UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

No. 25-2610

GREG KERR, individually and on behalf of all others similarly situated;
TWILA KERR, individually and on behalf of all others similarly situated;
ROBERT KNOWLES, individually and on behalf of all others similarly situated

v.

GENERAL MOTORS LLC,
Appellant

On Appeal from the U.S. District Court, D. Del.
Judge Richard G. Andrews, No. 1:24-cv-00582

Before: PORTER, MATEY, and AMBRO, *Circuit Judges*
Argued: June 3, 2026; Filed: Aug. 18, 2026

NONPRECEDENTIAL OPINION*

PORTER, *Circuit Judge*.

Robert Knowles bought a General Motors ("GM") car from Bruner Motors, a local dealership. Knowles and Bruner Motors agreed to arbitrate disputes arising from the transaction. But when issues with the car surfaced, Knowles sued GM. He neither named Bruner Motors in the lawsuit nor invoked the sales contract in the operative complaint. GM moved to compel arbitration under the sales contract, but because it was not a signatory, the District Court denied the request. "We are once again confronted with the 'mind-bending issue' of arbitration about arbitration." *Zirpoli v. Midland Funding, LLC*, 48 F.4th 136, 140 (3d Cir. 2022). While we agree with the District Court that Knowles and GM did

* This is not an opinion of the full Court and, under I.O.P. 5.7, is not binding precedent.

not form a valid agreement to arbitrate, we will vacate and remand for the District Court to apply Texas law on direct-benefits estoppel.

I

Knowles is a Texas citizen who bought a new car from Bruner Motors, a GM-authorized Texas dealership. He signed a Retail Installment Sales Contract ("the sales contract") containing an arbitration provision:

> Any claim or dispute, whether in contract, tort, statute or otherwise (including the interpretation and scope of this Arbitration Provision, and the arbitrability of the claim or dispute), between you and us or our employees, agents, successors or assigns, which arises out of or relates to your credit application, purchase or condition of this vehicle, this contract or any resulting transaction or relationship (including any such relationship with third parties who do not sign this contract) shall, at your or our election, be resolved by neutral, binding arbitration and not by a court action.

Joint Appendix ("J.A.") at 202. Knowles also signed a provision agreeing to arbitrate with Bruner Motors:

> By signing below, you agree that, pursuant to the Arbitration Provision on page 5 of this contract, you or we may elect to resolve any dispute by neutral, binding arbitration and not by a court action. See the Arbitration Provision for additional information concerning the agreement to arbitrate.

J.A. at 199. The sales contract defines "'we' or 'us'" as Bruner Motors and "'you' or 'your'" as the purchaser. J.A. at 198. It also expressly disclaims all express and implied warranties. GM is not a signatory to the sales contract.

Three months after buying the car, Knowles took it into the dealership for repairs associated with the fuel pump. According to Knowles, despite Bruner Motors's efforts, the problems persisted.

II

Knowles (together with other plaintiffs) filed a putative class action against GM in the United States District Court for the District of Delaware, asserting claims for fraud by omission or concealment, unjust enrichment, violation of the Magnuson-Moss Warranty Act, breach of consumer protection laws, and breach of express and implied warranties.[1] The lawsuit is based on the alleged manufacture of the vehicles using faulty fuel pumps; it quoted GM's "New Vehicle Limited Warranty" provision, which does not appear in the sales contract.

The District Court granted in part GM's motion to dismiss. It gave Knowles leave to file an amended complaint, which he did. GM moved to compel arbitration. The District Court denied GM's motion because it was not a signatory to the sales contract. GM timely appealed.

III

The District Court had jurisdiction under the Class Action Fairness Act because the amount in controversy "exceeds the sum or value of $5,000,000, exclusive of interest and costs, and is a class action in which . . . any member of a class of plaintiffs is a citizen of a State different from any defendant." 28 U.S.C. § 1332(d)(2). We have jurisdiction under 9 U.S.C. § 1291 and the Federal Arbitration Act ("FAA"), 9 U.S.C. § 16(a)(1)(B), which

[1] Only Knowles's claims are at issue in this appeal. His state-law claims arise under Texas law.

provides that "[a]n appeal may be taken" from an order denying a petition to compel arbitration. *Griswold v. Coventry First LLC*, 762 F.3d 264, 268 (3d Cir. 2014).

"We review *de novo* rulings on motions to compel arbitration." *Gov't Emps. Ins. v. Mount Prospect Chiropractic Ctr., P.A.*, 98 F.4th 463, 467 (3d Cir. 2024). And "[w]e exercise plenary review over legal questions concerning the application and scope of an arbitration agreement." *Gay v. Creditform*, 511 F.3d 369, 376 (3d Cir. 2007). So our review of equitable estoppel arguments in the context of the applicability and scope of arbitration agreements is de novo. *See Griswold*, 762 F.3d at 270; *see also Reeves v. Enter. Prods. Partners, LP*, 17 F.4th 1008, 1011 (10th Cir. 2021) (collecting cases).

IV

A

Arbitration is a matter of contract governed by the FAA, which provides that arbitration agreements are "valid, irrevocable, and enforceable, save upon such grounds as exist at law or in equity for the revocation of any contract." 9 U.S.C. § 2. The FAA "leaves no place for the exercise of discretion by a district court, but instead mandates that district courts *shall* direct the parties to proceed to arbitration on issues as to which an arbitration agreement has been signed." *Dean Witter Reynolds Inc. v. Byrd*, 470 U.S. 213, 218 (1985). So "[w]hen *the parties'* contract delegates the arbitrability question to an arbitrator, a court . . . possesses no power to decide the arbitrability issue. That is true even if the court thinks that the argument that the arbitration agreement applies to a particular dispute is wholly groundless." *Henry Schein, Inc. v. Archer & White Sales, Inc.*, 586 U.S. 63, 68 (2019) (emphasis added).

A delegation clause is essentially a second arbitration agreement in which the parties agree to arbitrate threshold issues concerning the interpretation or scope of a primary arbitration agreement. *Id.* at 65. "[P]arties to a contract may delegate questions of arbitrability to an arbitrator," and if they "clearly and unmistakably make this choice, then district courts generally must send threshold questions of arbitrability to arbitration." *Zirpoli*, 48 F.4th at 138. Typically, "ambiguities about the scope of an arbitration agreement must be resolved in favor of arbitration." *Lamps Plus, Inc. v. Varela*, 587 U.S. 176, 189 (2019). But that principle is not limitless: Because "[a]rbitration is a matter of contract and consent," "disputes are subject to arbitration if, and only if, the parties actually agreed to arbitrate those disputes." *Coinbase, Inc. v. Suski*, 602 U.S. 143, 145 (2024). Courts ultimately make that determination. *See MZM Constr. Co., Inc. v. N.J. Bldg. Laborers Statewide Benefit Funds*, 974 F.3d 386, 397 (3d Cir. 2020) ("The court must resolve those questions even when the answer requires passing judgment on the formation or existence of the . . . contract."). To determine whether the parties agreed, we look to "background principles of state contract law." *Arthur Andersen LLP v. Carlisle,* 556 U.S. 624, 630 (2009).

The arbitration provision in the sales contract, which is governed by Texas law, contains a delegation clause: "[T]he interpretation and scope of this Arbitration Provision, and the arbitrability of the claim or dispute . . . shall, at your or our election, be resolved by neutral, binding arbitration and not by a court action." J.A. at 202. The parties to the sales contract have "clearly and unmistakably ma[d]e this choice," so normally we would "send threshold questions of arbitrability to arbitration." *Zirpoli*, 48 F.4th at 138. But this case is different from *Zirpoli* in a crucial way: The party seeking arbitration—GM—is neither a signatory to the sales contract nor an assignee of a signatory. *See Griswold*, 762 F.3d at 271 ("The presumption in favor of arbitration does not extend, however, to non-signatories to an agreement; it applies only when both parties have consented to and are bound by the arbitration clause."); *Barron v. GM LLC*, No. 25-5696, 2026 WL 1383769, at *5 (E.D. Pa. May 18, 2026) ("There is no agreement between either of the named plaintiffs and GM, and GM is not an assignee. Our conclusion squares with *Zirpoli*." (citation omitted)). There was no clear and unmistakable agreement on delegation between Knowles and GM. And with no agreement between those parties, we need not delegate arbitrability to an arbitrator.

B

So we turn to arbitrability and "apply ordinary state-law principles that govern the formation of contracts." *First Options of Chi., Inc. v. Kaplan*, 514 U.S. 938, 944 (1995); *see also Arthur Andersen*, 556 U.S. at 630. Here, Texas law applies a two-step inquiry that first looks to "the terms of the agreement, which dictate who is actually bound by an arbitration agreement," and second, if that fails, looks to "theories such as equitable estoppel to determine whether a nonsignatory may compel arbitration." *Newman v. Plains All Am. Pipeline, L.P.*, 23 F.4th 393, 398–99 (5th Cir. 2022) (citation modified). The parties do not dispute that GM is not a signatory, and the terms of the sales contract do not dictate that GM is bound, so we turn our attention to equitable estoppel.

Even though Knowles and GM did not form an agreement to arbitrate, "traditional principles of state law" may "allow a contract to be enforced by or against nonparties to the contract through . . . estoppel." *Arthur Andersen*, 556 U.S. at 631 (quotation marks omitted). However, as federal courts applying traditional principles of state law, "we are not free to impose our own view of what state law should be." *Koppers Co., Inc. v. Aetna Cas. & Sur. Co*., 98 F.3d 1440, 1445 (3d Cir. 2021). Our task is "to apply existing state law as interpreted by the state's highest court in an effort to predict how that court would decide the precise legal issues before us." *Id.* "In the absence of guidance from the state's highest court, we must look to decisions of state intermediate appellate courts, of federal courts interpreting that state's law, and of other state supreme courts that have addressed the issue." *Id*.

Under Texas law, equitable estoppel "precludes a party from claiming the benefits of a contract while simultaneously attempting to avoid the burdens that contract imposes." *Van Zanten v. Energy Transfer Partners, L.P.,* 320 S.W.3d 845, 848 (Tex. App. 2010) (quoting *Wash. Mut. Fin. Grp., LLC v. Bailey,* 364 F.3d 260, 267 (5th Cir. 2004)); *see also Lennar Homes of Tex. Land & Constr., Ltd. v. Whiteley*, 672 S.W.3d 367, 377–78 (Tex. 2023) (noting that a signatory cannot sue a nonsignatory under a contract, attempt to derive a benefit, then avoid the terms of the contract). The parties dispute whether equitable estoppel applies under two related theories: (1) intertwined-claims estoppel or (2) direct-benefits estoppel. *See Meyer v. WMCO-GP, LLC*, 211 S.W.3d 302, 306 (Tex. 2006); *Hays v. HCA Holdings Inc.*, 838 F.3d 605, 609–10 (5th Cir. 2016).

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"[T]he Texas Supreme Court has not expressly adopted intertwined claims estoppel as a valid theory of estoppel." *Hays*, 838 F.3d at 610. And although *Hays* concluded "that the Texas Supreme Court, if faced with the question, would adopt intertwined claims estoppel," *id.* at 611–12, Texas courts of appeal are less certain. *See*, *e.g.*, *Glassell Producing Co. v. Jared Res., Ltd.*, 422 S.W.3d 68, 82 (Tex. App. 2014) (describing direct-benefits estoppel as "the only form of equitable estoppel recognized in Texas").

The District Court concluded that intertwined-claims estoppel did not apply because Knowles's claims against non-signatory GM are not "intimately founded in and intertwined with the underlying contract obligations." *See Signal Ridge Owners Assn., Inc. v. Landmark Am. Ins. Co.*, 657 F. Supp. 3d 866, 876 (N.D. Tex. 2023) (citation modified). We will affirm on a different ground. *See KalshiEX, LLC v. Flaherty*, 172 F.4th 220, 229 (3d Cir. 2026) ("We may affirm on any ground supported by the record." (citation modified)). The Texas Supreme Court and an increasing number of Texas courts of appeal have not recognized intertwined-claims estoppel. *See Black v. Diamond Offshore Drilling, Inc.*, 551 S.W.3d 346, 354 (Tex. App. 2018) ("The Texas Supreme Court has not expressly adopted intertwined-claims estoppel as a valid theory of estoppel."); *Newman*, 23 F.4th at 404 (noting that the Texas Supreme Court "declined to decide the question" and "has not changed Texas law"). We will affirm the District Court's conclusion that intertwined claims estoppel does not apply because the Texas Supreme Court would not recognize that form of estoppel if faced with the question.

Unlike intertwined-claims estoppel, the Texas Supreme Court has recognized direct-benefits estoppel in the arbitration context. *See*, *e.g.*, *Meyer*, 211 S.W.3d at 306 (quoting *Grigson v. Creative Artists Agency LLC*, 210 F.3d 524, 527 (5th Cir. 2000)). Direct-benefits estoppel applies when (1) the signatory to a contract containing an arbitration clause asserts claims against a nonsignatory, and (2) "the alleged liability arises from the contract or must be determined by reference to it." *Lennar Homes*, 672 S.W.3d at 377. "When each of a signatory's claims against a nonsignatory makes reference to or presumes the existence of the written agreement, the signatory's claims arise out of and relate directly to the written agreement, and arbitration is appropriate." *Meyer*, 211 S.W.3d at 306. A claim that depends on the existence of the contract must "be unable to stand independently without the contract." *Lennar Homes*, 672 S.W.3d at 377 (quoting *G.T. Leach Builders, LLC v. Sapphire V.P., LP*, 458 S.W.3d 502, 527–28 (Tex. 2015)).

Here, Knowles is a signatory to a contract containing an arbitration clause (i.e., the sales contract) and he asserted claims against GM, a nonsignatory to that agreement. So the first prong is satisfied. But it is less clear whether, under the second prong, the alleged liability arises from the contract or must be determined by reference to it.

On one hand, Knowles's allegations concerning an allegedly faulty fuel pump and the manufacturer's warranty do not appear to arise from or require determination by reference to the sales contract. The sales contract does not place any obligations on GM, GM did not sign it, and GM has no express rights or duties under it. *See Jody James Farms, JV v. Altman Grp., Inc.*, 547 S.W.3d 624, 638 (Tex. 2018) (rejecting direct-benefits arguments when the contract "does not impose any duties or obligations on the [nonsignatory]").

But on the other hand, the Texas Supreme Court has suggested that implied warranty claims arise from an underlying sales contract. *Lennar Homes*, 672 S.W.3d at 379–80. The sales contract "d[id] not affect any warranties covering the vehicle that the manufacturer may provide." J.A. at 198. Moreover, any warranties "move[d] with the [allegedly defective vehicle Knowles purchased from middleman Bruner]," and secondary purchasers like Knowles need not be in privity of contract to assert an implied warranty of merchantability claim against an original manufacturer like GM. *See MAN Engines & Components, Inc. v. Shows*, 434 S.W.3d 132, 137–38 (Tex. 2014). On that theory, it is possible that Knowles's implied warranty of merchantability claim against GM can be determined by reference to the sales contract such that GM can compel Knowles to arbitrate under the doctrine of direct-benefits estoppel.

The District Court did not address direct-benefits estoppel. "We ordinarily decline to consider issues not decided by a district court, choosing instead to allow that court to consider them in the first instance." *Forestal Guarani S.A. v. Daros Int'l, Inc.*, 613 F.3d 395, 401 (3d Cir. 2010). We will therefore vacate and remand for the District Court to consider whether "the alleged liability arises from the contract or must be determined by reference to it." *Lennar Homes*, 672 S.W.3d at 377. If Knowles's implied warranty of merchantability claim against GM arises from the sales contract or must be determined by reference to it, equitable estoppel applies. Otherwise, GM cannot avail itself of the doctrine.

* * *

For the foregoing reasons, we will vacate and remand for further proceedings consistent with this opinion.[2]

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[2] Judge Matey would reverse as the question of arbitrability must be decided in arbitration. "Under the FAA, a court first 'determines whether a valid arbitration agreement exists.'" *Henry Schein, Inc. v. Archer & White Sales, Inc.*, 586 U.S. 63, 69 (2019). All acknowledge an arbitration agreement exists between Knowles and Bruner Motors, the GM dealership where Knowles bought his vehicle. And there is no dispute the arbitration agreement also delegates questions surrounding arbitrability. That is all we need to decide this matter. The plaintiffs allege that the defect was in the "exclusive and superior possession of GM and its network of authorized dealerships," Joint Appendix ("J.A.") at 232, entities alleged to "represent themselves to the public, as exclusive . . . representatives and agents," J.A. at 247. The only issue is whether those claims, and GM's relationship to Bruner Motors, trigger the delegation clause in the arbitration agreement, and we must avoid "answering the very question needed to determine the merits" of a motion to compel arbitration by deciding whether a delegation clause is enforceable by a non-signatory. *Zirpoli v. Midland Funding, LLC*, 48 F.4th 136, 142–43 (3d Cir. 2022).