

News & Developments

March 10, 2015

Principal's Signature Does Not Bind Its Agent to an Agreement to Arbitrate

A patient who signed an arbitration agreement with a medical facility cannot compel a doctor at that facility who did not sign the agreement to arbitrate. *Walker v. Collyer*, 9 N.E.3d 854 (Mass. App. Ct., Suffolk, 2014).

Collyer was admitted to a medical facility following hip replacement surgery. At the time of his admission, Collyer and the facility entered into an arbitration agreement. The agreement provided that it would cover the parties as well as the facility's employees and agents. Walker worked at the facility both as an attending physician and as its rehab program's medical director.

Walker conducted a physical examination of Collyer and discharged him three days later. Less than three days after Collyer was discharged, he died when a blood clot traveled to his lung. Collyer's family brought an arbitration proceeding against Walker and the facility alleging medical malpractice. The arbitrator determined that Walker was bound by the arbitration agreement between the facility and Collyer.

Walker commenced an action in Massachusetts Superior Court seeking relief from the arbitrator's order. The superior court affirmed the arbitrator's decision requiring that Walker submit to the arbitration proceeding. Walker appealed.

In the appeals court, Collyer asserted exceptions to the general rule binding parties to arbitration agreements only if they have signed them. First, Collyer raised the "direct benefits estoppel" exception, which allows a signatory to compel a nonsignatory to arbitrate when the nonsignatory knowingly exploits an agreement containing an arbitration clause. Collyer argued that because Walker could have enforced the agreement as an agent of the facility, and because Walker received income from the facility for treating Collyer, Walker received benefits from the agreement. Collyer also cited the "agency" exception, arguing that Walker was bound by the clause in the agreement that said it included agents of the facility.

Relying on the tests laid out by Federal courts interpreting the Federal Arbitration Act, the appeals court rejected Collyer's arguments. The court found that Walker would have had the opportunity to treat Collyer irrespective of whether Collyer signed the agreement because signing the agreement was not a condition to receiving medical care. The appeals court also held that because Walker was neither aware of the agreement nor had taken any action to enforce it, it was improper to enforce the agreement against him. Finally, the appeals court determined that it was immaterial whether Walker was an agent of the medical facility because the "agency" exception only allows agents to bind principals by their actions, rather than vice versa.

The general rule is that a person is not bound by an arbitration agreement unless he has signed it. The exceptions to this rule are very limited. The "agency" exception allows agents to bind principals to agreements, including agreements to arbitrate, but the opposite is not true.

Keywords: alternative dispute resolution, litigation, Massachusetts Arbitration Act, Federal Arbitration Act, nonsignatories, agency, estoppel

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