

SUPREME COURT OF ALABAMA

Nancy Cartwright and Tri-County Signature Homes, LLC v. Brenda Maitland and Gary Maitland

30 So. 3d 405 (Ala. 2009) · No. 1060922 · Decided August 28, 2009

SUMMARY

The Supreme Court of Alabama held that an arbitration provision in a real-estate purchase contract applied to the Maitlands' tort claims against nonsignatory real-estate licensees. The court concluded that the transaction affected interstate commerce, that the broad arbitration clause covered the claims, and that the Maitlands failed to establish unconscionability or another basis to avoid arbitration. The trial court's denial of the motion to compel arbitration was reversed and remanded.

CASE DETAILS

COURT	Supreme Court of Alabama
WRITING FOR THE COURT	Murdock, Justice; Cobb, Chief Justice; Lyons, Justice; Stuart, Justice; Bolin, Justice
JURISDICTION	Alabama
DECIDED	August 28, 2009
DOCKET	1060922
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Appeal from the denial of a motion to compel arbitration in an action asserting fraud, conspiracy, negligence and/or wantonness, and outrage claims arising from the purchase of residential real property.
STANDARD OF REVIEW	De novo review applies to an order granting or denying a motion to compel arbitration. The motion is analogous to a motion for summary judgment; the party seeking arbitration must prove the existence of an arbitration agreement and that the transaction affects interstate commerce, after which the burden shifts to the opposing party to show that the agreement is invalid or does not apply.
PRECEDENTIAL VALUE	Published opinion; binding Alabama Supreme Court precedent.
PARTIES	Nancy Cartwright, Tri-County Signature Homes, LLC v. Brenda Maitland, Gary Maitland

TOPICS

arbitration civil procedure contracts real estate commercial litigation

PRACTICE AREAS

Arbitration Civil procedure Contracts Real estate Commercial litigation

QUESTIONS PRESENTED

1. Whether the realtors proved that the purchase transaction affected interstate commerce for purposes of enforcing the arbitration agreement.
2. Whether the arbitration provision covered the Maitlands' tort and other claims after they omitted their breach-of-contract claim.
3. Whether the realtors, as nonsignatory real-estate licensees, could enforce the arbitration provision.
4. Whether the arbitration provision was unconscionable because of potential arbitration costs and the Maitlands' alleged financial hardship.
5. Whether the arbitration provision was materially vague under the authority cited by the Maitlands.

HOLDINGS

1. The realtors met their burden of showing that the transaction evidenced by the purchase agreement affected interstate commerce.
2. The broad arbitration provision covered the Maitlands' fraud, conspiracy, negligence and/or wantonness, and outrage claims even though the amended complaint omitted the breach-of-contract claim.
3. The realtors could enforce the arbitration provision despite being nonsignatories because the clause expressly covered disputes between the purchasers and real-estate licensees and was not limited to signatories.
4. The Maitlands failed to establish that the arbitration provision was unconscionable.

KEY QUOTATIONS

“The trial court's order is reversed, and the case is remanded for proceedings consistent with this opinion.” (414)

“It is clearly not limited to claims alleging breach of contract.” (410)

“The financial hardship the Maitlands suffered as a result of purchasing the property in question does not constitute evidence indicating that the terms of the arbitration provision are grossly favorable to Tracy or to the realtors, or that those parties had overwhelming bargaining power at the time the Maitlands signed the contract.” (413)

FACTUAL BACKGROUND

The Maitlands purchased a Prattville house after allegedly being told by the seller and the real-estate agents that it was in the Prattville school district and had no latent defects. The purchase agreement contained a broad

arbitration clause covering disputes between the purchasers and real-estate licensees and disputes arising out of or relating to the agreement. After closing, the Maitlands learned that the house had been used to manufacture methamphetamine and was not in the represented school district, prompting them to move into a rental property while continuing to pay the mortgage.

PROCEDURAL HISTORY

The Maitlands sued the seller, the real-estate agents, and fictitiously named defendants after discovering that the purchased house had been used to manufacture methamphetamine and was outside the represented school district. The realtors moved to dismiss or compel arbitration under the purchase agreement. After the Maitlands amended their complaint to omit the breach-of-contract claim, the Autauga Circuit Court denied the motion to compel arbitration without stating its reasons. The realtors appealed.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

Remanded for proceedings consistent with the opinion, including enforcement of the arbitration agreement.

CASES CITED

- First American Title Ins. Corp. v. Silvernell, 744 So. 2d 883, 886 (Ala. 1999)
- Crimson Indus., Inc. v. Kirkland, 736 So. 2d 597, 600 (Ala. 1999)
- Patrick Home Ctr., Inc. v. Karr, 730 So. 2d 1171 (Ala. 1999)
- United Wisconsin Life Ins. Co. v. Tankersley, 880 So. 2d 385, 389 (Ala. 2003)
- TranSouth Fin. Corp. v. Bell, 739 So. 2d 1110, 1114 (Ala. 1999)
- Fleetwood Enters., Inc. v. Bruno, 784 So. 2d 277, 280 (Ala. 2000)
- Jim Burke Auto., Inc. v. Beavers, 674 So. 2d 1260, 1265 n. 1 (Ala. 1995)
- Vann v. First Cmty. Credit Corp., 834 So. 2d 751, 753 (Ala. 2002)
- Ex parte Elba Gen. Hosp. & Nursing Home, Inc., 828 So. 2d 308, 312-13 (Ala. 2001)
- Elizabeth Homes, L.L.C. v. Cato, 968 So. 2d 1, 4-5, 7, 9 (Ala. 2007)
- Chatham v. CSX Transp., Inc., 613 So. 2d 341, 344 (Ala. 1993)
- Ex parte Cupps, 782 So. 2d 772 (Ala. 2000)
- Old Republic Insurance Co. v. Lanier, 644 So. 2d 1258 (Ala. 1994)
- Moses H. Cone Mem'l Hosp. v. Mercury Constr. Corp., 460 U.S. 1, 24-25 (1983)
- United Steelworkers of America v. Warrior & Gulf Navigation Co., 363 U.S. 574, 582-83 (1960)
- Ex parte Colquitt, 808 So. 2d 1018, 1024 (Ala. 2001)
- Ex parte Cox, 828 So. 2d 295, 298 (Ala. 2002)
- Ex parte Isbell, 708 So. 2d 571, 576 (Ala. 1997)
- Sunkist Soft Drinks, Inc. v. Sunkist Growers, Inc., 10 F.3d 753, 757 (11th Cir. 1993)

- Ex parte Stamey, 776 So. 2d 85, 89 (Ala. 2000)
- Ex parte Napier, 723 So. 2d 49, 51 (Ala. 1998)
- ECS, Inc. v. Goff Group, Inc., 880 So. 2d 1140, 1146-47 (Ala. 2003)
- Monsanto Co. v. Benton Farm, 813 So. 2d 867, 869 (Ala. 2001)
- Parkway Dodge, Inc. v. Yarbrough, 779 So. 2d 1205, 1206 (Ala. 2000)
- Southern Energy Homes, Inc. v. Kennedy, 774 So. 2d 540, 542 (Ala. 2000)
- Green Tree Fin. Corp. of Alabama v. Vintson, 753 So. 2d 497, 504 (Ala. 1999)
- Briarcliff Nursing Home, Inc. v. Turcotte, 894 So. 2d 661, 665 (Ala. 2004)
- Young v. Jim Walter Homes, Inc., 110 F. Supp. 2d 1344, 1347 (M.D. Ala. 2000)
- American Gen. Fin., Inc. v. Branch, 793 So. 2d 738, 748 (Ala. 2000)
- Layne v. Garner, 612 So. 2d 404, 408 (Ala. 1992)
- Kleiner v. First National Bank of Atlanta, 134 F.3d 1054 (11th Cir. 1998)
- Paladino v. Avnet Computer Technologies, Inc., 134 F.3d 1054 (11th Cir. 1998)
- Ex parte Greenstreet, Inc., 806 So. 2d 1203, 1207 (Ala. 2001)