What's in a Contract?

The U.S. Eighth Circuit Court of Appeals recently reversed a Minnesota federal district court and vacated an arbitration award based upon the arbitrators "exceeding" their "authority." Although this is a business arbitration, the effect and rationale of the ruling apply across the board to arbitrations, including construction arbitrations.

Michael Lindell, the "My Pillow Guy," through his company, Lindell Management LLC (LMC), challenged the legitimacy of the 2020 presidential election. LMC organized a "Cyber Symposium" offering a prize: "LMC advertised a 'Prove Mike Wrong Challenge' in which contestants would attempt to '[f]ind proof that this cyber data is not valid data from the November Election. For the people who find the evidence, 5 million [dollars] is their reward.'"

Robert Zeidman, an experienced software developer, took on the challenge after being vetted and signing the official rules. He was provided with 11 data files by LMC, which were claimed to be from the November 2020 election. After a thorough review, Zeidman submitted a detailed report concluding that the data "unequivocally does not contain packet data of any kind and do[es] not contain any information related to the November 2020 election." Despite his findings, the challenge judges denied his claim for the reward, asserting that Zeidman had not provided sufficient proof.

Zeidman filed for arbitration per the official rules of the contest. The arbitration panel, after a three-day hearing, unanimously found in favor of Zeidman, concluding he had indeed won the Challenge and ordering payment of $5 million. The panel determined that the data had to be "packet capture data" to be considered "from the election," despite this term not appearing in the official rules.

However, the Eighth Circuit found that the arbitration panel exceeded its authority under the Federal Arbitration Act (FAA). The key issue was the panel's use of extrinsic evidence to interpret what it acknowledged were unambiguous contract terms. The panel's conclusion that for data to be considered "related to the November 2020 election," it had to be "packet capture data" added a requirement not present in the plain language of the official rules.

By introducing a requirement not found in the official rules, the panel effectively amended the contract, which (under Minnesota law) was beyond its powers as arbitrators. Even though the appellate court acknowledged that, "'[A]s long as the arbitrator is even arguably construing or applying the [agreement] and acting within the scope of his authority, that a court is convinced he committed serious error does not suffice to overturn his decision (with reference to *Associated Elec. v. Int'l Bhd. of Elec. Workers*, 751 F.3d 898, 901 (8th Cir. 2014), and *United Paperworkers Int'l Union v. Misco, Inc.*, 484 U.S. 29 (1987) …an arbitrator may not ignore the plain language of the contract or impose his own notions of 'industrial justice.'"

Zeidman v. Lindell Mgmt. LLC, 2025 U.S. App. LEXIS 18233 (8th Cir. July 23, 2025)