

Michigan Court of Appeals Enforces Arbitration Provision in Auto Lease

March 27, 2024

In a rare published decision, the Michigan Court of Appeals enforced a provision in an auto lease that allowed either party to demand arbitration, even though the dealer had assigned the lease to a finance company and no longer owned the lease, and even though plaintiff argued that his claim did not involve the lease agreement.

In *Emerzian v. North Bros. Ford, Inc.*, decided March 21, 2024, plaintiff signed a lease agreement which provided that the dealership could assign its interest in the lease to a finance company, and that “[e]ither you or Lessor/Finance Company/Holder (‘us’ or ‘we’) . . . may choose at any time, including after a lawsuit is filed, to have any claim related to this contract decided by arbitration.” The lease also contained a class action waiver.

Plaintiff filed a putative class action lawsuit alleging that the dealership committed fraud when it required him to sign a blank price sheet, then later filled in inflated prices for aftermarket floor mats and wheel locks. The dealership demanded arbitration and moved to dismiss the suit under MCR 2.117(C)(7), which provides for summary disposition when there is an enforceable “agreement to arbitrate” the dispute. The circuit court granted defendant’s motion, and plaintiff appealed.

On appeal, plaintiff argued that his claim involved the price sheet, not the lease agreement, and that the dealership, having assigned the lease to a finance company, was no longer a party to the lease agreement. The Court of Appeals rejected both arguments. First, the Court of Appeals held that the price sheet, which set prices of accessories included in the lease, was sufficiently “related to” the lease agreement that the arbitration clause applied to the dispute. Second, the Court of Appeals held that the lease contemplated the arbitration provision would apply even after the dealership assigned the lease to a finance company.

The decision emphasizes that arbitration is a creature of contract and suggests that Michigan courts, like others across the country, will not hesitate to enforce a broad agreement to arbitrate if it is clear and unambiguous. This outcome highlights the importance of a well-drafted arbitration clause.

Should you have any questions about drafting or enforcing arbitration agreements, please contact your Miller Canfield lawyer or one of the authors of this alert.