

Georgia Court of Appeals Clarifies the Interpretation of Causal Language in Arbitration Clauses

What does it mean to say that a claim “arises out of” a contract? Standard contracts often include clauses that require the parties to resolve disputes arising out of the contract through some type of alternative dispute resolution (e.g., mediation or arbitration). This can be an efficient and cost-effective alternative to litigation, unless the parties disagree on what qualifies as an arbitrable claim. In its recent opinion in *Georgia Kenworth, LLC v. Smith*, the Georgia Court of Appeals weighed in on the meaning of “arising out of” in the context of arbitration clauses.¹ The underlying case involved the alleged theft of a dump truck from a mechanic shop where the truck’s owner had taken it for repairs. When the owner left the truck at the mechanic shop, he signed a repair order that included an arbitration clause wherein the parties agreed to arbitrate “[a]ny controversy or claim arising out of or relating to this Order[.]”

Following the alleged theft of the truck, the owner filed a lawsuit against the mechanic shop, alleging claims for failure to use ordinary care for the safekeeping and return of an automobile, failure to provide adequate security and negligence. In response, the mechanic shop filed a motion to dismiss or, in the alternative, compel arbitration based on the arbitration clause in the repair order. Despite the plain language of the repair order, the trial court denied the mechanic shop’s motion. After granting an interlocutory appeal, the Georgia Court of Appeals remanded the case to the trial court with instruction to analyze whether the owner’s claims arose from or related to the repair order. The trial court again denied the motion, and the mechanic shop appealed a second time.

In its June 29, 2026 opinion, the court of appeals reversed the trial court’s denial, clarifying that the term “arising out of” as used in contracts (including arbitration clauses) “does not mean proximate cause in the strict legal sense[.]” but that instead “almost any causal connection or relationship will do.” Reasoning that the mechanic shop only had possession of the truck because of the repair order, the court of appeals ruled these circumstances satisfied the “slight causal connection” required for the owner’s claims to be governed by the arbitration clause.

Declining to adopt the owner’s argument that would limit the causal language to its most narrow interpretation, the court’s reasoning in this opinion focused on interpreting and applying the plain language of the arbitration clause to reach a result consistent with that language. The opinion underlines the importance of clear, unambiguous language in arbitration clauses and the utility of arbitration clauses as an efficient means of avoiding unnecessary litigation.

¹ *Georgia Kenworth, LLC v. Rocky Smith*, Case No. A26A0645 (Ga. App. June 29, 2026).