



Court Reinforces Contractual Remedies in Honeywell–SATEC Contamination Litigation

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Honeywell and SATEC settled prior environmental contamination litigation in 2009 through a settlement agreement that required Honeywell to remediate SATEC’s property and obtain a “No Further Action” letter from the New Jersey Department of Environmental Protection. The settlement agreement provided for cost-sharing up to \$2 million, with Honeywell responsible for paying approved remediation costs above that amount. It granted Honeywell responsibility for managing the remediation, along with access rights for investigation and remediation activities, and required arbitration of disputes concerning approved costs and the manner in which the remediation was performed. Honeywell maintained it had reached the \$2 million threshold in approximately 2022, but at that point, SATEC “began attempting to renegotiate the agreement by preventing Honeywell from accessing the site to complete the cleanup, which has impeded Honeywell’s efforts to complete the remediation and caused Honeywell to miss DEP’s regulatory and mandatory remediation deadlines.”

In February 2025, Honeywell filed an order to show cause seeking access to the property to install wells and conduct groundwater injections pursuant to the New Jersey access statute, N.J.S.A. 58:10B 16. In May 2025, Union County Judge Robert J. Mega denied Honeywell’s motion to amend its complaint without prejudice and stayed the case, pending the result of arbitration before retired New Jersey Superior Court Judge Mark Epstein. Simultaneously, Judge Mega denied SATEC’s motion to have certain claims transferred to arbitration, in accordance with the settlement.

On appeal, the issue was whether the parties’ disputes belonged in arbitration or in court. Section 2.4 of the settlement agreement expressly mandates arbitration for disputes concerning the amount of the approved costs of remediation but is silent as to other disputes. Section 3.2 of the agreement provides that disputes regarding remediation decisions are subject to arbitration both

before costs exceed two million dollars, when SATEC must not unreasonably withhold its consent to the manner of remediation, and after costs exceed \$2 million, when Honeywell's remediation decisions must satisfy a reasonableness standard. SATEC argued that Section 3.2 expressly reserves those issues for arbitration. Honeywell argued that Section 2.4 contained a narrow arbitration clause limited to approved costs and that, in any event, N.J.S.A. 58:10B 16 and N.J.A.C. 7:26C 8.2 entitled it to access and to conduct the remediation without regard to SATEC's objections.

The parties specifically disagreed over whether arbitration was required to determine how the amount of approved costs affected the analysis; whether SATEC unreasonably withheld consent to the proposed remediation methods; and whether Honeywell's remediation decisions were subject to a reasonableness standard.

The appellate court concluded that while Section 2.4 clearly requires arbitration of disputes over approved remediation costs, the settlement agreement also requires arbitration of disputes concerning Honeywell's management of the remediation. The court explained that Section 3.2 could not reasonably be read as merely restating the obligation to arbitrate cost disputes, because doing so would render its distinct arbitration language meaningless. Instead, the plain language of Section 3.2 requires arbitration of broader disputes, including whether SATEC unreasonably withheld consent and whether Honeywell's remediation decisions satisfied the contractually required reasonableness standard. The court found that the parties intended these disputes to be arbitrated. It therefore concluded that arbitration applied to: (1) approved remediation costs; (2) SATEC's consent for costs below \$2 million; and (3) the reasonableness of Honeywell's plans for costs above \$2 million.

Finally, the court rejected Honeywell's argument that New Jersey law independently entitled it to access the property without regard to the settlement agreement. While N.J.S.A. 58:10B 16 and N.J.A.C. 7:26C 8.2 authorize court intervention when a property owner denies access and the parties cannot reach agreement, nothing in those provisions permits a responsible party to disregard contractual limitations or bypass agreed upon dispute resolution

mechanisms. The court therefore held that Honeywell remained bound by the terms of the settlement agreement.

The decision emphasizes that contractual dispute resolution mechanisms will govern remediation conflicts in the face of statutory remedies, reinforcing that parties cannot invoke remediation statutes and regulations to circumvent binding settlement obligations. Moreover, deteriorating relationships in long-term cleanup arrangements can produce costly procedural disputes that delay remediation and jeopardize regulatory compliance. Overall, the decision highlights the need for careful drafting and active dispute management, since settlement terms are likely to define the scope of parties' rights and remedies for many years.

For more information about these proceedings and their potential implications for your business, please contact the author or any member of our [Environmental](#) practice group.

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