

New York Court Rejects Challenge To Arbitral Award Claiming Bias and Manifest Disregard of Law

March 2, 2012 by [Louis M. Solomon](#)

[*In the Matter of the Arbitration of Certain Controversies Between Seaside Heights Ltd., et al. against RHS Ventures*](#) (GP) CA, Ltd., et al., Index No. 600899/2010 (N.Y. Sup. Ct. 2011), addresses issues facing the international dispute practitioner seeking to avoid an arbitral award under New York law.

The grounds for vacatur included 1) bias by reason of allegedly material nondisclosures in the disclosures made by the arbitrators concerning relationships with the parties, 2) manifest disregard of law, and 3) newly discovered evidence. The Court rejected all three grounds.

As a general matter, the Court held that the challenging petitioners needed to establish that an appearance of partiality existed, was unknown to respondents due to an undisclosed relationship, and prejudiced them. “[W]here relationships or prior contacts are undisclosed by the arbitrator, there is no ‘per se rule requiring vacatur’ of the award” . Peripheral, superficial or insignificant relationships or contacts are not sufficient.

On the manifest disregard claim, the Court noted the similarities between state and federal grounds for vacatur but also said that, “[a]bsent provision in the arbitration clause itself, an arbitrator is not bound by principles of substantive law or by rules of evidence” and that “an award will be upheld so long as there is even a ‘barely colorable justification for the outcome reached’”. On this standard the Court upheld the award.

On the subject of newly discovered evidence, the Court held, simply, that “[n]ewly discovered evidence is not a ground for vacatur of an arbitral award”. The Court went on to consider, and reject, the new evidence.

Finally, the Court awarded sanctions to the party opposing the motion to vacate. It is not clear precisely what motivated the Court here; the Court appeared to find all the criteria of NY CRR 130-1.1 met, which include frivolous conduct, “defined as: conduct without legal merit; conduct undertaken primarily to delay or prolong the litigation or to harass or maliciously injure another; or...

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