DISTRICT COURT RULES USC CANNOT ENFORCE ARBITRATION AGREEMENTS IN BREACH OF FIDUCIARY DUTY SUIT

Munro v. University of Southern California, Cent. Dist. Cal. 2017
Hodgson Russ Newsletter
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Participants in two retirement plans maintained by the University of Southern California ("USC") brought an action for breach of fiduciary duty with respect to those plans. As a condition of employment, the participants were required to execute arbitration agreements, under which the participants agreed that all claims the participants may have against USC would be resolved by arbitration. In response to the participants' action for breach of fiduciary duty, USC sought an order from the district court to compel arbitration in accordance with the terms of the arbitration agreements.

The court first held that ERISA claims are subject to arbitration when the parties have entered into a valid arbitration agreement. However, in the present case, where the participants' action was for breach of fiduciary duty, the participants are treated as suing USC on behalf of the retirement plans, and the retirement plans were not a party to any arbitration agreement with USC. As a result, the court denied USC's motion to compel arbitration.

The court's decision is in line with prior decisions holding that a former employee may bring an action for breach of fiduciary duty with respect to an ERISA plan, even after having entered into a separation agreement and release, in which the employee released any claims he or she may have against the former employer. *Munro v. University of Southern California*, Cent. Dist. Cal. 2017.

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