

Were Mandatory Arbitration Obligations Assigned When the Company Was Purchased?



What happens when a company purchases all the assets and liabilities of its predecessor? Does it thereby acquire the right to enforce a mandatory arbitration agreement the predecessor had with its employees?

This question was considered recently in *Garza v. Ayvaz Pizza, (Ayvaz)* 2023 WL 6518092 (S.D. Texas, 10/5/ 23). There, the class action complaint alleged that the successor company violated the Fair Labor Standards Act by failing to correctly reimburse the costs of employees who used their vehicles on the job.

The named plaintiff had signed an agreement to arbitrate with the predecessor company, MUY Pizza-Tejas, LLC (MUY). The agreement provided, in pertinent part:

“MUY companies on behalf of itself and its affiliated companies , officers, directors and managers (hereinafter MUY) and I agree to use confidential binding arbitration instead of going to court for any disputes or claims involving pay/wages, overtime or other forms of compensation ... including any claims now in existence or that may exist in the future that I may have against MUY, its affiliates, and their current or former officers, directors or managers or that MUY may have against me.”

In support of its motion to compel arbitration Ayvaz alleged:

- a. It entered into a transaction to purchase all the assets of its predecessor, MUY.
- b. In consummating that transaction, it offered employment to and retained essentially all of the MUY employees seamlessly, and nearly all of the employees retained their positions, job responsibilities and job locations they previously held with MUY. There was no change to the terms or conditions of their employment, except that they were now

employed by Ayvaz.

c. After the transaction was consummated, Ayvaz assumed physical possession of the former MUY employee files, including any arbitration agreements those employees had with MUY.

In considering whether arbitration was required, the court first noted that while doubts should generally be resolved in favor of arbitration, the policy is to make arbitration agreements only as enforceable as other contracts—not more so. [READ MORE..](#)

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