MICHIGAN ARBITRATION AND MEDIATION CASE LAW UPDATE ALTERNATIVE DISPUTE RESOLUTION SECTION STATE BAR OF MICHIGAN 2021 VIRTUAL ANNUAL MEETING AND ADR CONFERENCE OCTOBER 8, 2021 LEE HORNBERGER ARBITRATOR AND MEDIATOR

I. INTRODUCTION

This update reviews Michigan cases issued since October 2020 concerning arbitration and mediation. For the sake of brevity, this update uses a short citation style rather than the official style for Court of Appeals (COA) unpublished decisions.

The following three important cases are among those covered in this update.

Tyler v Findling, ___ Mich ___, MSC 162016 (August 4, 2021), reversed COA 348231, 350126 (June 11, 2020), concerning confidentiality in mediation. The ADR Section filed a brief amicus in this case.

Lichon v Morse, ___ Mich ___, MSC 159492 and 159493 (July 20, 2021), vacated and remanded 327 Mich App 375 (2019), to the Circuit Courts for reconsideration of whether plaintiffs' claims are subject to arbitration.

Pohlman v Pohlman. 344121 (January 30, 2020), **Iv app pdg**, involving having a domestic relations mediation allegedly without doing an MCL 600.1035 and MCR 3.216(H)(2) domestic violence protocol, has an application for leave to appeal pending in the Supreme Court. The Family Law Section and the ADR Section filed briefs amicus curiae in support of the application.

During the review period, the COA upheld 16 arbitration awards in the 16 cases where confirmation or vacatur of an award was directly at issue. The COA enforced seven mediated settlement agreements (MSAs) in the eight cases where enforcement or nonenforcement of an MSA was directly at issue.

II. ARBITRATION

A. Michigan Supreme Court Decisions

Supreme Court vacates COA and remands cases to Circuit Courts for reconsideration of whether plaintiffs' claims are subject to arbitration.

Mich , MSC 159492 and 159493 (July 20, 2021), Lichon v Morse. vacated and remanded 327 Mich App 375 (2019), to the Circuit Courts. In *Lichon*, the Supreme Court majority decision (Cavanagh, McCormack, Bernstein, and Clement) reviewed whether plaintiffs' claims fell within the scope of arbitration agreements limited to matters that are "relative to" plaintiffs' employment. Whether plaintiffs' allegations of sexual assault, and the claims stemming from those allegations, are relative to plaintiffs' employment is resolved by asking whether the claims can be maintained without reference to the contract or relationship at issue. Doe v. Princess Cruise Lines, Ltd, 657 F.3d 1204, 1218-1219 (11th Cir., 2011) ("If the cruise line had wanted a broader arbitration provision, it should have left the scope of it at 'any and all disputes, claims, or controversies whatsoever' instead of including the limitation that narrowed the scope to only those disputes, claims, or controversies 'relating to or in any way arising out of or connected with the Crew Agreement, these terms, or services performed for the Company.' " [Emphasis added]). Because the Circuit Courts did not have the benefit of this framing, the Supreme Court vacated the decision of the COA and remanded these cases to the Circuit Courts for reconsideration of whether plaintiffs' claims are subject to arbitration. Because plaintiffs also did not have the benefit of this framing when filing their claims, plaintiffs may seek to amend their complaints before the Circuit Courts make this determination.

The Supreme Court dissent (Viviano and Zahra) said the Court must interpret contractual language to determine whether the parties meant to assign plaintiffs' present claims to arbitration. According to the dissent, the majority takes a standard from out-of-state caselaw and imposes it upon the parties. A proper interpretation of the contract's language shows that plaintiffs' claims against the defendant law firm are arbitrable under the contract. The dissent would reverse the COA decision. The claims against defendant Morse individually are also arbitrable under the contract if he can invoke the arbitration clause. Because the COA did not determine whether Morse has the authority to enforce the agreement, which he did not sign, the dissent would remand on that issue.

Justice Welch did not participate in the disposition of the case because the Court considered it before she assumed office.

Previously, in the now vacated *Lichon v Morse*, 327 Mich App 375 (2019), COA split decision, the COA held a sexual harassment claim was not covered by the arbitration provision in an employee handbook. Because the arbitration provision limited the scope of arbitration only to claims related to the plaintiffs' employment, and because a sexual assault by the employer or supervisor cannot be related to employment, the arbitration provision was inapplicable to the claims against Morse and the law firm. "[C]entral to our conclusion ... is the strong public policy that no individual should be forced to arbitrate

his or her claims of sexual assault." The O'Brien COA dissent said the parties agreed to arbitrate "any claim against another employee" for "discriminatory conduct" and claims that arguably fell within the scope of the arbitration agreement.

Pre-dispute mandatory arbitration of statutory employment claims is discussed in the following articles.

Hornberger, "Due Process Protocol Influence on Statutory Claims Employment Arbitration in Michigan," *The General Practitioner* (January/February 2017).

https://www.leehornberger.com/media/Protocol-GP--JanFeb2017.pdf

Hornberger, "Overview of a Pre-Dispute Employment Resolution Process," *ADR Newsletter* (February 2005).

 $\underline{https://higherlogicdownload.s3.amazonaws.com/MICHBAR/2b10c098-e406-4777-a199-33b9d3e7c568/UploadedImages/pdfs/Feb05.pdf}$

B. Michigan Court of Appeals Published Decisions

There were no COA published decisions concerning arbitration during the period covered by this update.

C. Michigan Court of Appeals Unpublished Decisions

COA reverses not ordering arbitration.

In *Barkai v VHS of Michigan, Inc*, 354587, 355607 (August 12, 2021), defendants argued the Circuit Court erred by determining that there was not a binding arbitration agreement between the parties. Defendants also argued the FTP covered plaintiffs' statutory WPA claims and non-statutory claims of wrongful discharge, intentional or reckless infliction of emotional distress, and conspiracy to intentionally or recklessly inflict emotion distress. The COA agreed with defendants and remanded the case for the entry of an order compelling arbitration.

COA affirms confirmation of DRAA award.

In *Dixon v Dixon*, 355445 (August 12, 2021), plaintiff appealed the Circuit Court denying plaintiff's motion to vacate a DRAA arbitration award which granted the parties an equal interest in their former marital home and granting defendant's motion to confirm the award. The COA affirmed.

COA affirms order to arbitrate.

Webb v Fidelity Brokerage Services, 354691 (July 29, 2021). COA affirmed Circuit Court that the parties' brokerage contract contained an enforceable agreement to arbitrate.

COA affirms confirmation of clarified award.

Advanced Integration Technology, Inc v Rekab Industries Excluded Assets, LLC, 354302 (July 15, 2021). The arbitrator granted a motion for summary disposition. In response to a motion to vacate the award, the Circuit Court remanded the award to the arbitrator for clarification. The arbitrator issued a clarified award. The Circuit Court confirmed the clarified award. The COA confirmed the Circuit Court's confirmation of the clarified award. Plaintiffs argued the Circuit Court should not have remanded the case to the arbitrator for clarification, but rather, the Circuit Court should have vacated the award. MCL 691.1700(4) allows the Circuit Court to remand to the arbitrator "[t]o clarify the award." The Circuit Court was not required to vacate the award on the basis that it was unclear or appeared the arbitrator may have erred.

COA affirms confirmation of award.

Sean D Gardella & Assoc v Sieber, 354556 (June 17, 2021). Darcy did not sign the contract. Darcy, along with Jonathan, owned property on which the plaintiff did improvements pursuant to the contract. The agreement identified both defendants as contracting parties. The written agreement could be considered an offer. Although Darcy did not sign the contract, this was not dispositive. Darcy could be said to have accepted the plaintiff's offer and assented to the terms of the contract by accepting the plaintiff's performance of the contract; specifically, improvements to her home, which the plaintiff completed in accordance with the agreement. The arbitrator said Darcy "was familiar with the terms and conditions of the work to be performed, the cost of the work[,] and . . . participated in decisions regarding the work." It was not improper for the arbitrator to find Darcy jointly and severally liable for damages resulting from the defendants' breach of contract and award attorney fees, as authorized by the contract. The COA affirmed the Circuit Court's confirmation of the award.

COA affirms confirmation of award.

Centennial Home Group, LLC v Smith, 353854 (April 15, 2021). COA affirmed confirmation of an award concerning retaining wall construction.

COA reverses not ordering arbitration.

Wieland Corp v New Genetics, LLC, 353484 (April 15, 2021), lv app pdg. This case concerned whether the defendants could compel arbitration of Wieland's claims and claims of the subcontractors related to the construction project. Wieland is a construction company and New Genetics cultivates medical cannabis. The Circuit Court erred by not ordering arbitration of the contractor claim. The sub-contractor claims were not subject to arbitration. The Circuit Court was not required to keep all the claims in one forum.

COA affirms Probate Court asking arbitrator for clarification.

Dina Mascarin Living Trust v Adkinson, 352816 (April 15, 2021). The COA held the Probate Court did not err when it referred the matter back to the arbitrator for correction or clarification. MCL 691.1700(4)(c).

COA affirms confirmation of no-fault award.

Lewis v IDS Property Casualty Ins Co, 351108 (March 25, 2021), lv den ____ Mich ___ (2021). The arbitrator issued an award for \$50,000. The defendant issued a pay-off check for \$40,000. \$40,000 or \$50,000? Med-arb. The defendant did not file a motion to amend or correct the arbitration award. The COA affirmed the Circuit Court's confirmation of the award.

COA affirms confirmation of award.

Prospect Funding Holdings v Reifman Law Firm, PLLC, 352808 (March 11, 2021), **app lv pdg**. The arbitrator declined to consider the defendant's arguments because the defendant failed to pay associated filing fees. The COA affirmed the Circuit Court's confirmation of the award.

COA affirms refusal to reopen attack on old award.

Asmar Constr Co v AFR Enterprises, Inc, 350488 (March 11, 2021) Iv app pdg. In this unusual business dispute, which involved two arbitration hearings which took place ten years ago regarding a project from more than twenty years ago, and allegations that the arbitrator was bribed, plaintiffs appealed the Circuit Court denial of a motion for relief from judgment. MCR 2.612(C)(1)(f). The judgment was entered in February 2011 as a result of the arbitration between the plaintiffs and the defendants which confirmed the second award. The Circuit Court held plaintiffs' motion for relief from judgment was untimely. The COA affirmed.

COA remands case to labor arbitrator.

AFSCME Council 25 Local 1690 v Wayne Co Airport Auth, 352500 (March 11, 2021). The arbitrator followed one section of the CBA in granting a grievance but completely ignored arguably applicable Art 34.07 of the CBA. The Circuit Court confirmed the award, recognizing the limited scope of its review of labor awards. The COA reversed, vacated the award, and remanded the case to the same arbitrator for further review. According to the COA, because the arbitrator never considered Art 34.07, the award was not final or complete, nor was the award rendered on the merits of the case, and remand to the same arbitrator is appropriate.

COA affirms Circuit Court in complicated benefits case.

Michigan Spine & Brain Surgeons v Citizens Ins Co of the Midwest, 350498 (March 4, 2021). Ford and Citizens agreed to dismiss with prejudice litigation between them regarding PIP benefits, including an action filed by Ford, and to submit the case to arbitration. The parties agreed the award would represent resolution of all claims for PIP benefits and for all monies owing to Ford related to the accident. The agreement provided, with exception of Provider Plaintiffs that have either intervened, settled privately, or filed independent causes of action at time of the agreement, the arbitration shall include all medical billings known to either party. When Ford assigned to MSBS his right to payment by Citizens for his surgery, he had already agreed to submit all claims for PIP benefits that stemmed from the accident to an arbitrator and had stipulated to dismissal of his lawsuit against Citizens with prejudice. At the time Ford assigned his right to payment of PIP benefits to MSBS, he had no right to assert legal action against Citizens for these claims, He could not assign to MSBS more rights than he possessed. The Circuit Court did not err by holding MSBS did not have standing to assert a claim against Citizens for payment of PIP benefits for the medical care rendered to Ford.

COA affirms confirmation of DRAA award.

Davidson v Davidson, 348788 and 348808 (January 28, 2021), lv den ____ Mich ___ (2021). The plaintiff argued the arbitration was void for lack of authority. The arbitrator derives authority from the arbitration agreement. The arbitration agreement, entered into while there was an active case, was not affected by dismissal of the divorce action. The plaintiff failed to show the arbitration was void or without authority. The plaintiff did not show from the face of the award how the arbitrator exceeded its authority or committed an error of law.

COA affirms that arbitration agreement forecloses court case.

Gray v Yatooma, 351360 (December 17, 2020). The plaintiff had a compensation agreement and a non-compete with a broad arbitration agreement. The COA affirmed the Circuit Court order that the arbitration agreement prevented a court suit.

COA affirms denial of vacatur of award.

Rahaman v Ameriprise Ins Co, 349463 (November 24, 2020). The appellant argued the award should be vacated because the attorney, not the party, signed the agreement to arbitrate. The COA held that the attorney can enter into a binding arbitration agreement on behalf of the client. MCR 2.507(G).

COA affirms denial of vacatur in disclosure case.

Wilson v Louis D. Builders, 351560 (November 19, 2020). The plaintiffs moved to vacate the award because of the arbitrator's alleged bias toward a party and the party's attorney. The plaintiffs also alleged that the arbitrator and opposing counsel held municipal positions together, worked on township matters, and interacted socially. The plaintiffs asserted these interactions were substantial and material relationships. The Circuit Court denied the motion to vacate and the COA affirmed. MCL 691.1962.

COA affirms confirmation of award.

Kada v Nouri, 351402 (November 19, 2020). The plaintiffs appealed the Circuit Court confirmation of an award, and the Circuit Court denial of attorney fees and costs. The COA held the Circuit Court did not abuse its discretion in confirming the award and denying attorney fees.

COA affirms confirmation of award.

Soulliere v Berger, 349428 (October 29, 2020). The COA affirmed the confirmation of an award because the defendants' disagreement with the award implicates the arbitrator's resolution of the evidence and the defendants did not demonstrate an error of law apparent from the face of award.

Waiver of arbitration.

Wells Fargo Bank, NA, v Walsh, October 29, 2020 (350960). The COA affirmed the Circuit Court order finding the defendant waived his right to compel

arbitration. Defending the action without seeking to invoke arbitration, constituted waiver of the right to arbitration.

Settling case with help of arbitrator.

Estate of O'Connor v O'Connor, 349750 (October 15, 2020). In this dispute over enforcement of a settlement agreement, the defendant appealed the Circuit Court order granting the plaintiff's motion for entry of judgment. The defendant argued the parties agreed to arbitration and the arbitrator lacked the authority to broker a settlement agreement. The COA held that the defendant contributed to the alleged error by seeking settlement, participating in the settlement negotiations, and signing the settlement agreement. The COA affirmed the Circuit Court.

III. MEDIATION

A. Michigan Supreme Court Decisions

Supreme Court protects mediation confidentiality.

Tyler v Findling, Mich , MSC 162016 (August 4, 2021), reversed COA 348231, 350126 (June 11, 2020). *Tyler* is a defamation case arising from statements made by one attorney acting as a receiver to another attorney before meeting in person with the mediator at the start of a court ordered mediation. The Supreme Court said the COA erred when it held that a cause of action for defamation existed based on these communications. The Supreme Court held that these statements were MCR 2.412(B)(2) "mediation communications" and therefore confidential under MCR 2.412(C). The phrase "mediation communications" is defined broadly to include statements that "occur during the mediation process" and statements that "are made for purposes of ... preparing for ... a mediation." MCR 2.412(B)(2). The conversation between the two attorneys took place within the "plaintiff's room" while the parties to the mediation were waiting for the mediation session to start and were part of the "mediation process." See *Hanley v* Seymour, 334400 (October 26, 2017). What if this were pre-suit mediation and arguably MCR 2.412 did not apply? "The mediator should include a statement concerning the obligations of confidentiality in a written agreement to mediate." Standard V(A)(2), SCAO, Michigan Standards of Conduct for Mediators (effective February 1, 2013).

The SBM ADR Section filed an amicus brief.

Supreme Court remands case in domestic violence protocol case.

Pohlman v Pohlman. 344121 (January 30, 2020), **Iv app pdg**. In a split decision, the COA affirmed the Circuit Court's enforcement of a domestic relations MSA **even though allegedly no domestic violence protocol was done**. Because the plaintiff did not allege or show she was prejudiced by the mediator's alleged failure to screen for domestic violence, any noncompliance with MCR 3.216(H)(2) was harmless. MCL 600.1035.

Judge Gleicher's **dissent** said the Circuit Court was obligated to hold a hearing to determine whether the wife was coerced into a settlement. Only by evaluating the proposed evidence in light of MCL 600.1035 and MCR 3.216(H)(2) could the Circuit Court make an informed decision regarding whether relief was warranted. When there is a background of domestic violence, the reasons for the presumption against mediation when there is domestic violence do not go away because the parties used "shuttle diplomacy." That may help diffuse immediate tensions, but it cannot undo years of manipulation and mistreatment.

The ADR Section and the Family Law Section filed amicus briefs.

On April 23, 2021, the Supreme Court remanded the case to the Circuit Court to hold an evidentiary hearing and report its findings back to the Supreme Court. The Circuit Court findings and transcript were filed with the Supreme Court on July 2, 2021. The Circuit Court found that the mediator complied with the mediator's duties to screen for domestic violence under MCR 3.216(H)(2) and MCL 600.1035(2).

B. Michigan Court of Appeals Published Decisions

There were no COA published decisions concerning mediation during the period covered by this update.

C. Michigan Court of Appeals Unpublished Decisions

COA affirms nonenforcement of settlement agreement.

Jones Lang LaSalle Mi, LLC, v Trident Barrow Mgmt 22, LLC, 353367 (June 17, 2021). Although the parties apparently agreed to some terms of the settlement agreement, they did not reach an agreement on the scope of the release clause. Because the parties did not reach a meeting of minds over essential terms, there was no enforceable settlement agreement. This was not an MSA or a "mediation term sheet." LESSON: In the MSA, provide for a method to resolve post settlement technical issues.

COA reverses Circuit Court refusal to accelerate.

CIGL Properties, LLC v CM Renovation Services, LLC, 353595 (May 27, 2021). The MSA provided for a payment plan with acceleration and attorney fees if payment were missed. Because of "undergoing surgery" the party missed one payment. In light of the surgery, the Circuit Court refused to order acceleration. The COA reversed.

Waiver of right to appeal.

Zyble v Michael Fischer Builders, LLC, 352681 (May 27, 2021). The defendant appealed the Circuit Court order denying an ex parte motion to stay enforcement of the judgment in favor of the plaintiffs. The plaintiffs cross-appealed the portion of an order concerning the award of attorney fees. The COA concluded the repairs considered in inspection company's calculation of damages were within the scope of the settlement agreement, the COA affirmed the portion of the order that denied the defendant's motion to stay enforcement of the judgment. The COA remanded the matter to reconsider the plaintiffs' motion for attorney fees. The defendant waived appellate review of the settlement agreement and judgment by signing a provision in the settlement agreement that stated: "In consideration of Dream Maker's agreement to the terms set forth above, Dream Makers [sic] hereby waives its right to appeal after entry of said Confession of Judgment."

COA affirms enforcement of settlement agreement.

Drake v Auto Club Ins Assoc, 353942 (May 13, 2021). In a no fault case, the facilitator issued a written Facilitator's Recommendation. The plaintiff accepted the Recommendation and then had a change of heart. The COA enforced the accepted Recommendation and the COA affirmed. The plaintiff admitted both parties accepted the Recommendation. The plaintiff argued the agreement was unenforceable because of illusory promises, mutual mistake, fraudulent misrepresentation by facilitator, and unconscionability.

COA partially affirms JOD entry incorporating MSA.

Kohl v Kohl, 353686 (May 13, 2021). The defendant argued the Circuit Court erred in entering a JOD because it did not conform to the MSA concerning the martial home. The COA agreed, in part, and remanded for further proceedings. "The parties have both faithfully and truthfully participated in mediation with their attorneys and have arrived at the following resolution meant to be full and final and binding. It will be incorporated into the [JOD]."

COA reverses default judgment.

Nalcor, LLC v Condom Sense, Inc, 351764 (January 21, 2021). Kahn (guarantor) argued good cause to set aside the default judgment existed because his failure to appear at the mediation and status conference was inadvertent. Kahn claimed his counsel was retained just before the mediation and status conference and was not provided a copy of the scheduling order. Kahn and his counsel failed to appear at the mediation and status conference because they were unaware the mediation and status conference were scheduled. The COA held it was not an abuse of discretion for the Circuit Court to conclude Kahn failed to establish good cause to set aside the default judgment. A lesser showing of good cause is required if the moving party can demonstrate a strong meritorious defense.

COA affirms dismissal for failure to post bond.

Neff v Chapel Hill Condominium Ass'n, 349444, 349976 (January 14, 2021), lv Mich (2021). The plaintiff argued the Circuit Court, by ordering mediation, deprived her of her right to a jury trial and wrongfully reopened discovery only as to Chapel Hill and Mixer. The plaintiff said the Circuit Court order, which required her to post a security bond and \$4,426 in mediator fees deprived her of her right to a jury trial. The COA held the plaintiff was wrong. Damages was not the only issue to be decided. The Circuit Court denied summary disposition on plaintiff's contract claim, leaving open the question of liability. Discovery was not reopened only for Chapel Hill and Mixer; the court made no discovery order and the mediator sought inspection of property only for purposes of conducting mediation. Mediation is form of ADR that all civil cases in Michigan are subject to, unless otherwise directed by statute or court rule. MCR 2.410(A). In the event mediation fails, jury trial is available. The mediation failed and, on Chapel Hill and Mixer's motion to dismiss for refusal to participate in the mediation, the court entered a security bond in lieu of dismissal. When the plaintiff did not post bond, her case was dismissed. The court's decision to order mediation did not deprive her of her right to a jury trial. The plaintiff's actions led to imposition of bond and the plaintiff's failure to post security ultimately led to the dismissal.

COA affirms enforcement of MSA concerning carpet.

Mauch v Lambert, 349443 (December 17, 2020). This is the carpet case. The plaintiffs appealed the Circuit Court order partially granting and partially denying plaintiffs' motion to enforce a MSA. The Circuit Court held the carpeting as installed was consistent with the MSA. The COA affirmed.

COA affirms enforcement of probate MSA.

Tewel v Stoll, 352730 (December 10, 2020), lv den ___ Mich ___ (2021). In this estate-related dispute, the plaintiff appealed the Circuit Court order finding the MSA valid, based on a previous order denying the plaintiff's motion to set aside the MSA or for an evidentiary hearing. The plaintiff argued that the Circuit Court abused its discretion when it refused to set aside the MSA because it was entered into based on fraudulent or innocent misrepresentation, and the Circuit Court should have conducted an evidentiary hearing on these issues. The COA affirmed.

Apparent oral agreement to mediate not enforced.

Kuiper Orlebeke, PC v Crehan, 348315 (November 12, 2020). The defendant argued the agreement to mediate precluded Circuit Court grant of summary disposition in favor of the plaintiff. The defendant provided no case law in support of the argument that the option of mediation precluded summary disposition. The appellant may not merely announce its position and leave it to the COA to discover and rationalize the basis for its claims, nor may it give issues cursory treatment with little or no citation of supporting authority. **LESSON: Agreement to mediate should be in writing.**

Lee Hornberger is a former Chair of the Alternative Dispute Resolution Section of the State Bar of Michigan, Editor Emeritus of *The Michigan Dispute Resolution Journal*, former member of the State Bar's Representative Assembly, former President of the Grand Traverse-Leelanau-Antrim Bar Association, and former Chair of the Traverse City Human Rights Commission. He is a member of the Professional Resolution Experts of Michigan (PREMi), an invitation-only group of Michigan's top mediators, and a Diplomate Member of The National Academy of Distinguished Neutrals. He is a Fellow of the American Bar Foundation.

He has received the George N. Bashara, Jr. Award from the State Bar's ADR Section in recognition of exemplary service. He has also received Hero of ADR Awards from the ADR Section.

He is included in *The Best Lawyers of America* 2018 and 2019 for arbitration, and 2020 to 2022 for arbitration and mediation. He is on the 2016 to 2021 Michigan Super Lawyers lists for alternative dispute resolution. He received a Second Tier ranking in Northern Michigan for Mediation by *U.S. News – Best Lawyers*® Best Law Firms in 2020. He received a First Tier ranking in Northern Michigan for Arbitration by *U.S. News – Best Lawyers*® Best Law Firms in 2019.

While serving with the U.S. Army in Vietnam, he was awarded the Bronze Star Medal and Army Commendation Medals. The unit he was in was awarded the Meritorious Unit Commendation and the Republic of Vietnam Gallantry Cross Unit Citation with Palm.

He holds his B.A. and J.D. *cum laude* from the University of Michigan and his LL.M. in Labor Law from Wayne State University.

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