

First Circuit Affirms Denial of Vacatur of Arbitration Award, Rejects Arguments That Parties Opted Out of FAA and Arbitrator Erred

Article By:

Benjamin E. Stearns

The First Circuit recently denied an appeal from the District of Puerto Rico's refusal to vacate an arbitration award. The dispute centered on a management services agreement containing an arbitration agreement that required binding arbitration of any disputes under the rules of the American Health Lawyers Association (AHLA). The court disagreed with each of the appellant's asserted bases for vacatur, which included "two main baskets" of arguments that the court divided as: (1) the Puerto Rico Arbitration Act (PRAA) should have governed the arbitration, rather than the FAA alone; and (2) the arbitrator engaged in misconduct, exceeded his powers, and manifestly disregarded the law.

Regarding the PRAA, the appellant argued that the agreement's choice-of-law provision selecting Puerto Rican substantive law constituted an explicit agreement to proceed under the PRAA. The First Circuit disagreed, citing precedent holding that "a generic choice-of-law clause, standing alone, is insufficient to support a finding that contracting parties intended to opt out of the FAA's default regime for vacatur of arbitral awards."

Regarding the purported errors by the arbitrator, the court quoted cases describing arbitration awards as "nearly impervious to judicial oversight." The court determined that the alleged misconduct by the arbitrator consisted of his treatment of certain evidence. The court held that the appellant not only failed to make the required showing that the arbitrator's alleged refusal to hear the evidence resulted in the deprivation of a fair hearing, but it was "clear from the arbitrator's extensive and detailed findings of fact" that much of the evidence was heard and considered by the arbitrator. The court concluded that the appellant simply did not agree with the weight the arbitrator gave to the evidence, which does not justify vacatur.

The court also rejected the appellant's contention that the arbitrator exceeded his powers by awarding attorneys' fees and prejudgment interest in violation of Puerto Rican law. The court explained that it would harmonize the parties' arbitration agreement and the choice-of-law provision by finding that the choice-of-law provision governed the parties' substantive rights and duties, but did not limit the arbitrator's authority under the arbitration rules of the AHLA, which authorized the fee and interest award.

Finally, the court turned to the appellant's last argument that the arbitrator manifestly disregarded the law, which the court explained is based on common law, not the FAA. The court noted that the appellant bears the burden of demonstrating that the arbitrator was confronted with the correct law and then ignored it. Although the appellant presented the arbitrator with "a boatload of legal theories," the court found that the arbitrator simply rejected those arguments, "and rejection is not ignoring" within the meaning of the manifest disregard doctrine.

Dialysis Access Ctr., LLC v. RMS Lifeline, Inc., No. 17-2014 (1st Cir. Aug. 1, 2019).

©2011-2025 Carlton Fields, P.A.

National Law Review, Volume IX, Number 249

Source URL: <https://natlawreview.com/article/first-circuit-affirms-denial-vacatur-arbitration-award-rejects-arguments-parties>