finds that Respondent [HeavenSeven], while objecting to the Arbitrator's jurisdiction to decide the merits of the arbitration has nevertheless consented to have the Arbitrator decide his own jurisdiction in this matter.").

Furthermore, Love Tuner initiated the arbitration proceedings before the ICDR, attended arbitration hearings with representation, presented evidence, and submitted briefing in support of its contentions. *See Nghiem*, 25 F.3d at 1440 (finding that plaintiff was "bound by the arbitrator's decision" and could not assert that arbitrator lacked authority after he "initiated the arbitration, attended the hearings with representation, presented evidence, and submitted a closing brief of fifty pages"); *see also Poweragent Inc. v. Elec. Data Sys. Corp.*, 358 F.3d 1187 (9th Cir. 2004) (finding that a corporation was bound by arbitrator's decision that entire dispute was arbitrable, regardless of whether parties had agreed to arbitrate issue of arbitrability, because the corporation initiated arbitration and voluntarily and affirmatively submitted issue to arbitrators urging that they had power to decide it). Despite Love Tuner's objection to the arbitrator's authority to shift arbitration costs, the arbitrator's decision is nonetheless valid. As the Ninth Circuit has recognized, "[o]nce a claimant submits to the authority of the arbitrator and pursues arbitration, he cannot suddenly change his mind and assert lack of authority." *Id.*

Moreover, as in *Nghiem*, Love Tuner's "voluntary initiation of arbitration can be interpreted as a waiver of any objection he may have had over the authority of the arbitrator." *Id.* And as the Court similarly concluded in *PowerAgent*, "[h]aving affirmatively urged the arbitrators to decide arbitrability and asserted their authority to do so," Love Tuner "cannot await the outcome and, after an unfavorable decision, challenge the authority of the arbitrators to act on that very issue." *PowerAgent*, 358 F.3d at 1192. As a result, Love Tuner's "conduct demonstrated [it] agreed to submit this conflict to arbitration and waived any right to object." *Daniel*, 724 F.2d at 1357. Therefore, the Court finds that Love Tuner has waived any objection to the arbitrator's authority to decide its claims.

Accordingly, the ICDR Rules governed the proceedings. Although the Arbitrator found there was no agreement to arbitrate the breach of contract question, there was an agreement to arbitrate the jurisdictional question. See First Options of Chi., Inc. v. Kaplan, 514 U.S. 938, 943 (1995) (acknowledging that parties may "agree to submit the arbitrability question itself to arbitration"). Because the parties agreed to arbitrate the question of jurisdiction, the ICDR Rules governed the Arbitrator's decision to award costs. The Arbitrator's Finding that there was no valid contract did not

change or undermine the fact that there was an agreement to arbitrate jurisdiction. And the award of costs arose out of *that* agreement—the agreement to arbitrate the jurisdictional question.

Moreover, as discussed previously, Article 37 of the ICDR Rules grant an arbitrator the power to reasonably allocate costs among the parties considering the circumstances of the case. ICDR Rules art. 37. The Arbitrator ultimately found it appropriate to allocate all costs of the arbitration proceeding to Love Tuner, the party who initiated the Arbitration. Arbitration Award at 4–5. The Court finds that the Arbitrator's decision to allocate costs to Love Tuner were reasonable under these circumstances, given that Love Tuner agreed to have the jurisdiction issue decided by the ICDR and under the ICDR Rules, initiated and pursued the arbitration based on a contract document that HeavenSeven had not signed, and failed to offer any explanation or evidence as to how the illegitimate signature came to be affixed to the contract. *See id.* The Court therefore concludes that the Arbitrator did not exceed his authority by issuing the arbitration award allocating costs to Love Tuner and that he possessed the power to do so under the ICDR Rules.

B. The New York Convention and FAA both require the Court to confirm the Arbitration Award.

Love Tuner argues that, because the Arbitrator found there was no contractual agreement to arbitrate amongst the parties, the Arbitration Award was not derived from any agreement to arbitrate among the parties and therefore irrational and subject to vacatur. Pet. Opp'n at 4–5. HeavenSeven contends that the Arbitration Award should be confirmed because (1) none of the defenses to enforcement of an Arbitration Award under the New York Convention apply; and (2) the Arbitration Award may not be vacated under the FAA because it is not an excessive exercise of power, irrational, or a manifest disregard of the law. Cross-Complaint Opp'n at 6–11.

i. No defenses to enforcement of the Arbitration Award apply here.

As mentioned before, under the New York Convention, a district court "shall confirm the award unless it finds one of the grounds for refusal or deferral of recognition or enforcement of the award specified in the said Convention." 9 U.S.C. § 207 (emphasis added). None of the seven defenses to enforcement of an arbitration award apply here. In fact, the only defense akin to Love

Tuner's argument is the fourth defense, allowing a party to avoid enforcement of an arbitration award where "the arbitral procedure was not in accordance with the agreement of the parties." *Cubic Def. Sys.*, 665 F.3d at 1096 n.2. But here, the arbitral procedure *was* in accordance with the agreement of the parties—their agreement to arbitrate jurisdiction. As discussed previously, Love Tuner has failed to demonstrate that the Arbitration Award was granted outside the scope of this agreement to submit the jurisdiction question to the arbitrator. Therefore, none of the defenses to enforcement of an Arbitration Award provided by the New York Convention apply here.

ii. The Arbitration Award did not constitute an excessive exercise of power, irrational, or a manifest disregard of the law.

The FAA permits a district court to vacate an arbitration award "where the arbitrators exceeded their powers, or so imperfectly executed them that a mutual, final, and definite award upon the subject matter submitted was not made." 9 U.S.C. § 10(a)(4). An arbitrator exceeds his powers when the award is irrational or exhibits a manifest disregard of law. *Kyocera Corp.*, 341 F.3d at 997.

As discussed previously, the Arbitrator's Award was not "irrational," as alleged by Love Tuner, because although the Arbitrator found there was *no* agreement to arbitrate the *breach of contract* question, there *was* an agreement to arbitrate the *jurisdictional* question. *See First Options of Chi.*, 514 U.S. at 943 (acknowledging that parties may "agree to submit the arbitrability question itself to arbitration"). Because the parties submitted the question of jurisdiction to the Arbitrator, the ICDR Rules apply. ICDR Rules art. 1(1) ("Where parties have agreed to arbitrate disputes under these International Arbitration Rules . . . , the arbitration shall take place in accordance with these Rules."). Furthermore, Article 37 of the ICDR Rules grant an arbitrator the power to reasonably allocate costs among the parties considering the circumstances of the case. ICDR Rules art. 37. And, as discussed previously, the Court finds that the Arbitrator's decision to allocate costs to Love Tuner were reasonable under the circumstances. The Court therefore concludes that the Arbitrator's decision to allocate costs was not an excessive exercise of his powers, nor was it irrational or a manifest disregard of law. *See Kyocera Corp.*, 341 F.3d at 997. As a result, the Court hereby GRANTS the Petition to Confirm the Arbitration Award.

C. Because the Court does not find that Love Tuner has acted in bad faith, the Court declines to award HeavenSeven attorneys' fees and costs incurred in connection with efforts to enforce the Arbitration Award.

HeavenSeven further seeks to recover attorneys' fees and costs that it has incurred in connection with its efforts to enforce the arbitration award. It alleges that Ninth Circuit precedent provides a basis for its recovery of attorneys' fees "when the losing party has acted in bad faith, vexatiously, wantonly, or for oppressive reasons," such as by "an unjustified refusal to abide by an arbitrator's award." *Ministry of Def. & Support for the Armed Forces of the Islamic Republic of Iran v. Cubic Def. Sys., Inc.*, 665 F.3d 1091, 1104 (9th Cir. 2011). Although the Court ultimately finds that the Arbitration Award is proper, the Court does not find that Love Tuner's opposition to confirmation of the Arbitration Award constitutes bad faith or vexatious, wanton, or oppressive behavior sufficient to justify imposition of attorneys' fees. Although Love Tuner initiated the arbitration itself, and its challenge to the Award was ultimately without merit, the Court cannot find that the challenge was completely unjustified under the circumstances, particularly in the absence of a bad faith finding by the Arbitrator with respect to the arbitration itself. As a result, the Court DENIES HeavenSeven's request for attorneys' fees and costs incurred in connection with its efforts to enforce the arbitration award.

IV. Conclusion

In light of the foregoing, the Court hereby ORDERS as follows:

- 1. The Petition to Confirm Arbitration Award is GRANTED;
- 2. HeavenSeven's Request for attorneys' fees and costs is DENIED;
- 3. The Clerk of Court shall enter judgment in conformity with the Award; and
- 4. The Cross-Complaint for Declaratory Relief or, in the Alternative, Cross-Petition to Vacate Arbitration Award is DISMISSED.

Dated: August 17, 2022

MAAMF EWUSI-MENSAH FRIMPONG
United States District Judge