

SUPREME COURT OF MISSISSIPPI

Scruggs v. Wyatt

60 So. 3d 758 (Miss. 2011) · Decided March 31, 2011

SUMMARY

The Mississippi Supreme Court reviewed the denial of the Scruggs defendants' motion to compel arbitration in a dispute concerning an attorney's claimed fee-sharing interest in the Katrina Joint Venture. The court analyzed whether the nonsignatory plaintiff was bound by the joint venture agreement's arbitration provision, including under principles of direct-benefit estoppel, and whether his claims related to that agreement.

CASE DETAILS

COURT	Supreme Court of Mississippi
WRITING FOR THE COURT	Randolph, Justice; Waller, Chief Justice; Dickinson, Presiding Justice; Lamar, Justice; Chandler, Justice; Pierce, Justice
JURISDICTION	Mississippi
DECIDED	March 31, 2011
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	The Scruggs Defendants appealed the Lafayette County Circuit Court's denial of their motion to compel arbitration and stay the proceedings.
STANDARD OF REVIEW	The denial of a motion to compel arbitration is reviewed de novo.
PRECEDENTIAL VALUE	Published Mississippi Supreme Court opinion; precedential
PARTIES	Scruggs, SLF, Inc. v. Derek A. Wyatt

TOPICS

- arbitration
- civil procedure
- appellate procedure
- contracts

PRACTICE AREAS

- arbitration
- civil procedure
- contracts
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QUESTIONS PRESENTED

1. Whether Wyatt's claims against the Scruggs Defendants were subject to the Katrina Joint Venture Agreement's arbitration provision despite Wyatt's status as a nonsignatory.

2. Whether direct-benefit estoppel required Wyatt to arbitrate claims that depended on and were determined by reference to the Katrina Joint Venture Agreement.
3. Whether Scruggs, individually, could enforce the arbitration provision.
4. Whether Scruggs's prior criminal conduct in a separate case constituted an external legal constraint or clean-hands defense barring arbitration.

HOLDINGS

1. A nonsignatory claimant may be compelled to arbitrate when he seeks benefits under, or asserts claims that must be determined by reference to, the agreement containing the arbitration clause. Wyatt's claims against the Scruggs Defendants were subject to arbitration under the Katrina Joint Venture Agreement.
2. The arbitration provision in the Katrina Joint Venture Agreement was valid and enforceable.
3. The broad arbitration clause covered Wyatt's claims because the factual allegations touched matters covered by the Katrina Joint Venture Agreement.
4. Scruggs, individually, could enforce the arbitration provision against Wyatt.
5. Scruggs's criminal conduct in a separate case did not categorically bar the Scruggs Defendants from enforcing the arbitration provision in this case.

KEY QUOTATIONS

"This Court reviews the grant or denial of a motion to compel arbitration de novo." (at 766)

"As Wyatt's claims against the Scruggs Defendants are "determined by reference to" the Katrina JVA, this Court concludes that direct-benefit estoppel theory requires the nonsignatory claimant, Wyatt, to arbitrate his claims against the Scruggs Defendants." (at 770)

"Therefore, this Court concludes that no external legal constraints should foreclose the arbitration of Wyatt's claims against the Scruggs Defendants." (at 773)

"Accordingly, this Court reverses the Circuit Court of Lafayette County's denial of the Scruggs Defendants' Motion to Compel Arbitration and To Stay Pending Completion of Arbitration," and remands with directions to the circuit court to stay the proceedings as against the Scruggs Defendants and refer this matter to arbitration." (at 773)

FACTUAL BACKGROUND

Wyatt worked for Nutt & McAlister under an alleged unwritten employment and fee-sharing agreement and claimed a ten-percent interest in the firm's fees from the Katrina Joint Venture. The Katrina Joint Venture Agreement, signed by several participating law firms, contained a broad arbitration provision covering any dispute arising under or relating to the agreement. After the venture's attorneys were disqualified from certain federal litigation and Nutt & McAlister withdrew from the venture, Wyatt sued the Scruggs Defendants and others for unpaid fees and related fiduciary, contract, tort, and equitable claims.

PROCEDURAL HISTORY

Wyatt filed an amended complaint in the Circuit Court of Lafayette County asserting claims arising from an alleged fee-sharing arrangement connected to the Katrina Joint Venture. The circuit court found that the arbitration provision in the Katrina Joint Venture Agreement was broad enough to cover the controversy but denied arbitration because Wyatt had not signed the agreement, was not a third-party beneficiary, and because Scruggs should be estopped based on criminal conduct in a separate case. The Scruggs Defendants timely appealed.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

The circuit court was directed to stay the proceedings against the Scruggs Defendants and refer the matter to arbitration.

CASES CITED

- Barrett v. Jones, Funderburg, Sessums, Peterson & Lee, LLC, 27 So. 3d 363 (Miss. 2009)
- Sawyers v. Herrin-Gear Chevrolet Co., Inc., 26 So. 3d 1026, 1084 (Miss. 2010)
- East Ford, Inc. v. Taylor, 826 So. 2d 709, 713 (Miss. 2002)
- Terminix International, Inc. v. Rice, 904 So. 2d 1051, 1054-1055 (Miss. 2004)
- Russell v. Performance Toyota, Inc., 826 So. 2d 719, 722 (Miss. 2002)
- Waste Management, Inc. v. Residuos Industriales Multiquim, S.A., 372 F.3d 339, 344 (5th Cir. 2004)
- Smith/Enron Cogeneration Ltd. Partnership v. Smith Cogeneration International, Inc., 198 F.3d 88, 99 (2d Cir. 1999)
- Qualcomm Inc. v. American Wireless License Group, 980 So. 2d 261, 268-269 (Miss. 2008)
- Greater Canton Ford Mercury, Inc. v. Ables, 948 So. 2d 417, 421-423 (Miss. 2006)
- Adams v. Greenpoint Credit, LLC, 943 So. 2d 703, 708 (Miss. 2006)
- Bidas S.A.P.I.C. v. Government of Turkmenistan, 345 F.3d 347, 354 n. 3, 356 (5th Cir. 2003)
- Mississippi Care Center of Greenville, LLC v. Hinyub, 975 So. 2d 211, 216 (Miss. 2008)
- Noble Drilling Services, Inc. v. Centex USA, Inc., 620 F.3d 469, 473-474 (5th Cir. 2010)
- Hellenic Investment Fund, Inc. v. Det Norske Veritas, 464 F.3d 514, 517-520 (5th Cir. 2006)
- Simmons Housing, Inc. v. Shelton, 36 So. 3d 1283, 1287-1288 (Miss. 2010)
- Grigson v. Creative Artists Agency, LLC, 210 F.3d 524, 528 (5th Cir. 2000)
- Washington Mutual Finance Group, LLC v. Bailey, 364 F.3d 260, 266-268 (5th Cir. 2004)
- Blinco v. Green Tree Servicing, LLC, 400 F.3d 1308, 1311-1312 (11th Cir. 2005)
- Amstar Mortgage Corp. v. Indian Gold, LLC, 517 F. Supp. 2d 889, 899-900 (S.D. Miss. 2007)
- Bailey v. Bailey, 724 So. 2d 335, 337 (Miss. 1998)
- Community Bank of Mississippi v. Stuckey, 52 So. 3d 1179, 1183 (Miss. 2010)
- Calcote v. Calcote, 583 So. 2d 197, 199-200 (Miss. 1991)

- Duggins v. Guardianship of Washington, 632 So. 2d 420, 427 (Miss. 1993)
- Idom v. Weeks & Russell, 135 Miss. 65, 76-77, 99 So. 761, 763 (1924)
- Sample v. Romine, 193 Miss. 706, 8 So. 2d 257, 261 (1942)
- Regan v. South Central Regional Medical Center, 47 So. 3d 651, 654 (Miss. 2010)
- Goode v. Village of Woodgreen Homeowners Association, 662 So. 2d 1064, 1076 (Miss. 1995)

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