



Supreme Court's Decision on Federal Arbitration Act

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In the recent case of *Marmet Health Care Center, Inc. v. Brown*, the United States Supreme Court issued a ruling on two consolidated cases involving negligence suits against nursing homes in West Virginia. The key issue in these cases was whether the Federal Arbitration Act (FAA) preempted a West Virginia state-law rule declaring invalid all pre-dispute arbitration agreements that apply to personal-injury or wrongful-death claims against nursing homes. While the West Virginia appellate court held that the FAA did not preempt this per se categorical rule, the U.S. Supreme Court found that the state court's decision was incorrect.

In both of the cases, the children of nursing home patients signed agreements with the nursing homes requiring arbitration for any disputes. The patients died under the nursing homes' care and the children sued in state court for negligence. The trial court dismissed both suits because of the arbitration agreements, but the state appeals court reversed, holding that forcing arbitration for personal-injury and wrongful-death cases violated West Virginia public policy. The U.S. Supreme Court, however, disagreed with this state court ruling. The Court found that federal precedent clearly proscribes states from adopting rules which prohibit arbitration of a specific category or class of claims. Under the FAA, courts must enforce agreements to arbitrate made by parties. There is no exception for personal-injury or wrongful-death claims.

Section 2 of the Federal Arbitration Act declares that agreements to arbitrate will be subject to invalidation only for the same grounds applicable to contracts generally, mainly unconscionability and duress. Under the Act, state laws that disfavor the enforcement of arbitration agreements will be preempted by the FAA. The superiority of the FAA was reaffirmed by the Court in *AT&T Mobility LLC v. Concepcion*, 131 S.Ct. 1740 (2011) (holding that a state law test adopted to invalidate certain arbitration agreements with class action waivers is preempted by the FAA) and again in *Brown*.

This decision has particular significance for businesses that enter into arbitration agreements with their customers, employees, suppliers, etc. The Court has clearly stated that federal law favors arbitration of disputes and that this applies in both state and federal courts. Importantly, the Court has consistently interpreted the FAA in a manner that favors enforcement of existing arbitration agreements. State laws that forbid arbitration of specific categories of claims will be preempted by the FAA.