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## When an arbitrator's award is zero, does that ruling preclude a federal court challenge to that decision because it is below the amount required for federal court jurisdiction?

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A recent decision by the Court of Appeals for the Sixth Circuit conclusively answered that question with a clear “no.” The court in *Hale v. Morgan Stanley Smith Barney, LLC*, No. 20-3412, (6<sup>th</sup> Cir. December 15, 2020), found that the jurisdictional minimum had been met, contrary to defendant’s argument that the arbitrator’s award of zero dollars precluded federal court jurisdiction because the “amount in controversy” was less than \$75,000. The lower court had agreed with defendant and had granted its motion to dismiss the complaint (a motion to vacate the unfavorable arbitration award).

On appeal, defendant argued that the lower court was correct and that the arbitrator’s award of zero on Hale’s claims in arbitration precluded the federal court’s consideration of his action to vacate the award. The parties were otherwise subject to federal court diversity jurisdiction. In reliance on *Ford v. Hamilton Inv., Inc.*, 29 F.3d 255 (6<sup>th</sup> Cir. 1994), which found that the amount in controversy requirement had not been met where the plaintiff’s complaint alleged that only the \$30,000 arbitration award should have been vacated. While plaintiff in *Ford* had brought a counter-claim against the defendant in the arbitration in the amount of \$50,000, the plaintiff challenged only the \$30,000 award in the federal court. As a result, the Court of Appeals found that the then \$50,000 amount in controversy had not been met and dismissed the action.

Contrary to the defendant’s argument and reliance on *Ford*, the *Hale* court concluded that when looking to the plaintiff’s “complaint,” Hale had sought \$14.75 million in damages in arbitration. The Court of Appeals, therefore, found that the amount in controversy had indeed been met when looking to the amount **sought** and not the amount of the arbitrator’s actual award. As a result, the Court of Appeals reversed the

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lower court and directed it to address the merits of Hale's action to vacate the arbitration award.

In the end, while it might appear that consideration of the amount in controversy for federal court jurisdiction is a rather straightforward analysis, it can be somewhat complicated by an arbitrator's award below that threshold. That jurisdictional amount is based upon the amount actually sought. That amount should be specifically and plainly stated in order to end up in federal court should that be the ultimate goal in a challenge to an arbitrator's award.

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