**Decision Tree for Extending Arbitration Clause to Third Parties**

| **Step** | **Question** | **Code** | **Answer** | **Sub-Code** | **Action** |
| --- | --- | --- | --- | --- | --- |
| 1 | Is there an attempt to extend the arbitration clause to a third party? | E1 | No | E1.1 | End process (No need to consider third-party extension). |
|  |  |  | Yes | E1.2 | Proceed to Step 2. |
| 2 | Is the third party a clear beneficiary or closely related to the contract (e.g., parent company, subsidiary, guarantor)? | E2 | No | E2.1 | Third party is likely not covered by the arbitration clause. End process. |
|  |  |  | Yes | E2.2 | Proceed to Step 3. |
| 3 | Does the contract explicitly mention the third party or allow for their inclusion under the arbitration clause? | E3 | Yes | E3.1 | High likelihood that the arbitration clause can be extended to the third party. End process. |
|  |  |  | No | E3.2 | Proceed to Step 4. |
| 4 | Is there a legal doctrine or principle in the relevant jurisdiction that allows for non-signatories to be bound by arbitration clauses (e.g., estoppel, agency, group of companies doctrine)? | E4 | No | E4.1 | Extension of the arbitration clause to the third party is unlikely. End process. |
|  |  |  | Yes | E4.2 | Proceed to Step 5. |
| 5 | Has the third party participated in or benefited from the contract in a manner that suggests acceptance of the arbitration clause (e.g., invoking contract terms, receiving benefits)? | E5 | No | E5.1 | Without participation or benefit, extending the arbitration clause to the third party is unlikely. End process. |
|  |  |  | Yes | E5.2 | Proceed to Step 6. |
| 6 | Has the third party engaged in actions that would invoke the principle of estoppel, preventing them from denying the applicability of the arbitration clause? | E6 | No | E6.1 | Proceed to Step 7. |
|  |  |  | Yes | E6.2 | The third party may be bound by the arbitration clause under the principle of estoppel. End process. |
| 7 | Is there an ongoing legal or arbitration proceeding where the extension of the arbitration clause to the third party has been raised? | E7 | No | E7.1 | Without an explicit proceeding or ruling, the extension of the arbitration clause remains uncertain. End process. |
|  |  |  | Yes | E7.2 | The decision may hinge on the tribunal or court’s interpretation of relevant facts and legal principles. End process. |

**Summary of Outcomes**

| **Step** | **Outcome** |
| --- | --- |
| **E1.1** | No need to consider third-party extension. End process. |
| **E1.2** | Proceed to evaluate the third party’s relationship to the contract. |
| **E2.1** | Third party is likely not covered by the arbitration clause. End process. |
| **E2.2** | Proceed to assess whether the contract explicitly mentions the third party. |
| **E3.1** | High likelihood that the arbitration clause can be extended to the third party. End process. |
| **E3.2** | Proceed to assess whether a legal doctrine allows for third-party inclusion. |
| **E4.1** | Extension of the arbitration clause to the third party is unlikely. End process. |
| **E4.2** | Proceed to assess whether the third party has participated in or benefited from the contract. |
| **E5.1** | Without participation or benefit, extending the arbitration clause to the third party is unlikely. End process. |
| **E5.2** | Proceed to assess whether the third party’s actions invoke the principle of estoppel. |
| **E6.1** | Proceed to assess whether there is an ongoing legal or arbitration proceeding. |
| **E6.2** | The third party may be bound by the arbitration clause under the principle of estoppel. End process. |
| **E7.1** | Without an explicit proceeding or ruling, the extension of the arbitration clause remains uncertain. End process. |
| **E7.2** | The decision may hinge on the tribunal or court’s interpretation of relevant facts and legal principles. End process. |

**Key Considerations for Each Step:**

1. **Scope of Clause**: A narrow arbitration clause (e.g., specific to named parties) would not generally extend to third parties. A broad or generic clause is more likely to be interpreted as including third parties, depending on context.
2. **Explicit Mention**: If the clause specifically names or implicitly includes third parties (like affiliates or successors), it strengthens the case for extension.
3. **Legal Framework**: Different jurisdictions have varied rules on extending arbitration clauses. In some jurisdictions, third parties can be bound by arbitration clauses through certain legal doctrines, such as the principle of "privity of contract."
4. **Relationship Between Third Party and Signatory**: The closer the relationship between the third party and a signatory (e.g., in the case of subsidiaries or affiliates), the more likely it is that a court or arbitral tribunal might extend the clause.
5. **Consent**: The third party must either explicitly agree to the arbitration clause or, through conduct (such as participating in negotiations or performance of the contract), be deemed to have accepted the clause.
6. **Jurisdictional Law**: Some jurisdictions may have laws that prevent third parties from enforcing arbitration clauses, so this step would evaluate local laws that may or may not allow such enforcement.
7. **Precedents**: Past cases where similar third-party extension of arbitration clauses has been upheld can provide persuasive evidence in favor of extending the clause.