





Choose New York Law For International Commercial Transactions

WHY CHOOSE NEW YORK LAW:

Clear, Well-Developed Commercial Contract Law that Respects Party Autonomy and Freedom of Contract

Rules of Contract Interpretation that Conform to Party Expectations

Adherence to International Treaties and Commercial Standards

Enforcement of Contractual Limits on Damages

Deference to Party Choice in Allocation of Attorneys' Fees

Sophisticated Courts Accessible to Foreign Parties

Reliable and Prompt Enforcement of

- Arbitration Clauses
- Arbitral Awards
- Foreign Court Judgments

Effective Provisional Remedies in Aid of Arbitration

Protection of Security Interests





What a genuine pleasure it is for me to introduce this new State Bar publication, Choose New York Law for International Commercial Transactions, on a subject of great importance to New York and to its courts.

In my dual capacity as Chief Judge of the State of New York (a Chief Executive Officer role) and Chief Judge of the State's highest court, the Court of Appeals (a judicial role), it is a source of pride and satisfaction that New York law enjoys widespread recognition in the global business community as a sound basis for governing cross-border relationships and transactions.

Since New York City's founding as New Amsterdam in the 1600's, New York has functioned as a center for international trade and commerce. This cosmopolitan tradition has borne fruit in many ways, including in the development of a comprehensive body of commercial law that is balanced, stable, predictable and respectful of party autonomy. New York's role as an international center also has fostered the development of a judiciary that is mindful of the special needs and considerations of international business. These propositions are amply illustrated in the ensuing pages.

The role of New York in private international law and business is further reflected, I might add on a more personal note, by the fact that my immediate predecessor as Chief Judge, Judith S. Kaye, now chairs the New York International Arbitration Center, a center for the study and promotion of international arbitration as well as a world-class arbitration facility. Just as New Yorkers place great value on being able to provide a source of law conducive to international commerce, New York continues to excel as a welcoming crossroads of the world.

Jonathan Lippman, *Chief Judge of the State of New York*

Welcome to New York, a global city unmatched in our vibrant culture and unparalleled diversity that is spread across all five of our boroughs. Whether New Yorkers are launching companies, championing new ideas, or welcoming millions of visitors each year, our city prides itself on the passion of our people, the talent of our residents, and the ways we embrace those from around the world. Our experienced legal professionals of every background have developed a body of law that is well suited to international contracts and commerce, and this brochure will reveal the many reasons why you should choose New York City.

Bill de Blasio, Mayor of New York City



Introduction

New York law, often selected as the governing law in international commercial transactions, stands in the great tradition of the common law with its emphasis on stability, predictability and incremental development of legal standards in their factual context. New York law emphasizes respect for the contractual choices of private parties and, at the same time, the mutual responsibilities and duty of candor in business relationships. New York law recognizes the obligation of good faith in performance of contracts but does not impose extra-contractual requirements that broadly expand or restrict the scope of lawful agreements.

New York courts will enforce an express choice of New York law as the law governing a commercial contract if the controversy satisfies a minimal value threshold even in the absence of any other connection to New York.

New York courts make themselves available for resolution of disputes that meet a threshold requirement as to the amount in controversy even if the parties have no connection to New York State other than their designation of New York as the forum and New York law as the law governing the contract.

New York law makes no distinction and shows no preference for any type of party, whether large or small, local or foreign in national origin.

A choice of New York as the law governing a contract does not require litigation or arbitration of any resulting dispute in the courts of New York.

New York courts enforce the choice of commercial parties to resolve disputes through arbitration seated in New York or elsewhere.

New York offers a broad array of arbitrators, including multi-lingual arbitrators experienced in New York jurisprudence and in international arbitral standards and procedures. New York's arbitrators also make themselves available to serve on tribunals located elsewhere. New York offers mediators with extensive experience both in international commercial transactions and in the settlement of cross-border disputes.

International business parties can expect a sophisticated approach to international commercial contracts when they choose New York law to govern their contracts. When they elect to pursue contract disputes in New York courts or before New York arbitrators, commercial parties also can expect to benefit from a decision that is made by professionals who have deep knowledge of New York law as well as an appreciation of international commercial practice and culture.

This brochure highlights some of the benefits of choosing New York substantive law to govern cross-border business relationships and commercial transactions.



New York has an Established Commercial Law **Equipped to Deal with Cross-Border Relationships** and Transactions

New York is widely recognized as having an established, well-developed commercial law equipped to deal with crossborder relationships and transactions. The pre-eminence of New York commercial law rests on New York's long-standing role as a major business and financial center as well as the fact that so many parties, whether or not based in New York, choose New York law as the law governing their commercial agreements.

New York State's legislature and the New York Court of Appeals, the state's highest court and most authoritative source of New York decisional law, have developed New York law with the policy in mind of ensuring stability and predictability in commercial transactions. Published judicial decisions clearly articulate established law on which businesses can rely in their commercial dealings.

New York law is highly predictable on matters of interest to the international business community and offers specialized jurisprudence in such fields as banking and finance, cross-border transactions, and long-term exclusive dealings contracts.

New York Law Respects Freedom of Contract and Party Autonomy

New York places few limits on the ability of parties to structure their business relationships in negotiated agreements between commercial parties. New York enforces parties' choice of New York law in contracts that bear no connection to New York other than the choice of governing law.

Parties to commercial contracts who chose the law of New York are free to allocate contractual risk between or among them as they may consider appropriate under the circumstances.

New York is a financial capital of the world, serving as an international clearinghouse and marketplace for a plethora of international transactions, such as to be so recognized by our decisional law. . . In order to maintain its preeminent financial position, it is important that the justified expectations of the parties to the contract be protected.

J. Zeevi and Sons, Ltd. v. Grindlays Bank (Uganda) Limited, 37 N.Y.2d 220, 227 (N.Y. 1975) (New York's high-

An empirical study published by Professors Theodore Eisenberg and Geoffrey Miller concludes that New York is the favored choice of law in contracts of sufficient significance to be included in corporate securities filings.

Eisenberg & Miller, The Flight to New York: An Empirical Study of Choice of Law and Choice of Forum Clauses in Publicly-Held Companies' Contracts, 30 CARDOZO L. REV. 1475, 1478 (2009). In a companion article, Professors Eisenberg and Miller observe that New York attracts contracts by offering a menu of substantive rules that are desired by the contracting parties and by providing prompt, efficient, and reliable procedures and institutions for resolving disputes.

Miller & Eisenberg, The Market for Contracts, 30 CARDOZO L. REV. 2073, 2073-74 (2009).



New York Offers A Stable, Well-Developed, Body of Contract Law

New York offers a well-established body of law that provides a reliable platform for commercial transactions and adjudicating business disputes.

New York Law Adheres to International Commercial Standards

New York law reflects a deep appreciation of the importance of predictability and consistency in international trade and commerce. New York law permits consideration of international custom and practice in resolving disputes arising from cross-border transactions. New York also has a tradition of adapting its legislation to international trade custom and practice. No jurisdiction better appreciates the value of uniform trade standards in minimizing uncertainty in the cross-border context.

New York Recognizes Third-Party Beneficiary Rights Under Precisely Defined Circumstances

New York law has had a long tradition of affording a non-party to a contract an opportunity to pursue claims as an intended beneficiary under the contract in question, especially when (i) a valid and binding contract exists, (ii) the third party was an intended beneficiary of the contract, (iii) the parties did not expressly preclude third-party enforcement rights, and (iv) the benefit claimed is sufficiently immediate as to indicate that the contracting parties otherwise intended that the beneficiary be compensated if it should lose the benefit in question. In such cases, the third-party beneficiary's rights are subject to the same limitations and defenses as the corresponding rights of a contracting party.

New York's highest court refuses to impose a duty that was not fairly fixed in the applicable statute because it would upset the preference for definiteness, regularity and predictability in commercial dealings underlying the statute and case law precedents.

Fleet Factors Corp. v. Bandolene Indus. Corp., 86 N.Y.2d 519, 527 (N.Y. 1995).

New York's highest court recognizes the importance of letters of credit in international trade and finance and acknowledges that various international model laws had been developed to govern their use.

Nissho Iwai Eur. v. Korea First Bank, 99 N.Y.2d 115, 120 (N.Y. 2002).



The United States is a Party to Relevant International Treaties

New York enjoys the benefits of free trade agreements between the United States and many countries as well as numerous bilateral investment and multilateral treaties intended to stimulate the market and protect private investment. The multilateral treaties include the United Nations Convention on Contracts for the International Sale of Goods ("CISG"), the 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention"), the Inter-American Convention on International Commercial Arbitration (the "Panama Convention"), the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (the "Madrid Protocol"), and the Convention on International Interests in Mobile Equipment and Protocol Thereto on Matters Specific to Aircraft Equipment (the "Cape Town Convention and Aircraft Protocol").

New York courts are familiar with and consistently and impartially enforce the treaties ratified by the United States. Where international conventions do not exclusively govern the relevant legal issue, New York courts decide issues consistent with sound canons of interpretation and the rule of law in light of principles of international comity.

In cross-border disputes subject to arbitration, New York courts will apply widely accepted international arbitration standards unless the contracting parties have adopted in their agreement to arbitrate language that refers to domestic U.S. or New York State procedure.

New York Law Adheres Closely to the Terms of Parties' Written Agreements

New York contract law favors written expressions of commercial agreements and carefully adheres to the written terms of the agreements to which the parties have voluntarily agreed.

New York law requires that a written agreement be interpreted in accordance with its written terms. When the language of an agreement is clear, New York law does not allow consideration of prior agreements or other extrinsic evidence. Evidence beyond the actual contract language may be considered in interpreting an agreement, but only in the limited circumstance in which the relevant provisions are so ambiguous that they do not allow a reasonable interpretation based only on the express terms. In this way, New York balances the need for predictability in business relations, based on the express language of commercial contracts, with due regard for the commercially reasonable expectations of the parties.

New York federal courts broadly recognize that concerns of international comity, respect for the capacities of foreign and transnational tribunals, and sensitivity to the needs of the international commercial system for predictability in the resolution of disputes require that we enforce the parties' agreement, even assuming that a contrary result would be forthcoming in a domestic context.

Develop. Bank of the Philippines v. Chemtex Fibers Inc., 617 F. Supp. 55, 57 (S.D.N.Y. 1985) (federal district court in Manhattan).

The large majority of common law courts, led by New York, continue to follow the traditional approach to interpretation, which embodies a hard parol evidence rule, retains the plain meaning rule, gives presumptively conclusive effect to merger clauses, and, in general, permits the resolution of many interpretation disputes by summary judgment.

Alan Schwartz & Robert E. Scott, Contract Interpretation Redux, 119 THE YALE LAW JOURNAL 926, 932 (2010).



New York Law Recognizes A Duty of Good Faith and Fair Dealing in Contractual Performance

New York contract law protects the fruits of a party's bargain by recognizing a duty of good faith and fair dealing in the course of contract performance.

New York law imposes on contracting parties the obligation to fulfill their contractual obligations in good faith. The duty of good faith and fair dealing may apply in the absence of a technical breach if the performance in question deprives the other party of the benefit of its bargain.

Where a contract contemplates the exercise of discretion, a duty not to act arbitrarily or irrationally in the exercise of discretion is implied.

New York courts will consider the parties' reasonable expectations within the prevailing commercial context in order to fulfill the original objectives of the contract.

New York Law Allows the Parties to Limit Damages

In contracts between commercial parties governed by New York law, contractual provisions that limit the amount of awardable damages or that exclude entirely the possibility of any award of indirect, consequential, exemplary or punitive damages, are generally valid. New York courts routinely enforce limitation of liability clauses in such agreements because they are reluctant to disturb the balance established in commercial agreements.

New York Law Allows Business Parties to Waive Jury Trials

Commercial parties are free, under New York law, to vary certain New York procedural laws and practices. For example, parties may waive their right to a jury trial, provided that the waiver is clear and unambiguous.

A familiar and eminently sensible proposition of law is that, when parties set down their agreement in a clear, complete document, their writing should as a rule be enforced according to its terms. Evidence outside the four corners of the document as to what was really intended but unstated or misstated is generally inadmissible to add to or vary the writing. That rule imparts stability to commercial transactions . . .

W.W.W. Assocs. V. Giancontieri, 77 N.Y.2d 157, 162 (N.Y. 1990) (New York's highest court).

In New York, all contracts imply a covenant of good faith and fair dealing in the course of performance. This covenant embraces a pledge that neither party shall do anything which will have the effect of destroying or injuring the right of the other party to receive the fruits of the contract.

511 W. 232nd Owners Corp. v. Jennifer Realty Co., 98 N.Y.2d 144, 153 (N.Y. 2002) (New York's highest court).

New York Law Allows the Parties to Decide How to Allocate Attorneys' Fees in the Event of Disputes

Similarly, New York law allows business parties to provide for the shifting of attorneys' fees in connection with the litigation or arbitration of contractual disputes. If the parties to a negotiated commercial contract expressly agree in writing to shift such fees to the prevailing party, the agreement will be enforced even though it is inconsistent with the so-called American rule. In an arbitration arising from a contract governed by New York law, fee-shifting will be allowed if the parties so provide either in the express language of their contract or by incorporating arbitral rules that provide for the shifting of fees.

The ability of the parties to make their own decisions regarding the allocation of attorneys' fees distinguishes New York law from the law of a number of other global commercial centers where local law presents obstacles to any variance from the local fee-shifting rules.

New York Courts Are Accessible to Foreign Parties

The ability of a foreign corporation to commence a legal proceeding in the courts of New York State is subject to very few limitations. So long as a foreign corporation has not been conducting unauthorized business in New York, it needs to satisfy only certain minimal requirements for the establishment of jurisdiction, and to satisfy forum non conveniens considerations.

Moreover, even where New York otherwise might be considered an inconvenient forum, for controversies involving amounts in excess of a statutory threshold, if the agreement in question provides for the application of New York law and for the choice of New York as the forum, and if the foreign party contractually agrees to submit to the jurisdiction of the New York courts, New York will provide a forum to the foreign party.

There exists a strong presumption favoring enforcement of freely negotiated choice of forum provisions, and a litigant must make a strong showing to overcome this presumption A contractual provision specifying in advance the forum in which disputes shall be litigated is an almost indispensable precondition to achievement of the orderliness and predictability essential to any international business transaction.

Mastec Latin Am. v. Inepar S/A Industrias E Construcoes, 2004 U.S. Dist. LEXIS 13132, 11-12 (S.D.N.Y. 2004) (federal district court in Manhattan).

Enforcement of forum selection clauses provides certainty and predictability in resolving disputes, particularly those involving international business agreements.

Premium Risk Group, Inc. v. Legion Ins. Co., 741 N.Y.S.2d 563 (2d Dep't 2002) (intermediate state appellate court).





New York Law Respects Parties' Choice of Arbitration

The highest court of the State of New York has repeatedly emphasized New York's "long and strong public policy in favor of arbitration," and has emphasized how important it is that "New York courts interfere as little as possible with the freedom of consenting parties to submit disputes to arbitration." *Stark v. Molod Spitz DeSantis & Stark, P.C.*, 9 N.Y.3d 59, 66 (N.Y. 2007).

The Supreme Court of the United States has been steadfast in enforcing the equally pro-arbitration federal law and policy that apply to all disputes in which commercial parties have agreed to arbitrate and the disputed transaction is linked to interstate or foreign commerce. See Scherk v. Alberto-Culver Co., 417 U.S. 506 (1974); Citizens Bank v. Alafabco, Inc., 539 U.S. 52 (2003).

Consequently, commercial parties who choose arbitration seated in New York or elsewhere may do so tranquil in the knowledge that New York state and federal courts enforce such arbitration agreements.

New York Enforces Arbitral Awards and Foreign Judgments

The New York Convention establishes that commercial arbitral awards issued in any of the 150 countries that have ratified the New York Convention can be enforced in the United States. The Panama Convention provides similar protection for awards issued in any of the 19 signatory nations in Latin America.

New York courts enforce foreign arbitral awards on a regular basis, in part because New York is a global commercial center, and in equal measure because the international conventions to which the United States is a party are binding upon and familiar to the New York courts assigned to rule on petitions for enforcement of arbitral awards. The existence of assets in New York may provide a sufficient basis for confirmation and enforcement of an arbitral award.

New York also has enacted a version of the Uniform Foreign Country Money-Judgments Recognition Act that requires New York courts to recognize and enforce the monetary judgments of foreign courts, excepting judgments in the areas of tax, penal, and family law.

The question whether a New York court has personal jurisdiction over a judgment debtor is immaterial to recognition and enforcement of a foreign judgment where the debtor has been afforded due process and where the requirement of some jurisdictional nexus would unduly protect the debtor by enabling the debtor to escape the judgment of the rendering court. New York law also provides turn-over orders for delivery into the State of assets located outside New York, even if the debtor is not subject to jurisdiction in New York, so long as the garnishee is subject to personal jurisdiction in New York.

New York ranks among the national leaders in endorsing arbitration agreements. New York was the first American state to legalize pre-dispute arbitration clauses; its arbitration act, adopted in 1920, was the model for the Federal Arbitration Act of 1925. Its courts have also long encouraged arbitration, viewing the procedure as offering a speedy, flexible, inexpensive, and sophisticated means for resolving disputes.

Geoffrey P. Miller, Bargains Bicoastal: New Light on Contract Theory, 31 CARDOZO LAW REVIEW 1475, 1478 (2010).

Parties should be free to opt for arbitration and for comprehensive resolution in those settings. Courts should be very hesitant, therefore, to impinge upon the rights and obligations derived from commitments to arbitrate.

Smith Barney Shearson Inc. v. Sacharow, 91 N.Y.2d 39, 50 (N.Y. 1997) (New York's highest court).

U.S. Supreme Court recognizes that the parochial refusal to enforce international arbitration agreements "would surely damage the fabric of international commerce and trade, and imperil the willingness and ability of businessmen to enter into international commercial agreements."

Scherk v. Alberto-Culver Co., 417 U.S. 506, 519-520 (1974).

New York Arbitral Awards and Judgments are Enforceable Abroad

New York arbitral awards and court judgments that grant declaratory, injunctive (including specific performance) or compensatory relief, are widely enforceable outside the United States.

New York Judgments Become Final in Accordance With a Well-Defined Process

Judicial decisions on the merits are final in New York at the time of the exhaustion of a defined appeal process. A case that has proceeded through judgment in the first-level court can be appealed based only on the record established in the first-level court. Contrary to the practice in certain circumstances in some civil law jurisdictions, parties to litigation in New York courts may not introduce new evidence at the appellate level.

Generally, in New York state and federal courts the losing party at the first judicial level is entitled to one level of appeal, with a second but rarely-permitted level of appeal available only at the discretion of the highest court. The enforcement of judgments is not automatically stayed pending appeal. In most cases, a stay pending appeal, if granted, is conditioned on the posting of a financial guarantee in the form of a bond obtained by and at the expense of the party seeking the stay.

International arbitration awards are subject only to very limited review under the standards established by the New York or Panama Conventions.

The goal of the New York Convention . . . was to encourage the recognition and enforcement of commercial arbitration agreements in international contracts and to unify the standards by which . . . arbitral awards are enforced in the signatory countries.

Oltchim, S.A. v. Velco Chemicals, Inc., 348 F. Supp.2d 97 (S.D.N.Y. 2004) (federal district court in Manhattan enforcing Romanian arbitral award).

New York has traditionally been a generous forum in which to enforce judgments for money damages rendered by foreign courts.

CIBC Mellon Trust Co. v. Mora Hotel Corp., 100 N.Y.2d 215, 221 (N.Y. 2003).

The increasing internationalization of commerce requires that American courts recognize and respect the judgments entered by foreign courts to the greatest extent consistent with our own ideals of justice and fair play.

Ackermann v. Levine, 788 F.2d 830, 845 (2d Cir. 1986) (federal court of appeals in Manhattan).

New York Law Makes Provisional Remedies Available

Provisional remedies are available in New York commercial matters both in litigation and in arbitration. In the state courts, New York law provides for attachment, preliminary injunction, receivership and *lis pendens*. In arbitration, New York law provides for attachment and preliminary injunction from a court to assist both domestic and international arbitration. Similar remedies are available in the federal courts. The Federal Rules of Civil Procedure provide guidelines for seizure of property, injunctions and restraining orders, proceedings against a surety, receivers, deposit into court, and execution of judgments.

A party to an arbitration agreement may call upon the New York courts to assist in the appointment of arbitrators if the arbitration agreement does not provide for a method of appointment or if the agreed-upon method should fail for some reason.

New York Law Protects Security Interests

New York law, reflecting New York's role as a hub of international finance, recognizes that secured transactions accelerate the mobilization of credit and that the growth of credit allows large and small businesses alike to flourish. Under New York law, the local law of the jurisdiction in which the debtor is located governs perfection, the effect of perfection or non-perfection, and the priority of a security interest in collateral. New York law further provides that a security agreement is effective between the parties against purchasers of the collateral and against creditors.



New York Law Provides Enforceable Rules Requiring Party and Attorney Confidentiality

New York law gives due consideration to contractual confidentiality agreements among parties. In the arbitration context, confidentiality can be assured through agreement. Notwithstanding the presumptively public nature of court proceedings throughout the United States, state and federal courts in New York will issue protective orders to protect confidential business information and trade secrets in appropriate cases. Violation of such orders by a party or counsel can have severe consequences including contempt of court. New York attorneys are required, as a matter of ethical obligation, to protect the confidences of their clients.

New York Offers Courts and Arbitrators with Extensive **Experience in Resolving International Commercial Disputes**

New York's judges and arbitrators are frequently called upon to decide cases involving cross-border business relationships and have broad and deep experience in applying New York law in the international commercial context.

Federal judges sitting in New York all have considerable experience in cross-border disputes.

Commercial cases pending in New York's state courts are decided in the Commercial Division of the Supreme Court. The Commercial Division deals exclusively with commercial matters and has developed a consistent and comprehensive body of commercial law precedents that are publicly available to practitioners through the regularly published Commercial Division Law Report.

New York offers to commercial parties a wide choice of arbitrators who are second-to-none in international commercial experience, impartiality, cultural diversity, sophistication in international private law, and in experience applying New York law. New York arbitrators take pride in New York's tradition of welcoming commercial parties of all nations and treating them on equal terms with local parties.

New York offers many arbitrators who are highly trained in managing the arbitral process so as to meet all international standards, provide all parties with a full and fair opportunity to present their positions and evidence, and limit the time and cost of arbitration to levels proportionate to the matter in controversy.

New York Is Home to Many Law Firms that Offer International Experience, Cross-Cultural Perspective, And Knowledge of the Customs and Practices of Many Industries

New York City is a global financial center and home to many of the world's most sophisticated law firms. A significant segment of the New York legal community is involved routinely in some of the world's most complex international commercial transactions. Business clients are able to choose from among a large number of practitioners with experience in the law and business aspects of any area of international commerce.

The legal community in New York has developed a global legal perspective that begins with academic training. New York is home to several law schools of international stature that focus on the study of cross-border commercial transactions, comparative law, and international dispute resolution as integral parts of a basic legal education. New York attorneys initially trained in the U.S. have obtained post-graduate degrees at major universities in other countries, have had experience serving as legal consultants abroad, and have represented, in their day-to-day New York practice, clients with business, legal, and linguistic backgrounds from around the globe.

New York attracts many top-ranked graduates from leading universities across the U.S. and elsewhere to practice international business law in New York. In addition, attorneys trained in other legal traditions may conduct additional study in law at universities in the U.S., take the New York bar examination and qualify to practice the profession as New York lawyers.

New York's cross-cultural legal environment is further enriched by New York's practice of licensing attorneys who are trained and experienced exclusively in other legal traditions to work in New York as foreign legal consultants advising clients on the law of the country of their admission to practice the profession.

This pamphlet, based on New York law, is intended to inform, not advise. No one should try to interpret or apply any law without an attorney's help. Produced by the New York State Bar Association in cooperation with the Dispute Resolution Section, International Section and the New York International Arbitration Center, Inc.. 10/2014







NEW YORK STATE BAR ASSOCIATION $\begin{tabular}{ll} \textbf{DISPUTE RESOLUTION SECTION} \end{tabular}$

INTERNATIONAL SECTION

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