

## News & Insights

### Dykema Successfully Reverses Arbitration Ruling in Texas

Amarillo Court of Appeals vacates arbitrator's award due to unreasonable delay, setting landmark precedent for future challenges to arbitration rulings

**May 7, 2014**

The Amarillo Court of Appeals has ruled in favor of Dykema client Doris Sims in a first-of-its-kind Texas decision that vacates an arbitration award based on the arbitrator's unreasonable delay. Dykema lawyers Christopher Kratovil and Chais Sweat represented Ms. Sims in the appellate proceedings.

"This is the first time a Texas court has addressed the issue of an arbitration award's validity when the arbitrator failed to rule in the pre-designated window of time," said Dykema Member Christopher Kratovil.

The case involved two former business partners, Doris Sims and Matthew Gay, who pursued arbitration when terminating equal ownership in their human resources consulting company, Building Tomorrow's Talent. Ms. Sims and Mr. Gay scheduled a hearing to settle disputes over copyrighted materials, setting guidelines for the arbitrator to produce a ruling within 14 days of the close of arbitration proceedings.

Despite the agreed-upon timeframe, the arbitrator failed to render an award until approximately 19 months after the initial deadline. In delaying his award by over a year and a half, the arbitrator ignored multiple entreaties and objections from the parties and their counsel, as well as a direct order from a Denton County state district court to issue a ruling. Nonetheless, when the arbitrator finally did issue his award, the district court confirmed it. Ms. Sims was instructed to pay more than \$400,000, including attorneys' fees and accumulated interest.

The Dykema team appealed on behalf of Ms. Sims in the Amarillo Court of Appeals, and this week the Court reversed and vacated the arbitration award. In doing so, the Court of Appeals reasoned that because of his delay the arbitrator "had no authority to enter an arbitration award, whether it be outside the deadline set in the Proposed Arbitration Guidelines or in the trial court's June 18, 2010 order [to rule]."

The Court noted that the arbitrator's "conduct defeated the intent of arbitration—a contractual arrangement by parties 'to obtain a speedy and inexpensive final disposition.'" The Court also acknowledged that this was the first Texas case to vacate an arbitration award based on unreasonable delay by the arbitrator, stating: "The parties have not cited this Court to any Texas cases involving tardiness of an award, and we have found none."

"Vacating arbitration awards through the courts has become virtually impossible, so this is an unusual and important decision," said Kratovil. "The ruling demonstrates that in some instances, a loss in arbitration is not the end of the road."

#### Attorneys

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#### Practice Areas

Appellate and Complex Motion Practice

Business & Commercial

Class Action Defense