

UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

Robert Sommerfeld v. Adesta, LLC

Sommerfeld · No. 20-2046 · Decided June 24, 2021

SUMMARY

The Eighth Circuit affirmed the district court’s order compelling arbitration and dismissing an action brought by guarantors seeking a declaration that their indemnification obligations had been released by a settlement agreement. The court held that the settlement agreement did not abrogate, modify, or terminate the arbitration clauses in the parties’ purchase agreement, and that the dispute fell within their scope. Whether the claims had been released was an affirmative defense for the arbitrator to decide.

CASE DETAILS

COURT	United States Court of Appeals for the Eighth Circuit
WRITING FOR THE COURT	Judge Erickson; Judge Shepherd; Judge Kobes
JURISDICTION	Federal
DECIDED	June 24, 2021
DOCKET	20-2046
DISPOSITION	affirmed
PROCEDURAL POSTURE	Plaintiffs appealed from the federal district court's order compelling arbitration and dismissing their declaratory-judgment action.
STANDARD OF REVIEW	The grant of a motion to compel arbitration was reviewed de novo. The dismissal decision was reviewed for abuse of discretion.
PRECEDENTIAL VALUE	precedential
PARTIES	Robert Sommerfeld, James Kawamoto, Gregory Benak v. Adesta, LLC

TOPICS

- arbitration
- contract interpretation
- commercial litigation
- appellate procedure
- civil procedure

PRACTICE AREAS

- arbitration
- contract law
- commercial litigation
- civil procedure
- appellate procedure

QUESTIONS PRESENTED

1. Whether a valid agreement to arbitrate existed despite the later Settlement Agreement.
2. Whether the Settlement Agreement released, abrogated, modified, or terminated the Purchase Agreement's arbitration clauses as to the NYSTA indemnification claims.
3. Whether the NYSTA claims fell within the scope of the Purchase Agreement's arbitration clauses.
4. Whether the district court abused its discretion by dismissing the action rather than staying it pending arbitration.

HOLDINGS

1. The Settlement Agreement did not abrogate, modify, or terminate the Purchase Agreement's arbitration clauses because it released claims arising from or connected to the Nebraska and Illinois actions but did not address the NYSTA obligations, indemnification, or arbitration provisions.
2. The parties had a valid agreement to arbitrate the NYSTA claims, and those claims fell within the scope of the Purchase Agreement's arbitration clauses.
3. Plaintiffs could not claim error from the district court's consideration of merits-related issues after Plaintiffs themselves incorporated those issues into their arguments concerning the existence of a valid arbitration agreement.
4. The district court did not abuse its discretion by dismissing the action rather than staying it because arbitration would resolve the entire controversy and Plaintiffs sought only declaratory relief.
5. Whether the NYSTA claims were released or satisfied is an affirmative defense to Plaintiffs' indemnification obligations and is for the arbitrator to decide.

KEY QUOTATIONS

“For the foregoing reasons, the Settlement Agreement neither abrogated, modified, nor terminated the arbitration clauses set forth in the Purchase Agreement.” (-6)

“The parties have a valid agreement to arbitrate the claims at issue, which fall within the scope of the arbitration clauses.” (-6)

“Resolution of claims of release and satisfaction are affirmative defenses to the duty to indemnify, which we leave to the arbitrator to decide.” (-6)

FACTUAL BACKGROUND

Plaintiffs were executives and shareholders of Old Adesta and had personally guaranteed indemnification obligations arising from work performed for the New York State Thruway Authority. The 2009 Purchase Agreement contained broad and specific arbitration provisions. In 2017, the parties entered a Settlement Agreement resolving litigation concerning restrictive covenants and trade-secret allegations, but the agreement did not mention the NYSTA obligations, indemnification, or arbitration. New Adesta later initiated arbitration concerning the NYSTA work, prompting Plaintiffs to seek a declaration that those claims had been released.

PROCEDURAL HISTORY

Plaintiffs filed an action in Nebraska state court seeking a declaration that New Adesta's arbitration claims were released and discharged by a settlement agreement. New Adesta removed the action to the United States District Court for the District of Nebraska and moved to compel arbitration and dismiss the case. The district court granted the motion in its entirety, and the Eighth Circuit affirmed.

DISPOSITION

affirmed

CASES CITED

- Henry Schein, Inc. v. Archer & White Sales, Inc., 139 S. Ct. 524, 530 (2019)
- Donaldson Co. v. Burroughs Diesel, Inc., 581 F.3d 726, 730 (8th Cir. 2009)
- Parm v. Bluestem Brands, Inc., 898 F.3d 869, 873 (8th Cir. 2018)
- AT & T Technologies, Inc. v. Communications Workers of America, 475 U.S. 643, 649 (1986)
- In re American Express Financial Advisors Securities Litigation, 672 F.3d 113, 131 (2d Cir. 2011)
- Rowe v. Allely, 507 N.W.2d 293, 296 (Neb. 1993)
- Green v. SuperShuttle International, Inc., 653 F.3d 766, 769-70 (8th Cir. 2011)