

Corporate & Financial Weekly Digest

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Delaware Chancery Court Upholds Arbitration Clause in Employment Agreement

The Delaware Court of Chancery dismissed several claims in a contract dispute between an employer and its former employee, holding that those claims were subject to the arbitration clause in an employment agreement between the parties. The plaintiffs, two healthcare companies owned by the same doctor, sued the defendant, a former Chief Operating Officer of one of the plaintiff companies, in the Delaware Court of Chancery for breach of fiduciary duty, unjust enrichment, and breach of contract. The defendant moved to dismiss the plaintiffs' claims on the grounds that they were subject to the arbitration clause in the parties' employment agreement. The court found that the arbitration clause at issue was broad in scope and that since the plaintiffs' claims touched upon duties under, or performance of, the employment agreement, the plaintiffs' claims were within the scope of the arbitration clause. The court also rejected each side's argument that the pendency of the litigation before it resulted in a waiver of arbitration rights. The court stated the principle that waiver is only found when the demand for arbitration comes "long after the suit commenced and when both sides have engaged in extensive discovery." Since discovery had not taken place in the present suit, the court held that neither the plaintiffs' filing of the suit nor the defendant's motion to dismiss amounted to a waiver of arbitration rights.

Halpern Medical Services, LLC v. Geary, C.A. No. 6679-VCN (Del. Ch. February 17, 2012).

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