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**Quick is Better than Right: *Hall  
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Inc***

**By**

**STEVEN CAPLOW**

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**Swiss Cottage**

**London**

**NW3 3PF**

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## Quick is Better than Right: *Hall Street Associates LLC v Mattel Inc*\*

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The US highest court recently ruled that maintaining arbitration's essential virtue of haste mandates limited judicial review of arbitration awards. In *Hall Street Associates LLC v Mattel Inc* the US Supreme Court held that arbitration agreements subject to the Federal Arbitration Act (FAA)<sup>1</sup> cannot contractually provide for additional judicial review to correct findings of fact unsupported by the evidence, or erroneous conclusions of law. The FAA's statutory grounds for *vacatur* and modification of an award are exclusive and cannot be supplemented by contract.

An unusually twisted and interesting procedural path brought this landlord-tenant dispute to the high court. In its lease, Mattel agreed to indemnify its landlord, Hall Street, for costs resulting from its failure to follow environmental laws while using the premises. After tests established contamination of property well water with chemicals residual to manufacturing discharges, Mattel gave notice of intent to terminate the lease. Hall Street filed suit in the Oregon state court and Mattel removed the case to the federal District Court. Three years later Mattel won a bench trial on the lease termination. After a failed mediation, the parties agreed to submit the indemnification issue to arbitration. With court approval, the parties specified that the District Court should vacate, modify or correct any award in which the arbitrator's findings of fact were not supported by substantial evidence, or the conclusions of law were erroneous. In what is described as a "rather glaring error of law" (Stevens dissenting),<sup>2</sup> the arbitrator who heard the case rejected Hall Street's indemnification claim because compliance with the Oregon Drinking Water Quality Act was not an applicable environmental law. The federal District Court, applying the standard of review agreed to by the parties, reversed the award and, on remand, the arbitrator issued an amended decision recognising Hall Street's right to indemnification. The District Court generally upheld the new award, but the Ninth Circuit Court of Appeals reversed it, holding the judicial review provision unenforceable and severable. On remand, the District Court ruled again for Hall Street on other grounds, and was again reversed by the Court of Appeals. The United States Supreme Court accept *certiorari* to resolve a circuit split on whether parties may contract for expanded judicial review.

Above all arbitration in the United States is a creature of contract. The Supreme Court acknowledged that the FAA allows the parties to select by contract "many features of arbitration" including the selection and qualification of arbitrators, issues subject to arbitration, procedure and choice of law.<sup>3</sup> Yet, the court concluded, the FAA compels a court to confirm an award unless it is vacated on the specified grounds of FAA s.10, or modified as provided under FAA s.11.<sup>4</sup> The Supreme Court held that, although these provisions limit judicial review to "extreme arbitral conduct", the "text compels a reading of the §§10 and 11 categories as exclusive".<sup>5</sup> Instead of "fighting the text" it makes "more sense" to see the FAA as favouring the limited review needed to resolve disputes "straightaway".<sup>6</sup> Whereupon

\* *Hall Street Associates LLC v Mattel Inc* 06-989, March 25, 2008.

<sup>1</sup> Federal Arbitration Act 9 USC paras 1 *et seq.*

<sup>2</sup> *Hall Street Associates LLC v Mattel Inc*, Slip Opinion at [2].

<sup>3</sup> *Hall Street Associates LLC v Mattel Inc*, Slip Opinion at [9].

<sup>4</sup> *Hall Street Associates LLC v Mattel Inc*, Slip Opinion at [9].

<sup>5</sup> *Hall Street Associates LLC v Mattel Inc*, Slip Opinion at [9].

<sup>6</sup> *Hall Street Associates LLC v Mattel Inc*, Slip Opinion at [11].

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the court remanded the case—pending now for seven years—to the District Court for further proceedings.

Before dispatching the case, the Court left the door slightly ajar for more searching review based on authority outside the extremely broad scope of the FAA based on state law, the District Court’s authority to manage its cases under Federal Rules of Civil Procedure r.16, or the Alternative Dispute Resolution Act of 1998.<sup>7</sup>

<sup>7</sup> Alternative Dispute Resolution Act 1998 28 USC paras 651 *et seq.*; *Hall Street Associates LLC v Mattel Inc*, Slip Opinion at [13], [15].