
GE Energy Power Conversion France SAS v. Outokumpu Stainless USA, LLC

Today, the Supreme Court unanimously held that the Convention on the Recognition and Enforcement of Arbitral Awards (known as the New York Convention) permits application of domestic equitable estoppel doctrines to allow certain nonsignatories to arbitration agreements to compel arbitration against signatory parties.

Background: Outokumpu Stainless USA, LLC's predecessor as owner of an Alabama steel plant contracted with F.L. Industries, Inc. to build cold rolling mills for the plant. F.L. Industries, in turn, subcontracted some of the work to what is now GE Energy. Outokumpu and its insurers later filed suit against GE Energy in Alabama state court, claiming that the latter's work was defective. GE Energy removed the case to federal court, where it moved to dismiss the suit and compel arbitration pursuant to arbitration provisions in the contracts between Outokumpu's predecessor and F.L. Industries. The district court granted GE Energy's motion, but the Eleventh Circuit reversed, holding that the New York Convention allows only signatories to an arbitration agreement to compel arbitration. The Eleventh Circuit reasoned that the Convention superseded state-law equitable estoppel doctrines that would permit certain nonsignatories to compel domestic arbitration. The Supreme Court reversed.

Issue: Whether the New York Convention permits a nonsignatory to an arbitration agreement to compel arbitration based on the doctrine of equitable estoppel.

Court's Holding: In an opinion written by Justice Thomas for a unanimous Court, the Supreme Court held that a nonsignatory to an arbitration agreement may rely on domestic equitable estoppel doctrines to compel arbitration. The Court had previously held that equitable estoppel allows a nonsignatory to a contract with an arbitration clause to enforce that clause against a signatory, so long as the latter was pursuing claims against the nonsignatory based on other terms in the contract. Here, the Court reasoned that the New York Convention generally contemplates use of domestic law to "fill gaps in the Convention," and the Court found nothing in the text, negotiation, drafting history, or subsequent interpretation to indicate that the Convention displaced use of U.S. equitable estoppel doctrines in defining the universe of parties entitled to compel arbitration.

Justice Sotomayor concurred, agreeing with the Court's holding that the New York Convention does not "categorically" bar use of domestic equitable estoppel doctrines by nonsignatories, but cautioning that any such "domestic doctrines must be rooted in the principle of consent to arbitrate."