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LEGAL BYTE

Greetings to my valued connections!

Another byte of law for your interest: Can non-signatories be bound by arbitration clause? Yep.

It's true. A party (plaintiff or defendant), who is not a signatory to a contract, may be forced to arbitrate the claim based on the arbitration clause in a contract.

The general rule is that mandatory arbitration is a matter of a contract between the parties (otherwise the plaintiff could just sue in court). Generally, to be bound by the arbitration clause in a contract the parties must be signatories to the contract. This becomes an issue when the lawsuit includes parties who are, and who are not, signatories to the agreement.

In California there are 6 enumerated theories by which a non-signatory may compel or be compelled to arbitrate: (a) incorporation by reference; (b) assumption; (c) agency; (d) veil-piercing or alter ego; (e) estoppel; and (f) third-party beneficiary. *DMS Services, LLC v. Superior Court (Zurich Services Corp.)* (2012) 205 Cal.App.4th 1346, 1353.

Regarding estoppel (preventing a person from acting in a way inconsistent with his/her prior position), a non-signatory defendant may invoke an arbitration clause to compel a signatory plaintiff to arbitrate a claim when the causes of action against the non-signatory are intimately founded in and intertwined with the underlying contract obligations. *JSM Tuscany, LLC v. Superior Court* (2011) 193 Cal.App.4th 1222, 1237. The same rule applies to non-signatory plaintiffs who sue signatory defendants. *Id.* at 1239.

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