

SUPREME COURT OF RHODE ISLAND

Purvis Systems, Inc. v. American Systems Corporation

788 A.2d 1112 (R.I. 2002) · No. No. 99-290-Appeal · Decided January 24, 2002

SUMMARY

The Rhode Island Supreme Court held that an arbitrator could interpret a subcontract provision requiring the losing party to pay all arbitration expenses as authorizing an award of attorney's fees. The court further held that the arbitrator had authority to modify and supplement the initial award because the attorney's-fee issue had not been adjudicated, and that the Superior Court exceeded the limited scope of judicial review by vacating the awards. The judgment was reversed and the modified and supplemental arbitration awards were reinstated.

CASE DETAILS

COURT	Supreme Court of Rhode Island
WRITING FOR THE COURT	Lederberg, J.; Williams, C.J.; Bourcier, J.; Flanders, J.; Goldberg, J.
JURISDICTION	Rhode Island
DECIDED	January 24, 2002
DOCKET	No. 99-290-Appeal
DISPOSITION	reversed
PROCEDURAL POSTURE	American Systems Corporation appealed from a Superior Court judgment vacating an arbitrator's modified and supplemental awards of attorney's fees and costs. The Supreme Court reviewed whether the Superior Court exceeded the limited scope of judicial review of arbitration awards.
STANDARD OF REVIEW	Judicial review of arbitration awards is extremely limited. Under R.I. Gen. Laws § 10-3-12, an award may be vacated on specified statutory grounds, and Rhode Island law also permits vacatur when the award is irrational or the arbitrator manifestly disregarded the law. A mere error of law, contract misconstruction, or failure to make express factual findings is insufficient when the award draws its essence from the contract and rests on a passably plausible interpretation.
PRECEDENTIAL VALUE	published precedential opinion
PARTIES	American Systems Corporation v. Purvis Systems, Inc.

TOPICS

arbitration attorney fees appellate procedure standard of review commercial litigation

PRACTICE AREAS

arbitration commercial litigation contracts appellate procedure remedies

QUESTIONS PRESENTED

1. Whether the issue of attorney's fees was within the scope of the arbitration submission and the arbitrator's authority.
2. Whether the common-law *functus officio* doctrine barred the arbitrator from modifying the initial award and issuing a supplemental award.
3. Whether the Superior Court properly vacated the modified and supplemental awards for manifest disregard of law, improper contract interpretation, unresolved factual disputes, or failure to make explicit findings.

HOLDINGS

1. The arbitrator had authority to decide whether the subcontract's provision requiring the losing party to pay all expenses of arbitration included attorney's fees.
2. The *functus officio* doctrine did not bar the arbitrator from modifying the initial award and issuing a supplemental award because the initial award failed to adjudicate an issue properly submitted and left doubt about whether the submission had been fully executed.
3. The Superior Court improperly substituted its *de novo* interpretation of the subcontract for the arbitrator's interpretation; a mere mistake of law or contract interpretation does not justify vacating an arbitration award.
4. Conflicting post-award affidavits and the arbitrator's failure to make explicit factual findings did not provide a sufficient basis to vacate the awards.

KEY QUOTATIONS

"This Court has consistently recognized that the role of the judiciary in the arbitration process is "extremely limited."" (1114)

"Consequently, the lack of explicit findings cannot form the basis for vacating the arbitrator's award." (1118)

"The limited scope of judicial review of arbitration awards by the Superior Court is essential to ensure that parties may benefit from arbitration as an informal, expedient alternative to litigation in the court system." (1119)

FACTUAL BACKGROUND

Purvis and ASC entered into a subcontract relating to a Navy contract, and a dispute arose concerning whether the subcontract guaranteed ASC a fixed level of effort. The subcontract required arbitration of any controversy

or claim and provided that all expenses of arbitration would be assessed against the losing party. After arbitration, the arbitrator initially awarded ASC arbitration and arbitrator fees but did not mention attorney's fees; following correspondence from counsel, the arbitrator modified the award to include reasonable attorney's fees and costs and issued a supplemental award of \$24,288.10.

PROCEDURAL HISTORY

After a contract dispute, Purvis demanded arbitration and ASC filed a counterdemand. The arbitrator initially awarded ASC the AAA and arbitrator fees, later modified the award to include reasonable attorney's fees and costs, and issued a supplemental award specifying the amount. The Superior Court vacated the modified and supplemental awards, finding manifest disregard of applicable law and the subcontract. The Supreme Court sustained ASC's appeal, reversed the Superior Court judgment, and reinstated the awards.

DISPOSITION

reversed

REMAND INSTRUCTIONS

None stated; the Superior Court judgment was reversed and the arbitrator's modified and supplemental awards were reinstated.

CASES CITED

- Romano v. Allstate Insurance Co., 458 A.2d 339, 341 (R.I. 1983)
- Prudential Property & Casualty Insurance Co. v. Flynn, 687 A.2d 440, 441-442 (R.I. 1996)
- Westminster Construction Corp. v. PPG Industries, Inc., 119 R.I. 205, 209-211, 376 A.2d 708, 710-711 (1977)
- San Martine Compania De Navegacion, S.A. v. Saguenay Terminals Ltd., 293 F.2d 796, 801 (9th Cir. 1961)
- Jacinto v. Egan, 120 R.I. 907, 912, 391 A.2d 1173, 1176 (1978)
- Providence Teachers Union v. Providence School Committee, 440 A.2d 124, 128 (R.I. 1982)
- State v. Rhode Island Alliance of Social Service Employees, Local 580, SEIU, 693 A.2d 1043, 1044 (R.I. 1997) (mem.)
- Colonial Penn Insurance Co. v. Omaha Indemnity Co., 943 F.2d 327, 331-332 (3d Cir. 1991)
- La Vale Plaza, Inc. v. R.S. Noonan, Inc., 378 F.2d 569, 573 (3d Cir. 1967)
- Loretta Realty Corp. v. Massachusetts Bonding & Insurance Co., 83 R.I. 221, 225, 114 A.2d 846, 848 (1955)
- Landers v. Mayhew, 666 A.2d 1161, 1162 (R.I. 1995) (mem.)
- Peloso v. Imperatore, 434 A.2d 274, 277 n.4 (R.I. 1981)
- Aetna Casualty & Surety Co. v. Grabbert, 590 A.2d 88, 92 (R.I. 1991)

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