NON-SIGNATORY IS NOT COMPELLED TO ARBITRATE

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Demerse v. Helen Newberry Joy Hospital, ___ Mich. App. ___ (COA 373567, June 29, 2026), arose from a pharmacy services agreement between a pharmacy and a hospital. *Demerse* discussed compelling arbitration against a non-signatory of an agreement to arbitrate. *Demerse* supports the principle that arbitration is a matter of consent. *Demerse* discusses determining who may be compelled to arbitrate when individuals sign contracts in representative capacities.

Can Non-Signatory Corporate Officer Be Compelled to Arbitrate?

Demerse concerned the question of when a corporate officer signs a contract only on behalf of an LLC, can that officer be compelled to arbitrate disputes arising from the contract? The Circuit Court said yes. The Michigan Court of Appeals said no. The Court of Appeals answer rested on the principle that arbitration is a matter of contract, and a party cannot be forced to arbitrate absent clear evidence of consent.

Clarifying Who Is "Party" to Arbitration Agreement

Demerse held that the signature capacity controls the obligation to arbitrate. Demerse signed the services agreement solely as the member-manager of Newton Hometown Pharmacy LLC. The signature block to the underlying contract reflected this representative capacity. The contract did not contain language binding Demerse individually. The arbitration clause referenced "officers, directors, and employees." The Court of Appeals held that this language did not transform those individuals into contracting parties.

This distinction was important. The arbitration clause can contain broad language describing the scope of arbitrable disputes. *Demerse* indicated that defining the scope of arbitrable disputes is not necessarily the same as defining who is bound to arbitrate.

Michigan courts have occasionally compelled non-signatories to arbitrate. This can occur when (1) the non-signatory seeks to enforce the contract, (2) the non-signatory directly benefits from the contract, or (3) the claims against the non-signatory are tightly intertwined with the contract. Gilbride and Cobane, "Extending Arbitration Agreements to Bind Non-signatories," *Michigan Bar Journal* (February 2019), p. 20. These include circumstances such as incorporation by reference, assumption, agency, piercing the corporate veil, and estoppel. *Id*.

The Hospital argued that Demerse's managerial role and involvement in the relationship justified compelling him to arbitrate under these doctrines. The Court of Appeals disagreed.

Managerial Involvement Not Enough

The Hospital further argued that the broad arbitration provision rendered its claims against Demerse subject to arbitration. The Court of Appeals rejected this argument, holding that involvement alone does not create an arbitration obligation. This prevented the arbitration clause from being used to bring Demerse into the arbitration proceeding simply because he was involved in the underlying business dealings.

Protecting Corporate Separateness

The Court of Appeals decision was consistent with the principle that LLCs are separate legal entities. Even when an individual is the sole owner or manager, the entity's obligations do not automatically become the individual's obligations.

Distinguishing Prior Michigan Precedent

The Hospital relied on prior Michigan cases involving non-signatories. The Court of Appeals distinguished those cases.

Cases Where Non-Signatories Compelled to Arbitrate

In some earlier cases, non-signatories were compelled to arbitrate because (1) they sought to enforce the contract, (2) they were third-party beneficiaries, (3) they directly benefitted from the contract, or (4) they were alter egos of the contracting entity.

None of those circumstances applied to Demerse.

***Demerse* Clarifies Limits of These Doctrines**

Demerse clarified that:

1. Non-signatories cannot be compelled to arbitrate just because they are closely involved in the business relationship;

2. Managerial status alone does not create arbitration obligations;

3. Broad arbitration clauses do not automatically bind individuals referenced in the clause; and

4. Courts must carefully distinguish between the scope of arbitrable disputes and the identity of the parties bound to arbitrate.

Reaffirmation of Consent-Based Arbitration

In *Altobelli v. Hartmann*, 499 Mich. 284 (2016), the Supreme Court ruled that plaintiff's tort claims against the individual principals of a law firm fell within the scope of an agreement to arbitrate that required arbitration for any dispute between the law firm and a former principal. The plaintiff, a former principal of the firm, challenged actions that the individual defendants had performed in their capacities as agents carrying out the business of the firm. The plaintiff was attempting to bypass the agreement to arbitrate by suing the individual principals in a court proceeding rather than the law firm in an arbitration proceeding. The Supreme Court ruled that this was a dispute between the firm and a former principal that fell within the scope of the agreement to arbitrate and was subject to arbitration. The Supreme Court reversed those portions of the Court of Appeals opinion, *Altobelli v Hartmann*, 307 Mich. App. 612 (2014), which had held the matter was not subject to arbitration. *Altobelli* demonstrates that the wording of the agreement to arbitrate is vitally important and, regardless of how much work goes into the drafting of the agreement to arbitrate, there are risks of unintended consequences. According to the Court of Appeals in *Demerse,* in *Altobelli*, the claims fell under an arbitration requirement where all the parties to the claims

were signatories to the arbitration agreement in their individual capacities as members of the firm.

In *Steward v Flint Sch Dist*, 346 Mich. App. 700 (2023), plaintiff was hired to be the superintendent of schools. She worked under a written employment agreement that had a broad arbitration clause. The signatories to the contract were Plaintiff and the "Board of Education of the School District of the City of Flint." Plaintiff complained that the board members created a hostile work environment. This dispute resulted in plaintiff's removal. After plaintiff filed suit against the board members, they moved for summary disposition based on the arbitration provision. The Circuit Court granted relief to the entity defendants but not to the board members because they were not parties to agreement that contained arbitration provision. The Court of Appeals reversed the denial of summary disposition because the obligation to arbitrate disputes extended to the board members as well as the school district.

According to the Court of Appeals, none of the *Altobelli* or *Steward* circumstances applied in *Demerse*.

This was because Demerse did not personally agree to arbitrate and the arbitration clause did not bind him individually. The Court of Appeals held in *Demerse* that although Demerse acted as the Pharmacy's agent, agency principles cannot be applied to compel Demerse, a non-signatory of the Agreement, to arbitrate the claims that the Hospital has brought against him in his individual capacity. Demerse's role in the agreement was that of agent to the Pharmacy, leaving him, in his individual capacity, a nonparty to the Agreement.

Demerse reinforces the principle that arbitration is consensual and contractual.

Demerse Has Several Implications

Contract drafters must be explicit concerning agreements to arbitrate. If the parties intend to bind individuals, such as corporate officers, LLC members, or employees, to arbitration, the parties must say so explicitly. This may require (1) clear signature blocks indicating individual capacity, (2) explicit language binding individuals, or (3) separate individual arbitration agreements.

Because arbitration clauses are pervasive, *Demerse* may have an impact on future disputes involving (1) corporate officers, (2) employees, (3) agents, (4) subcontractors, and (5) affiliated entities.

Conclusion

Demerse discusses the limits of compelling non-signatories to arbitrate. *Demerse* reinforces the principle that arbitration is a matter of consent. *Demerse* shows the importance of clarity in drafting agreements to arbitrate. ■

MICHIGAN MODERNIZES YOUTH EMPLOYMENT PERMITS THROUGH ONLINE PORTAL

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On October 2, 2026, the Michigan Wage and Hour Division will launch the Youth Employment Permit Portal (YEPP), a statewide online system for issuing youth employment permits under the Youth Employment Standards Act (YESA), MCL 409.101 et seq.

YEPP implements the 2024 amendments to YESA, which transferred responsibility for issuing youth employment permits from local school districts to the Wage and Hour Division. The system replaces Michigan's long-standing tedious paper permit process with a secure, web-based application.

Through the portal, employers initiate permit requests by identifying the proposed employment and work schedule, youth workers complete the application, the Department reviews and issues the permit. If an hour deviation is requested, a parent or guardian provides the required authorization. Once approved, permits are issued electronically and maintained within the system for future reference. The local public school will continue to have a role in the revocation of a work permit.

While the permitting process has been modernized, protections afforded to minors by YESA remain unchanged. Employers continue to be responsible for complying with statutory limitations on occupations, hours of work, and times of day minors may be employed. The issuance of a work permit does not relieve an employer of its obligation to comply with all applicable provisions of the Act and its administrative rules.

Centralizing the permitting process provides several benefits beyond replacing paper forms. A uniform statewide system promotes consistency in permit administration, improves record retention, provides a more efficient process for employers and families, and enhances the Department's ability to monitor compliance and provide targeted outreach and education for employers.

The launch of YEPP represents the most significant modernization of Michigan's youth employment permitting process in decades. By implementing the statutory changes enacted by the Legislature, the Wage and Hour Division has established a centralized, electronic permitting system that improves accessibility while continuing to protect the health, safety, and educational interests of Michigan's young workers. ■

