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S.D.N.Y. Vacates Amended Arbitration Award, Confirms Original \$39 Million Award, Finding Panel Exceeded Authority and Manifestly Disregarded Law

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The Southern District of New York recently vacated a \$37 million arbitration award (“Amended Award”), and confirmed an original award of \$39 million (“Original Award”), finding the panel exceeded its authority and acted in “manifest disregard” of the law by imposing the \$2 million reduction. The petitioners argued the reduction was beyond the scope of the panel’s power under American Arbitration Association (AAA) rules because it was based on substantive accounting issues already decided on the merits of the Original Award. Under AAA rules, the petitioners asserted, the panel was only authorized to correct “clerical, typographical, or *computational errors*” in the Original Award. The respondents insisted that the Amended Award reflected only a computational error and was therefore within the scope of the panel’s authority.

The district court disagreed that the reduction was merely computational, instead finding it involved substantive legal issues as to the method for calculating the award. By calculating the Original and Amended Awards differently, the court agreed with the petitioners that the panel exceeded its authority under AAA rules and that the Amended Award must be vacated pursuant to section 10(a) (4) of the FAA. The court also held, however, that the panel acted in manifest disregard of the law by reducing the award. While the panel itself acknowledged “well-defined, explicit and clearly applicable law prohibiting [it] from exercising jurisdiction over an issue of law already determined ... and raised for the first time after the [original] award issued,” the court held that the panel ignored that law by changing course on the method of calculating the petitioner’s damages. The court found this to be an independent basis for vacating the Amended Award and confirming the Original Award under Second Circuit precedent.

[*Credit Agricole Corp. & Inv. Bank v. Black Diamond Capital Mgmt. LLC*](#), No. 1:18-cv-07620-KNF (S.D.N.Y. Mar. 22, 2019).

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