

United States Court of Appeals Enforces Arbitration Agreement Against Third-Party Non-Signatories

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Arbitration agreements often seem straightforward—until they unexpectedly bind parties who never signed them. The United States Court of Appeals for the Eleventh Circuit’s recent decision in *Various Insurers v. General Electric International, Inc.*, ___ F.4th ___ (11th Cir. 2025), underscores the reach of arbitration clauses and the courts’ willingness to enforce them against third parties. This case highlights how third-party beneficiaries—and their insurers—can be required to arbitrate disputes, even though they were not signatories to the contract. The ruling is a good reminder for businesses, insurers, and legal practitioners to carefully consider the third-party implications of arbitration clauses when drafting, reviewing, and enforcing international commercial agreements.

Background: Arbitration Battle Following a Catastrophic Failure

The dispute arose from a catastrophic turbine failure at an Algerian power plant owned by Shariket Kahraba Hadjret En Nouss (SKH). SNC-Lavalin Constructeurs International Inc. (SNC) operated the plant on SKH’s behalf pursuant to an Operations and Management Agreement. In turn, SNC had entered a Services Contract with General Electric International (GE) to supply parts and services for the power plant. The Services Contract between SNC and GE International contained an arbitration clause.

Following the turbine failure, various insurers and reinsurers, acting as subrogees of SKH, sued GE International and other General Electric companies in the U.S. State of Georgia’s state-wide business court. GE International and the other General Electric companies removed the case to federal court and then sought to compel arbitration, arguing that SKH was a third-party beneficiary of the Services Contract and, as such, its insurers and reinsurers were also bound by the arbitration clause.

The Eleventh Circuit’s Analysis: Why the Insurers Were Bound to Arbitrate

The central issue was whether SKH, as the power plant’s owner, was a third-party beneficiary of the Services Contract between SNC and GE International. If so, SKH’s subrogated insurers and reinsurers would also be required to arbitrate.

The court applied federal common law to determine SKH’s third-party beneficiary status, to hold that SNC and GE International intended “to grant SKH the benefit of the performance promised” under the Services Contract, and therefore that SKH was indeed a third-party beneficiary.

The key facts about the Services Contract that led the court to that conclusion included the following:

- The Services Contract explicitly referenced SKH’s ownership of the power plant and the Operations and Maintenance Agreement between SNC and SKH, including SNC’s obligations to operate and maintain the power plant for SKH’s benefit.
- SKH had decision-making authority over certain changes to the power plant’s operations that would trigger GE International’s contractual obligations.

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- The Services Contract allowed SKH to act unilaterally in order to limit damages and losses during emergencies.
- SKH had rights to access certain reports that the Services Contract required GE International to prepare, further evidencing SKH's direct interest in the contract's performance.

Because SKH was deemed a third-party beneficiary, the court ruled that its insurers—via subrogation—were also bound by the arbitration clause in the Services Contract. The court distinguished two other federal decisions declining to compel arbitration against third-party beneficiaries where the arbitration clause covered only disputes between the contracting parties.

Delegation of Arbitrability: The Role of ICC Rules

The court then addressed who should decide whether the insurers' and reinsurers' specific claims were subject to arbitration, the courts or the arbitrator. The Services Contract incorporated the International Chamber of Commerce (ICC) arbitration rules, which expressly delegate arbitrability decisions to the arbitrator. Citing its own precedent (*Terminix Int'l Co., LP v. Palmer Ranch Ltd. P'ship*, 432 F.3d 1327 (11th Cir. 2005)), the court found that incorporating the ICC rules was clear evidence that the parties intended to delegate arbitrability decisions to the arbitrator.

This means that the arbitrator, not the court, has to decide which, if any, of the insurers' and reinsurers' claims were subject to arbitration.

Key Implications of the Ruling

Contracts should clearly define whether third parties—such as affiliates, subcontractors, and beneficiaries—are bound by arbitration clauses. Manufacturers, suppliers, and distributors should consider whether they are bound by arbitration clauses in vendor contracts they have not signed but for which they could be deemed third-party beneficiaries—or conversely, whether they wish to enforce an arbitration clause against a third party that has not signed it. The same holds true for parties to large-scale construction and engineering contracts involving agreements between multiple stakeholders. Insurers stepping into the shoes of an insured party will normally be bound by the insured's arbitration obligations, potentially limiting litigation options. And because these issues may depend on which law applies to the arbitration clause, contracts should state that clearly as well.

You can read the court's full opinion [here](#).

The authors are members of Miller Canfield's International Disputes Group. If you'd like to know how this case might impact your business, please contact the authors or your Miller Canfield attorney.