FILED
SUPREME COURT
STATE OF WASHINGTON
6/30/2021 11:55 AM
BY SUSAN L. CARLSON
CLERK

No. 998388

(Court of Appeals No. 81218-1-I)

SUPREME COURT OF THE STATE OF WASHINGTON

BENJAMIN C. WOOLLEY, an individual residing the State of Washington,

Plaintiff-Petitioner,

VS.

EL TORO.COM, LLC, a Delaware limited liability company; HTTP HOLDINGS, LLC, a Wyoming corporation; and DANIEL KIMBALL, an individual residing in the State of Kentucky,

Defendant-Respondents.

DEFENDANT-RESPONDENTS' ANSWER TO PETITION FOR REVIEW

Stephanie P. Berntsen, WSBA #33072 Allison K. Krashan, WSBA #36977 Farron Curry, WSBA #40559 SCHWABE, WILLIAMSON & WYATT, P.C. 1420 5th Avenue, Suite 3400 Seattle, WA 98101-4010

Telephone: 206-622-1711 Facsimile: 206-292-0460

Attorneys for Defendant-Respondents, El Toro.com, LLC, HTTP Holdings, LLC, and

Daniel Kimball

TABLE OF CONTENTS

		Page		
I.	IDENTITY OF DEFENDANT-RESPONDENTS1			
II.	CITATION TO COURT OF APPEALS DECISION1			
III.	COUNTERSTATEMENT OF ISSUE PRESENTED FOR REVIEW2			
IV.	INTRODUCTION AND SUMMARY OF ARGUMENT2			
V.	COU	NTERSTATEMENT OF THE CASE		
	A.	Factual Background3		
	B.	Procedural Background6		
VI.	ARGUMENT AND AUTHORITY AS TO WHY REVIEW SHOULD NOT BE ACCEPTED8			
	A.	Woolley's Petition fails to meet the requirements of RAP 13.4(b)8		
	B.	The Court of Appeals decision is consistent with applicable federal and state law9		
		1. Courts may not determine arbitrability of claims where the parties delegate that issue to an arbitrator		
		2. Woolley's cited authority are all factually distinguishable; Woolley cites no case in conflict with <i>Raven Offshore</i> or <i>Henry Schein</i>		
		3. Woolley misconstrues <i>Healy</i> ; the Court of Appeals decision is consistent with <i>Healy</i> 17		
	C.	Woolley's Petition does not involve any issue of substantial public interest that should be determined by this Court18		
VII.	CONO	CLUSION19		

TABLE OF AUTHORITIES

Page
Cases
Brundridge v. Fluor Fed. Servs. Inc., 109 Wn. App. 347, 35 P.3d 389 (2001)15, 16
Burnett v. Pagliacci Pizza, Inc., 196 Wn.2d 38, 44, 470 P.3d 486 (2020)13
First Options of Chi., Inc. v. Kaplan, 514 U.S. 938, 115 S. Ct. 1920, 131 L. Ed. 2d 985 (1995)
Healy v. Seattle Rugby, LLC, 15 Wn. App. 2d 539, 476 P.3d 583 (2020)17
Henry Schein, Inc. v. Archer and White Sales, Inc., U.S, 139 S. Ct. 524, 202 L.Ed.2d 480 (2019) passim
Hill v. Garda CL Northwest Inc. 179 Wn.2d 47, 53, 308 P.3d 636 (2013)12
Raven Offshore Yacht Shipping, LLP v. F.T. Holdings, LLC, 199 Wn. App. 534, 400 P.3d 347 (2017)passim
Romney v. Franciscan Medical Group, 199 Wn. App. 589, 399 P.3d 1220 (2017)14
Saleemi v. Doctor's Associates, Inc., 176 Wn.2d 368, 292 P.3d 108 (2013)
Satomi Owners Ass'n v. Satomi, LLC, 167 Wn.2d 781, 225 P.3d 213 (2009)10, 12, 14, 15
Woodall v. Avalon Care Center- Federal Way, LLC, 155 Wn. App. 919, 231 P.3d 1252 (2010)15
Statutes
9 U.S.C. § 1 et seq9
RCW 7.04A.040(1)9

TABLE OF AUTHORITIES

	Page
RCW 7.04A.060(2)	9
Washington Arbitration Act	13
Other Authorities	
RAP 13.4(b)	1, 3, 8, 19
Rule 7(a)	2, 11
Rule 9(A)	10

I. IDENTITY OF DEFENDANT-RESPONDENTS

Defendant-Respondents El Toro.com, LLC ("El Toro") and HTTP Holdings, LLC ("HTTP") are entities headquartered in Kentucky that are engaged in the business of developing, marketing and licensing an on-line platform that implements a proprietary data-sharing model that allows for a marketplace to utilize the value of personally identifiable information, without the need for the information to leave the source. HTTP owns 87% of El Toro. Defendant-Respondent Daniel Kimball ("Kimball"), founder of El Toro and managing member of HTTP, is an individual residing in Kentucky. Petitioner-Plaintiff Benjamin Woolley ("Woolley") is a former employee of El Toro and current member of HTTP. Defendant-Respondents prevailed before the Court of Appeals on the issues raised in Woolley's petition for review.

II. <u>CITATION TO COURT OF APPEALS DECISION</u>

Division I of the Washington Court of Appeals, in an unpublished opinion originally filed January 25, 2021, later withdrawn, and a substitute unpublished opinion filed May 3, 2021, applied controlling federal and state precedent to the issues raised in Woolley's petition for review and correctly reversed the trial court's order regarding the arbitrability of certain claims between the parties. Woolley's petition fails to meet the standards of RAP 13.4(b). It should be denied.

III. COUNTERSTATEMENT OF ISSUE PRESENTED FOR REVIEW

Where Woolley entered into a binding arbitration provision that clearly and unequivocally delegated the question of arbitrability to the American Arbitration Association ("AAA") arbitration panel, thus depriving the trial court of jurisdiction of that issue, did the Court of Appeals correctly apply controlling federal and state precedent in reversing that trial court order regarding the arbitrability of certain disputes between the parties? Yes.

IV. INTRODUCTION AND SUMMARY OF ARGUMENT

Federal and Washington State precedent is clear. Where the parties delegate the issue of arbitrability to the arbitrator by contract, the trial court lacks jurisdiction to determine that issue.

Here, Woolley is a member of HTTP and is bound by the arbitration provision in the Amended and Restated Operating Agreement of HTTP Holdings, LLC ("2017 HTTP Operating Agreement"). The arbitration provision broadly applies to "any dispute" arising between HTTP's interest holders "as to their rights or liabilities" and provides that the disputes shall be settled "in accordance with the commercial rules of the [AAA]." CP 556. AAA Commercial Rule 7(a) states that the arbitrator determines the arbitrability of the dispute. Thus, the parties clearly and unmistakably delegated the question of arbitrability to the arbitrator, not the trial court.

Woolley attempts to obfuscate this proper conclusion by arguing El Toro is not a party to the 2017 HTTP Operating Agreement. This argument is a red herring. Woolley *is* a party to that agreement and, thus, it is for the AAA panel to determine if his purported claims involving El Toro, which is 87% owned by HTTP, are arbitrable under the arbitration provision, not the trial court.

Woolley's petition does not meet the criteria set forth in RAP 13.4(b). The Court of Appeals decision is squarely consistent with controlling federal and state law. Moreover, Woolley's claims against the Defendant-Respondents are highly fact specific as they pertain to the characterization of certain advances El Toro and HTTP made him (and whether or not he has to repay them) and whether he has a direct ownership interest in El Toro in addition to his indirect interest held through HTTP. These claims are unique to Woolley and, therefore, do not implicate a substantial public interest. Accordingly, for the reasons set forth below, Woolley's petition should be denied.

V. COUNTERSTATEMENT OF THE CASE

A. <u>Factual Background</u>

In or around June 2012, Kimball reached out to Woolley about joining him in a new business: El Toro. CP 121-22 at ¶ 10. In exchange for his efforts on behalf of the new business, the parties contemplated that

Woolley would receive an ownership interest in it. CP 408 at ¶ 5. Woolley started working for El Toro as an independent contractor and eventually became an employee. CP 517 at ¶¶ 17, 21.

Effective January 1, 2015, the executives of El Toro, including Woolley, formed HTTP for the purpose, *inter alia*, of owning their collective ownership interests in and managing El Toro. CP 516 at ¶ 8 and CP 519-26 (Exh. A). At that time, all El Toro executives, including Woolley, voluntarily ceded all of their shares in El Toro to, and in return for, HTTP membership interests and becoming interest holders in HTTP. CP 314 at ¶¶ 8 and 9; CP 328-36; CP 516 at ¶¶ 8 and 9. The Contribution Agreement provided that Woolley along with:

each Contributor [El Toro executives] shall contribute, transfer, assign and deliver to [HTTP] ... as a contribution to [HTTP's] capital, *all right, title and interest in* and to the [El Toro common membership units] and interest in and ownership and profits and losses of, and the right to receive distributions from, El Toro, as set forth on Schedule A hereto, in exchange for the issuance by [HTTP] to each such Contributor of the percentage interest of [HTTP][.] CP 328 (emphasis added).

As a result of these contributions, HTTP owns 87% of El Toro. CP 336. HTTP contends that Woolley owns no direct interest in El Toro, nor does any other executive of El Toro. CP 314 at ¶¶ 8 and 9. Woolley disputes this.

On November 30, 2017, the interest holders of HTTP, including Woolley, entered into the 2017 HTTP Operating Agreement. CP 516 at ¶

12; CP 527-59. Under this agreement, Woolley holds a 3.09% ownership interest in HTTP, which in turn constitutes a 2.75% indirect ownership interest in El Toro. CP 13 at ¶ 15; CP 254 at 133:17-20; CP 255 at 135:16-25.

The 2017 HTTP Operating Agreement also contained the Arbitration Provision setting forth the agreement of all interest holders, including Woolley, that they would arbitrate any dispute as to their rights or liabilities under the agreement by arbitration in accordance with the AAA Rules. CP 527-59. Section 18.7 of the 2017 HTTP Operating Agreement provides:

§18.7 Arbitration ... [I]f any dispute shall arise between the Interest Holders as to their rights or liabilities under this Agreement, the dispute shall be exclusively determined, and the dispute shall be settled, by arbitration in accordance with the commercial rules of the [AAA]. The arbitration shall be held in Louisville, Kentucky before a panel of three arbitrators, all of whom shall be chosen from a panel of arbitrators selected by the [AAA] (or such other independent dispute resolution body to which they shall mutually agree). Each of the parties to the dispute shall select one arbitrator and the two arbitrators so selected shall select a third arbitrator. If the two arbitrators are unable to agree on the third arbitrator, the third arbitrator shall be selected by the [AAA] or such other independent body to which they shall mutually agree). The decision of the arbitrators shall be final and binding upon the Interest Holders and the Company and judgment upon such award may be entered in any court of competent jurisdiction. The costs of the arbitrators and of the arbitration shall be borne one-half by each of the parties. The costs of each party's counsel, accountants, etc., as well as any costs solely for their benefit, shall be borne separately by each party. EACH OF THE INTEREST HOLDERS HEREBY ACKNOWLEDGES THAT THIS PROVISION CONSTITUTES A WAIVER OF THEIR RIGHT TO COMMENCE A LAWSUIT IN ANY JURISDICTION WITH RESPECT TO THE MATTERS WHICH ARE REQUIRED TO BE SETTLED BY ARBITRATION AS PROVIDED IN THIS SECTION 18.7.

CP 556 ("Arbitration Provision").

Between October 16, 2015 and January 14, 2019, HTTP, directly and through El Toro, made various advances to Woolley as a member of HTTP that were neither wages nor distributions ("Advances"). CP 13 at ¶¶ 16 and 17. After a period of poor performance, Woolley's employment was terminated on February 1, 2019. CP 518 at ¶ 21. That same date, HTTP delivered a demand to Woolley seeking return of the Advances. *Id.* ¶¶ 21, 25; CP 568. HTTP never withheld any monies owed to Woolley for compensation. CP 517-18 at ¶¶ 20, 23 and 24.

B. Procedural Background

In March 2019, Woolley initiated this action in Snohomish County Superior Court. CP 652-60. Defendant-Respondents moved to compel arbitration. CP 629-41. After voluntarily dismissing his two wage claims with prejudice, Woolley's remaining claims before the trial court are for declaratory judgment as to (1) the characterization of the Advances—whether they were wages or a loan and (2) his ownership interest in El Toro and HTTP ("Ownership Interest"). CP 120-26.

In May 2019, pursuant to the arbitration provision, HTTP initiated an arbitration proceeding with the AAA (the "AAA Proceeding"). CP 570-79. After amending its claims, HTTP's remaining claims in arbitration are for an (1) order that Woolley is required to repay the Advances (CP 15 at ¶¶ 29-31), and (2) for declaratory relief as to Woolley's ownership interest in HTTP and El Toro (CP 14 at ¶¶ 24-28). The AAA Proceeding claims are substantively the same as Woolley's remaining claims before the trial court.

On February 7, 2020, the AAA Panel issued its AAA Order ruling that (1) Woolley had signed the 2017 Operating Agreement and was bound by the Arbitration Provision and (2) the Advances claim and the Ownership Interest claim were arbitrable. CP 6-9. An evidentiary hearing on those claims was scheduled for February 26, 2020 with the AAA Panel. CP 223 at ¶ 6.

On February 25, 2020, the trial court issued an unchallenged finding that Woolley signed the 2017 HTTP Operating Agreement, but determined, incorrectly, that only certain claims between the parties were arbitrable. CP 118-19. As a result of the trial court's order, the AAA evidentiary hearing was postponed.

Defendant-Respondents appealed. The Court of Appeals reversed the trial court's order. *See* Appendix A and C to Woolley's Petition. The AAA Panel set an evidentiary hearing on the underlying merits of the parties' Advances and Ownership Interest claims for July 21-22, 2021.

VI. ARGUMENT AND AUTHORITY AS TO WHY REVIEW SHOULD NOT BE ACCEPTED

A. Woolley's Petition fails to meet the requirements of RAP 13.4(b).

A petition for review will not be accepted by this Court unless one or more of the following are established:

(1) If the decision of the Court of Appeals is in conflict with a decision of the Supreme Court; or (2) If the decision of the Court of Appeals is in conflict with a published decision of the Court of Appeals; or (3) If a significant question of law under the Constitution of the State of Washington or of the United States is involved; or (4) If the petition involves an issue of substantial public interest that should be determined by the Supreme Court.

RAP 13.4(b).

Woolley fails to address or acknowledge federal and state precedent that holds a trial court lacks jurisdiction to determine arbitrability where the parties delegate that question to the arbitrator. The Court of Appeals decision is not in conflict with this Court's prior decisions or its own prior decisions.

Further, Woolley's purported "employment dispute" is actually a claim for declaratory judgment as to the characterization of Advances El Toro and HTTP made to him in his capacity as a member of HTTP over the years and whether or not he is required to repay those Advances. This unique issue does not raise a matter of substantial public interest.

B. The Court of Appeals decision is consistent with applicable federal and state law.

1. <u>Courts may not determine arbitrability of claims where the parties delegate that issue to an arbitrator.</u>

Where the parties have by contract delegated jurisdiction over the question of arbitrability to the arbitrator, the court lacks jurisdiction to decide the issue and must defer to and respect the arbitrator's decision on whether a specific dispute is subject to arbitration. 9 U.S.C. § 1 *et seq.*; RCW 7.04A.040(1); Henry Schein, Inc. v. Archer and White Sales, Inc., ____ U.S. ____, 139 S. Ct. 524, 529, 202 L.Ed.2d 480 (2019) ("parties may agree to have an arbitrator decide not only the merits of a particular dispute but also 'gateway' questions of 'arbitrability,' such as whether the parties have agreed to arbitrate or whether their agreement covers a particular controversy"); Raven Offshore Yacht Shipping, LLP v. F.T. Holdings, LLC, 199 Wn. App. 534, 536, 400 P.3d 347 (2017) ("the parties may, by contract, delegate the issue of arbitrability to the arbitrator").

For the parties to delegate the issue of arbitrability to the arbitrator, the contract must provide "'clea[r] and unmistakabl[e] evidence" of that

¹ "Except as otherwise provided by subsection (2) or (3) of this section, the parties to an agreement to arbitration or to an arbitration *may waive or vary the requirements of this chapter to the extent permitted by law.*" RCW 7.04A.040(1) (emphasis added). Subsection (2) and (3) do not restrict the parties ability to waive RCW 7.04A.060(2).

delegation. *First Options of Chi., Inc. v. Kaplan*, 514 U.S. 938, 944-45, 115 S. Ct. 1920, 131 L. Ed. 2d 985 (1995) (alterations in original) (quoting *AT&T Techs., Inc. v. Commc'ns Workers of Am.*, 475 U.S. 643, 649, 106 S. Ct. 1415, 89 L. Ed. 2d 648 (1986)); *Satomi Owners Ass'n v. Satomi, LLC*, 167 Wn.2d 781, 817-18, 225 P.3d 213 (2009) ("the arbitration provision in the limited warranty clearly and unmistakably provides that disputes regarding arbitrability of particular claims are matters that must be arbitrated"); *Raven Offshore*, 199 Wn. App. at 536.

In *Raven Offshore*, the arbitration provision at issue expressly incorporated the rules of the Maritime Arbitration Association ("MAA"). *Raven Offshore*, 199 Wn. App. at 538. MAA Rule 9(A) provided that the arbitrator had the power to determine arbitrability. *Id*. The Court of Appeals concluded: "[b]y incorporating MAA rules, the parties clearly and unmistakably manifested their agreement to be bound by those rules. Because the parties agreed to arbitrate arbitrability, the trial court erred in denying Raven's motion to compel arbitration." *Id*. at 541.

Similarly, the United States Supreme Court addressed this issue in *Henry Schein*, in which the arbitration provision incorporated the American Arbitration Association rules, and concluded "if a valid agreement exists, and if the agreement delegates the arbitrability issue to an arbitrator, a court may not decide the arbitrability issue." *Henry Schein*, 139 S. Ct. at 528, 530.

Here, Woolley does not dispute he is a party to the 2017 HTTP Operating Agreement. This agreement's arbitration provision clearly states that "if any dispute shall arise between the Interest Holders as to their rights or liabilities under this Agreement, the dispute shall be exclusively determined, and the dispute shall be settled, by arbitration in accordance with the commercial rules of the [AAA]." CP 556. AAA Commercial Rule 7(a) provides that the arbitrator, not a court, has jurisdiction over the threshold determination of arbitrability: "The arbitrator shall have the power to rule on his or her own jurisdiction, including any objections with respect to the existence, scope, or validity of the arbitration agreement or to the arbitrability of any claim or counterclaim." AAA Commercial Rule 7(a).

By incorporating the AAA Rules into the 2017 HTTP Operating Agreement's arbitration provision, the parties clearly and unmistakably agreed that the arbitrators, not the trial court, would determine arbitrability of the claims between the parties. The Court of Appeals properly applied its own published precedent in *Raven Offshore* as well as federal precedent in *Henry Schein*, in reversing the trial court's order that improperly determined the arbitrability of certain claims between the parties.

2. Woolley's cited authority are all factually distinguishable; Woolley cites no case in conflict with *Raven Offshore* or *Henry Schein*.

While wholly ignoring the federal and state precedent of *Raven Offshore* and *Henry Schein* in his petition, Woolley cites numerous cases for the propositions that courts, not arbitrators, should decide arbitrability and that non-signatories should not be bound to arbitration provisions. However, not one case cited conflicts with the holdings in *Raven Offshore* and *Henry Schein* and, indeed, some of Woolley's cited authority supports those holdings.

For example, this Court in *Satomi Owners Ass'n* acknowledged that the question of whether a particular claim is subject to an arbitration provision is an "issue for judicial determination, [u]nless the parties clearly and unmistakably provide otherwise." 167 Wn. 2d at 816 (quoting *Howsam v. Dean Witter Reynolds, Inc.*, 537 U.S. 79, 83,123 S. Ct. 588 (2002)). This Court then concluded that the arbitration provision between the Leschi Corporation and its unit holders "clearly and unmistakably provides that disputes regarding the arbitrability of particular claims are matters that must be arbitrated." *Id.* at 816-17. "It is not for the courts to decide." *Id.* at 817.

² Similarly, in *Hill v. Garda CL Northwest Inc.*, this Court confirmed that "[gateway] disputes go to the validity of the contract and are preserved for judicial determination, as opposed to arbitrator determination, unless the

This holding firmly supports the Court of Appeals' decision in this matter.

Similarly, in *Burnett v. Pagliacci Pizza, Inc.*, the arbitration provision clearly and unmistakably provided that the arbitration would be governed by the Washington Arbitration Act ("WAA"). 196 Wn.2d 38, 44, 470 P.3d 486 (2020) (ultimately holding the arbitration provision unconscionable on other grounds). Consistent with the WAA, this Court concluded that it had the authority to determine arbitrability of the claims. This conclusion is not inconsistent with *Raven Offshore* or *Henry Schein*, where the arbitration provisions clearly and unmistakably provide for a different set of rules to apply (MAA and AAA respectively) in which the arbitrator, not the court, determines arbitrability.

Saleemi v. Doctor's Associates, Inc., also cited by Woolley, is factually distinct. 176 Wn.2d 368, 292 P.3d 108 (2013). There is no indication that the Saleemi parties clearly and unmistakably contracted that the arbitrator and not the court would determine arbitrability of any claims or that the issue of arbitrability of specific claims was an issue on appeal. Moreover, the threshold issue for which Woolley cites Saleemi – that a court determines whether the arbitration clause is valid and enforceable – is not at issue in this appeal. Here, the trial court implicitly found that the

parties' agreement clearly and unmistakably provides otherwise." 179 Wn.2d 47, 53, 308 P.3d 636 (2013).

arbitration clause is valid and enforceable when it held Woolley was subject to the provision, a finding he never challenged on appeal.

Romney v. Franciscan Medical Group, is also factually and procedurally distinct. 199 Wn. App. 589, 399 P.3d 1220 (2017). The issue in Romney was whether individuals with arbitration provisions could assert class claims against a common employer and, if so, whether the court or arbitrator makes such a determination. Id. at 594-95. The Romney court found the AAA rule regarding arbitrability of class claims presumed an arbitration had been started, which it had not been in Romney, and expressly provided for judicial review of the arbitrator's decision as to class claims. Id. 597-98. Accordingly, the Romney court, consistent with that applicable AAA rule, found no "clear and unmistakable agreement to have the court refer the question to an arbitrator." Id. at 598. In that case, the court had authority to determine the arbitrability of the class claims. Id. Here, there is no alleged class claim.

Next, despite being an actual signatory to the 2017 HTTP Operating Agreement and subject to its arbitration provision, Woolley argues that non-signatories should not be bound by such provisions. But, as the cases he cites demonstrate, there are exceptions to this general principle. *See Satomi Owners Ass'n*, 167 Wn.2d at 810, 812-13 (holding a nonsignatory association acting in a representative capacity to unit holders subject to

arbitration provision); *see also Woodall v. Avalon Care Center- Federal Way, LLC*, 155 Wn. App. 919, 923-24, 231 P.3d 1252 (2010) (listing numerous exceptions in which non-signatories could be subject to an arbitration provision).

Woolley's reliance on *Brundridge v. Fluor Fed. Servs. Inc.*, 109 Wn. App. 347, 35 P.3d 389 (2001) is misplaced. *Brundridge*, decided long before *Satomi Owners* and *Woodall*, concerned the question of whether the particular employee-plaintiffs, who claimed they were wrongfully terminated in violation of public policy, were bound to an arbitration provision in their CBA. *Id.* at 351. The *Brundridge* court determined that the CBA itself narrowed the labor arbitrator's ability to determine issues and concluded that the "boilerplate arbitration provision ... [did] not clearly and unmistakably waive the right to a judicial forum for tort claims arising independently from the CBA." *Id.* at 356.

Unlike in *Brundridge*, Woolley is a signatory to the arbitration provision. Further, El Toro not being a signatory is irrelevant to the threshold question of whether under the 2017 HTTP Operating Agreement the parties clearly and unmistakably delegated the question of what claims are subject under the arbitration provision to an arbitrator, not the court. Because the parties did so, the trial court's authority stopped after it determined that Woolley was subject to a binding enforceable arbitration

provision.

Woolley also argues, without citation to any authority or evidence, that there is "no nexus" between his purported ownership interest in El Toro and his separate disputes with HTTP and Kimball. He would have this Court consider his petition through the narrow, incomplete lens of his capacity as a former employee of El Toro and alleged direct owner of El Toro.

However, El Toro interests are inextricably linked to the disputes between Woolley, HTTP and Kimball. Woolley is a member of HTTP, along with Kimball. CP 387. HTTP owns 87% of El Toro. *Id.* Thus, both Kimball and Woolley own an indirect ownership interest in El Toro through HTTP. If Woolley arguably owned a separate, direct ownership interest in El Toro, that interest would decrease both HTTP's direct and Kimball's indirect ownership interest in El Toro. Similarly, if Woolley is not required to repay the Advances El Toro specifically made to him, then the value of El Toro will be negatively impacted, which impacts the value of its 87% owner, HTTP. These potential outcomes from Woolley's claims necessarily impact Kimball and HTTP's "rights and liabilities" under the 2017 HTTP Operating Agreement.

The Court of Appeals properly rejected Woolley's contorted argument that his claims against El Toro are wholly separate and unrelated from his claims against HTTP and Kimball. This same argument should be

rejected again here.

3. <u>Woolley misconstrues *Healy*</u>; the Court of Appeals decision is consistent with *Healy*.

Woolley misconstrues *Healy v. Seattle Rugby, LLC*, 15 Wn. App. 2d 539, 476 P.3d 583 (2020) by narrowly focusing on that court's statement: "[c]ourts *may* resolve the threshold question of whether a claim is arbitrable as a gateway dispute. . . ." Petition at 13 (emphasis added). However, the question of arbitrability is *not* a gateway issue where, consistent with *Raven Offshore* and *Henry Schein*, there is a valid arbitration provision that delegates the determination of arbitrability to the arbitrator.

The parties in *Healy* entered into an arbitration agreement stating: "[a]ny claim or controversy that arises out of or related to this [Employment] Agreement ... shall be settled by arbitration in New York State *under the rules then in effect of the American Arbitration Association*." *Healy*, 15 Wn. App. 2d at 542 (emphasis added). The *Healy* court affirmed the trial court's order compelling arbitration and held that the subsequent dispute about venue should be determined not by the court, but by the arbitrator. *Id.* at 548 ("We hold that when there is a valid agreement to arbitrate, the dispute over venue is not a gateway issue. Thus, it is appropriately determined by the arbitrator."). *Healy* is consistent with the Court of Appeal's Opinion in that if a trial court determines a valid

arbitration provision existed between the parties, and if that provision delegates the question of arbitrability to the AAA panel, then the AAA panel, not a court, should make all other decisions about the dispute.

C. Woolley's Petition does not involve any issue of substantial public interest that should be determined by this Court.

Finally, in his effort to argue that his disputes with HTTP and El Toro involve issues of substantial public interest, Woolley glosses over the true nature of the remaining claims between the parties. He would have this Court believe that he is simply a former employee being forced to "to arbitrate wage claims against his former employer." Petition at 16.

In reality, Woolley has unique disputes with Defendant-Respondents arising from his ownership interest in HTTP regarding (i) the characterization of Advances he received in his capacity as an interest holder, not an employee, and whether he has to repay them; and (ii) the scope of his Ownership Interest in El Toro and HTTP. He has no typical wage claim. In fact, he voluntarily dismissed his failure to pay "wage claims." *Compare* CP 619-627 *with* CP 120-126.

Unlike most employees, Woolley is a member of HTTP, which in turn owns an 87% interest in El Toro. As such, this fact specific question of the characterization of the Advances and whether or not Woolley has to repay them is unique to Woolley. It does not raise a substantial public interest.

VII. **CONCLUSION**

For the reasons set forth above, Woolley's Petition fails to meet the requirements of RAP 13.4(b). The Court of Appeals opinion is consistent with controlling federal and state precedent. Woolley raises no issue of substantial public interest. Therefore, Defendant-Respondents respectfully request this Court deny Woolley's petition.

Dated this 30th day of June 30, 2021.

SCHWABE, WILLIAMSON & WYATT, P.C.

By: /s/ Stephanie P. Berntsen

Stephanie P. Berntsen, WSBA #33072

Email: sberntsen@schwabe.com

Allison K. Krashan, WSBA #36977

Email: <u>akrashan@schwabe.com</u> Farron Curry, WSBA #40559

Email: fcurry@schwabe.com

Attorneys for Defendant-Respondents, El Toro.com, LLC, HTTP Holdings,

LLC, and Daniel Kimball

CERTIFICATE OF SERVICE

The undersigned declares under penalty of perjury, under the laws of the State of Washington, that the following is true and correct:

That on the 30th day of June, 2021, I arranged for service of the foregoing **DEFENDANT-RESPONDENTS' ANSWER TO PETITION FOR REVIEW** via the Supreme Court Electronic Service to the parties to this action as follows:

Lauren Parris Watts, WSBA #44064
lwatts@helsell.com
Emma Kazaryan, WSBA #49885
ekazaryan@helsell.com
chaselden@helsell.com
kgonzalez@helsell.com
kgonzalez@helsell.com
HELSELL FETTERMAN, LLP
1001 Fourth Avenue, Suite 4200
Seattle, WA 98154-1154
Attorneys for Plaintiff Benjamin Woolley

Feve R. Retonio, Legal Assistant

PDX\SPB\31157255.1

SCHWABE WILLIAMSON & WYATT, P.C.

June 30, 2021 - 11:55 AM

Transmittal Information

Filed with Court: Supreme Court

Appellate Court Case Number: 99838-8

Appellate Court Case Title: Benjamin Woolley v. El Toro.Com, LLC, et al.

Superior Court Case Number: 19-2-02427-3

The following documents have been uploaded:

998388_Answer_Reply_20210630115321SC510187_3706.pdf

This File Contains:

Answer/Reply - Answer to Petition for Review

The Original File Name was Answer to Petition for Review.pdf

A copy of the uploaded files will be sent to:

- akrashan@schwabe.com
- dakhbari@helsell.com
- ekazaryan@helsell.com
- fcurry@schwabe.com
- kgonzalez@helsell.com
- lpwatts@seyfarth.com

Comments:

Sender Name: Colin Folawn - Email: fretonio@schwabe.com

Filing on Behalf of: Stephanie Pennix Berntsen - Email: sberntsen@schwabe.com (Alternate Email:

AppellateAssistants@schwabe.com)

Address:

1420 Fifth Avenue

Suite 3400

Seattle, WA, 98101

Phone: (206) 407-1533

Note: The Filing Id is 20210630115321SC510187