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COURT OF APPEALS

STATE OF NEW YORK

GARTHON BUSINESS INC. AND CRESTGUARD
LIMITED,

Respondents,

-against-

NO. 99

KIRILL ACE STEIN, ET AL.,

Appellants.

20 Eagle Street
Albany, New York
September 12, 2017

Before:

CHIEF JUDGE JANET DIFIORE
ASSOCIATE JUDGE JENNY RIVERA
ASSOCIATE JUDGE LESLIE E. STEIN
ASSOCIATE JUDGE EUGENE M. FAHEY
ASSOCIATE JUDGE MICHAEL J. GARCIA
ASSOCIATE JUDGE ROWAN D. WILSON
ASSOCIATE JUDGE PAUL FEINMAN

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Penina Wolicki
Official Court Transcriber



1 CHIEF JUDGE DIFIORE: Good afternoon. The first
2 matter on today's calendar is number 99, Garthon Business
3 v. Stein. Counsel?

4 MR. SIRI: May it please the court, thank you,
5 Your Honor. Aaron Siri on behalf of Aurdeley Enterprises
6 Limited, appellant. I'd like to respectfully reserve one
7 minute for rebuttal.

8 CHIEF JUDGE DIFIORE: You may, sir.

9 MR. SIRI: Thank you.

10 The primary dispute on this appeal is who gets to
11 decide the gateway issue of arbitrability. Appellant
12 Aurdeley respectfully submits that as the Supreme Court
13 held and the dissent in the First Department held, that
14 issue was clearly and unmistakably reserved for the
15 arbitrators. Here we have a arbitration clause that states
16 - - -

17 JUDGE GARCIA: Counsel, before you get into
18 language of that, one thing I'm - - - I'm kind of
19 struggling with in this case is - - - at least the cases
20 I'm familiar with where we look at this type of issue, is
21 either there's as broad arbitration clause and a party is
22 saying this particular issue doesn't fall within that
23 clause and it should be litigated, or we had a recent case
24 where there was a broad arbitration clause and there's a
25 subsequent agreement saying we're going to litigate X



1 issue, and does that supersede the broad arbitration
2 clause. So your starting point is a broad arbitration
3 clause.

4 Here you have a broad clause in I think at least
5 the 2000 contract - - - at least one of them - - - that
6 says we're going to litigate these cases in New York. And
7 then you have a contract nine years later that arguably has
8 a broad arbitration clause. So I guess a meandering way of
9 saying two - - - asking you two things.

10 One, is there a case you can point to me that has
11 an analogous scenario where you have a broad litigation
12 clause arguably superseded by an arbitration clause - - - a
13 subsequent arbitration clause? Or if not, wouldn't there
14 be different policy considerations in looking at whether or
15 not the subsequent arbitration clause superseded a broad
16 litigation agreement?

17 MR. SIRI: I - - - I'll start off by first
18 pointing out that the syllabus, unfortunately, did say that
19 the initial agreement was in 2000. It actually was January
20 1st, 2009. So it was six months' difference, to the extent
21 that that's - - - that's relevant.

22 To answer your - - - your question more - - -
23 more specifically, I believe what - - - what Your Honor is
24 asking me is when you have an earlier agreement that's got
25 a forum selection clause, and then a later agreement that



1 has an arbitration clause, which one - - - why is it that
2 the later arbitration clause should govern in this
3 particular instance?

4 Well, first, in terms of the breadth of the
5 relative clauses, the later agreement is an archetypically
6 broad arbitration clause. It states any - - -

7 JUDGE GARCIA: But I guess my question - - -

8 MR. SIRI: Yes.

9 JUDGE GARCIA: - - - is a little bit different.
10 It's our approach to these arbitration clauses seems to be
11 grounded on, you agreed to broad arbitration provisions,
12 and then somehow you want to change that. You want to
13 change it by a subsequent agreement to litigate, or you
14 want to change it by saying this issue doesn't fall within
15 your broad arbitration clause, for whatever reason.

16 This case is different fundamentally, it seems to
17 me, because you have a broad litigation agreement which
18 you're now trying to change with a subsequent agreement to
19 arbitrate. And it seems there's a good argument there to
20 be made that those policy considerations regarding what
21 goes to the arbitrator don't apply or with less force.

22 MR. SIRI: I - - - I would submit respectfully
23 that actually it applies with more force, because here it
24 is the arbitration agreement that comes later. The parties
25 entered into a forum selection clause and then later chose



1 in a subsequent agreement that terminated the earlier
2 agreement that released all liability from the earlier
3 agreement that had an integration clause. They provided a
4 broad arbitration clause that provided any dispute arising
5 out of or relating to the later agreement shall be
6 submitted to arbitration, incorporating by reference,
7 explicitly LCIA rules which provide that arbitrability is
8 to be decided by the arbitrators. And - - - and therefore,
9 the public policy - - - I believe that's what Your Honor is
10 asking me about - - - the public policy in favor of
11 arbitration is even more pronounced in - - - in this
12 instance than - - - than where it would be I believe what
13 Your Honor is talking about in other cases, where there is
14 - - - and all of the cases cited by the majority and cited
15 by the respondent, there was a forum selection clause, but
16 the later agreements did not have any arbitration clause.
17 Here it's the reverse.

18 JUDGE FAHEY: You know, plaintiffs, I think, had
19 - - - had raised the issue that you had not preserved the
20 question of the applicability of English law. Are you
21 familiar with that?

22 MR. SIRI: I am, Your Honor. Well, we did raise
23 - - - we - - - we stated numerous times in the Supreme
24 Court papers - - -

25 JUDGE FAHEY: Um-hum.



1 MR. SIRI: - - - as well as the First Department
2 papers, that English law governs these agreements. We did
3 state that. And - - - and, and the decision by the Supreme
4 Court as well as the First Department both decided that
5 English - - - that New York law - - - and - - - and in fact
6 did apply New York law to interpret the relevant agreements
7 here.

8 And so that's an issue before this court. And if
9 the court so chooses - - -

10 JUDGE FAHEY: So - - -

11 MR. SIRI: - - - can decide it.

12 JUDGE FAHEY: It's not a major issue, but where
13 in the record would I look to find this?

14 MR. SIRI: It's in our reply brief, Your Honor.
15 We - - - we - - - on page - - - page 17 of our reply brief,
16 that's Aurdeley's reply brief. We delineated the - - -

17 JUDGE FAHEY: That's fine. That's all I need.

18 MR. SIRI: Thank you, Your Honor.

19 CHIEF JUDGE DIFIORE: Thank you, counsel.

20 MR. SIRI: Thank you, Your Honor.

21 CHIEF JUDGE DIFIORE: Counsel? Would you care to
22 reserve rebuttal time, sir?

23 MR. GROSSMAN: Yes, I would like to reserve one
24 minute for rebuttal time.

25 CHIEF JUDGE DIFIORE: Of course.



1 MR. GROSSMAN: Good afternoon, Your Honors. I'm
2 Jason Grossman with Gaddi Goren on behalf of appellant
3 Kirill Ace Stein. May it please the court.

4 As alluded to by my co-appellant's counsel, the
5 issue here today is was the gateway issue of arbitrability
6 clearly and unmistakably reserved for the arbitrator? This
7 is the standard that is set forth in this court and adopted
8 by this court as recently as in Monarch Consulting. And
9 that case as well as other authority before this court,
10 clearly Li - - - Life Receivables, Zachariou, and Icdas
11 Celik, provide for the fact that when there is a broad
12 arbitration clause, as there is here, and it's broad,
13 evidenced by the language that basically says any dispute
14 arising out of or in connection with this agreement, and
15 there is a case that - - -

16 JUDGE GARCIA: But why isn't the - - - the
17 reverse analysis apply? Where you have such a broad
18 agreement to litigate, and let's use the agreement to
19 litigate in New York courts, and then later you're trying
20 to change that - - - and I thought it was 2000 to 2009 was
21 the difference but - - -

22 MR. GROSSMAN: No, it's a vastly different
23 scenario. It's a - - - it's - - - instead of a nine-year
24 clip, it's a six-month - - -

25 JUDGE GARCIA: But - - -



1 MR. GROSSMAN: - - - limited engagement
2 agreement.

3 JUDGE GARCIA: - - - whatever it is, you have
4 this broad litigation agreement, and then you're trying to
5 change that agreement, not change the arbitration
6 agreement. You're trying to change an agreement the
7 parties came to, to litigate by a subsequent arbitration
8 clause.

9 And why doesn't the reverse apply and say since
10 you had this clear agreement to litigate at least certain
11 issues in a certain time period, why don't you have to show
12 some heightened level - - -

13 MR. GROSSMAN: Well, because - - -

14 JUDGE GARCIA: - - - of intent to supersede that
15 litigation clause?

16 MR. GROSSMAN: Well, the standard is clear - - -
17 again, we're - - - we're talking about just what is clear
18 and unmistakable evidence of reserving the issue of
19 arbitrability for the arbitrators. And what we're talking
20 about here is a situation where the parties decided at - -
21 - at arm's length to sit down together and negotiate a new
22 set of documents to supersede, amend, and terminate the
23 prior documents.

24 In the context of doing so, the parties expressly
25 incorporated a - - - a lo - - - a broad forum - - -



1 arbitration clause coupled with the reference to the LCIA
2 rules, 23.1, which states that: "The Arbitr, Arbitral
3 Tribunal shall have the power to rule on its own
4 jurisdiction and authority, including any objection to the
5 initial or continuing existence, validity, effectiveness or
6 scope of the arbitration agreement."

7 That is precisely the analysis that the court
8 should undertake here in the sense that the scope of the
9 arbitration dispute - - - I'm sorry - - - the scope of the
10 arbitration agreement is ultimately what is at play here.
11 Because the - - - the key distinction and the key issue
12 before the court is what impact and - - - and what effect
13 the subsequent agreements' arbitration clauses had on the
14 underlying forum selection clause.

15 JUDGE GARCIA: But it - - - it just seems to me
16 the presumption that if you're going to - - - if you're
17 going to send something to an arbitrator to decide the
18 gateway factor, it's a lot easier to accept if it's a broad
19 arbitration clause that you're saying was somehow changed.
20 But where you have an initial agreement to litigate and
21 it's a broad agreement to litigate in New York, isn't that
22 counsel more towards interpreting that as the gateway
23 factor would be for the courts to see if the subsequent
24 arbitration agreement changed that?

25 MR. GROSSMAN: Well, that would preclude the



1 parties' ability to amend an earlier agreement to
2 ultimately overturn - - -

3 JUDGE GARCIA: No, it wouldn't.

4 MR. GROSSMAN: - - - the forum selection clause.

5 JUDGE GARCIA: It would just change who gets to
6 decide it. It wouldn't preclude - - -

7 MR. GROSSMAN: And it would ultimately - - -

8 JUDGE GARCIA: - - - them.

9 MR. GROSSMAN: - - - but it would strip their
10 ability, their bargained-for clause, to ultimately have
11 that issue and reserve that issue - - -

12 JUDGE GARCIA: You could've bargained for a
13 clause that - - -

14 MR. GROSSMAN: - - - for the arbitrator.

15 JUDGE GARCIA: - - - said we would like any
16 issues related to the prior agreement or this agreement
17 including whether or not arbitration applies, to be decided
18 by the arbitrator. But you didn't say that; which is why
19 we're here.

20 So the parties are free to select whatever
21 language they want in their subsequent agreement. The only
22 reason we're here is because the language here is subject
23 to different interpretations.

24 JUDGE FEINMAN: Which - - -

25 JUDGE GARCIA: I'm sorry.



1 JUDGE FEINMAN: - - - which brings me to my
2 question, which is when we look at that, what's the
3 standard of review, is it full review because it's
4 contract, or is it a question of law and we're using - - -
5 I mean, is this an abuse-of-discretion standard?

6 MR. GROSSMAN: Well, I - - - I think the - - -
7 the - - - there are two issues. But before we get to the
8 issue of was the actual forum selection clause terminated,
9 as the majority held, I - - - I think the - - - that's
10 putting the cart before the horse.

11 I think the proper issue and the issue that
12 doesn't allow us to get to the subsequent issue of the
13 actual termination of the forum selection clause is did the
14 parties reserve the gateway issue of arbitrability for the
15 arbitrators? And it is clear under New York law that when
16 courts - - - when there is a broad arbitration clause, as
17 is the case here, and the parties incorporate by reference
18 rules that provide - - - specifically provide the arbitral
19 panel the right to rule on its own jurisdiction, courts
20 leave questions of arbitrability - - -

21 JUDGE STEIN: I guess the question is, though - - -
22 -

23 MR. GROSSMAN: - - - to the arbitrators.

24 JUDGE STEIN: - - - is that a discretionary
25 determination, or is that an issue of law on which we have



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- - -

MR. GROSSMAN: I believe it's an issue of law.

JUDGE STEIN: Okay.

MR. GROSSMAN: I believe it's an issue of law.

And to just touch briefly on the policy points in that regard, when parties are free to contract with respect to arbitration agreements, there's a - - - a - a strong and pronounced New York policy that says any doubts concerning the scope of that arbitration should be resolved in favor of arbitration. And the minimal oversight assigned to the courts in this regard is intended to preclude parties from playing one forum off against the other, which is precisely what the case is here.

CHIEF JUDGE DIFIORE: Thank you, counsel.

Counsel?

MR. VAN TOL: May it please the court, Pieter Van Tol, counsel for the respondents.

JUDGE STEIN: So are you - - - is it your argue - - well, as I see it here, the - - - the subsequent agreements release all liability whatsoever under the first Aurdeley and Quennington agreements. And so if they did that, how could they have intended the forum selection clause in those agreements to survive when there's no liability left to pursue - - - pursue under those agreements?



1 MR. VAN TOL: The answer is twofold. The first
2 answer is it was not a complete release of liability. In
3 other words, the release language that the appellants rely
4 on is referring to who is going to pay the compensation for
5 the work done going forward. It says nothing about past
6 liability. And in fact, there's a limitation-of-liability
7 clause in agreement 4, which refers to agreements 1 and 2.

8 You wouldn't need such a limitation-of-liability
9 clause if you were absolving all liability with that last
10 agreement. So it was not a complete release. That's one.

11 JUDGE WILSON: Doesn't that just say for
12 clarifica - - - "for the avoidance of doubt" or something
13 like that, that clause you're referring to?

14 MR. VAN TOL: I don't see how it could, because -
15 - -

16 JUDGE WILSON: But isn't that the language of the
17 clause?

18 MR. VAN TOL: And by that you mean the limitation
19 of liability?

20 JUDGE WILSON: Yes.

21 MR. VAN TOL: Well, it - - - I don't see how it
22 could, because it wouldn't be necessary. If you're
23 releasing all liability, then that one release clause in
24 the termination agreement should suffice. You wouldn't
25 have to go back and say and if there is liability, it's



1 going to be limited to - - - to X, Y, or Z. Because the
2 presumption is, if the appellants are right, there is no
3 liability.

4 JUDGE STEIN: So - - -

5 MR. VAN TOL: So my point is, the mere existence
6 of a limitation-of-liability clause shows that it wasn't a
7 full release.

8 JUDGE STEIN: But in - - - in - - - in - - - is
9 it your view that in order to - - - to take the question of
10 arbitrability and - - - you've got two agreements; you've
11 got one that says it's arbitration and another one that
12 says it's litigation. In order to take that out of the
13 courts, that the second agreement has to explicitly say:
14 and we are hereby terminating the forum selection clause in
15 the first agreement? Is that the only way you can do it?
16 And if not, how else can you do it?

17 MR. VAN TOL: That is the way to do it. Under -
18 - -

19 JUDGE STEIN: Well, that's the best way to do it,
20 clearly.

21 MR. VAN TOL: Yeah.

22 JUDGE STEIN: But - - - but is that the only way
23 it can be done?

24 MR. VAN TOL: It's the only way in accord - - -

25 JUDGE STEIN: And have we - - -



1 MR. VAN TOL: Sorry.

2 JUDGE STEIN: - - - have we ever said that?

3 MR. VAN TOL: Yes, you have. It's the only way
4 in accordance with Schlaifer. The Schlaifer case, 1980
5 Court of Appeals case, involved a release. And it said you
6 have to have an instrument of obliteration and a complete -
7 - -

8 JUDGE STEIN: But this is more than just release.
9 This is a - - - this is a termination agreement.

10 MR. VAN TOL: I understand. But nowhere in the
11 termination agreement do they refer back to the prior
12 agreements and say they are terminated.

13 So you could do it in one of two ways. You could
14 have an equally broad clause, which I'd like to come back
15 to in a minute, and say the arbitration covers everything
16 that's covered under prior agreements. So it would be
17 equal. Then it would be conflicting. Or you could say:
18 and for avoidance of doubt, any disputes regarding any of
19 the agreements shall be governed by this agreement.

20 Now, I'd like to return to the breadth of the
21 arbitration clause, because that issue gets lost. While
22 the arbitration clause in agreement 4 in the termination
23 agreement is broad if you're only talking about disputes
24 under that clause, while it's broad in that respect, it is
25 not broad vis-a-vis the litigation clause in the



1 Quennington agreement, which is the original point. And -
2 - -

3 JUDGE STEIN: But that's how you interpret it.
4 There's multiple interpretations of that as well. And then
5 that gets us into do we - - - do we decide that under New
6 York law or - - - or English law. And - - - and that's - -
7 -

8 MR. VAN TOL: Well - - -

9 JUDGE STEIN: - - - that's a whole other issue.

10 MR. VAN TOL: Well, I'd - - - I'd like to address
11 both those, if I may? I think the only interpretation that
12 really hangs together is there's no doubt that the clause
13 in the Quennington agreement is broad. There is
14 substantial doubt, and I think it isn't broad at all, about
15 whether the arbitration agreement in the later agreements
16 is equally broad, because what it says is, it says "this
17 agreement".

18 JUDGE RIVERA: Is - - -

19 MR. VAN TOL: The first clause says "this
20 agreement or the relationship created thereunder" - - -

21 JUDGE RIVERA: Okay, so what - - - what - what is
22 covered then, by "or the legal relationship established by
23 this agreement"? What did that add?

24 MR. VAN TOL: What it added is - - -

25 JUDGE RIVERA: Because you say it's broader.



1 MR. VAN TOL: If there was a freestanding dispute
2 post July 1, 2009, it would be covered by that arbitration
3 clause. We don't have that here. What we have here - - -

4 JUDGE RIVERA: You mean a freestanding dispute
5 that's not about the matters arising under the agreement?

6 MR. VAN TOL: No, what I was referring to was as
7 a temporal matter. So if on July 1, 2009 going forward,
8 there is a dispute relating to that agreement, it is
9 covered by the later agreements.

10 Our case is very different. We have a case that
11 starts before. It starts in the spring of 2009, and we
12 have a fiduciary relationship claim that begins there and
13 continues all the way on to the later agreement.

14 JUDGE RIVERA: Um-hum.

15 MR. VAN TOL: So the limitation to this agreement
16 is not as broad as the earlier clauses - - -

17 JUDGE RIVERA: Then I'm not clear. So what's the
18 point of the language: "any claim, dispute, or matter of
19 difference which may arise out of or in connection with"?

20 MR. VAN TOL: There - - - here's an example. If
21 there is a claim from July 1, 2009 going forward and the
22 other party said I don't think that claim is covered; I
23 don't think it's in the scope - - -

24 JUDGE RIVERA: Um-hum.

25 MR. VAN TOL: - - - that issue would have to be



1 arbitrated.

2 Now, if I could quickly go on to preservation,
3 because I think that's an important issue that hasn't been
4 touched upon.

5 What was argued below is that if there is an
6 arbitration, it would be subject to English law. Nowhere
7 below - - -

8 JUDGE FAHEY: Well, counsel, I just asked the
9 other side about that specifically, and they make specific
10 reference in their brief, I think, to - - - I asked them
11 where in the record they argued it, and they - - - they say
12 it's set out at page 17 of the reply brief.

13 MR. VAN TOL: It is, Your Honor. And what it
14 says is that the agreement must be governed - - - this is a
15 quote from them: "must be governed and construed under the
16 laws of England and Wales, agreement 4."

17 Well, that's in the agreement. What they're
18 arguing on appeal is something very different.

19 JUDGE FAHEY: Um-hum.

20 MR. VAN TOL: They're saying that the forum
21 selection issue should be governed by English law. That
22 was never argued at the Supreme Court. That was never
23 argued to the First Department. You won't find an English
24 case cited anywhere at all until we get to this appeal.

25 JUDGE FAHEY: Um-hum.



1 MR. VAN TOL: That's the first time.

2 That's improper procedure, as Your Honors know.
3 You're supposed to have expert evidence on that. It
4 shouldn't be for me or counsel to opine on what English law
5 is. We're not admitted in England.

6 There's a reason to have that preservation rule.
7 So I would submit that the issue has not been preserved.

8 JUDGE WILSON: What would be wrong with
9 concluding the Supreme Court's dismissal here was actually
10 on forum non grounds?

11 MR. VAN TOL: I'm sorry, Your Honor, I did not
12 hear you.

13 JUDGE WILSON: What - - - what would be wrong
14 with concluding the Supreme Court's dismissal here was
15 actually on forum non grounds?

16 MR. VAN TOL: Well, the judge did not expressly
17 say anything like that. What she said was I don't
18 understand what the parties' connections are to New York.

19 JUDGE WILSON: She did condition the dismissal,
20 though, on your waiving - - - sorry, your adversary's
21 waiving a variety of defenses, which they agreed they would
22 do.

23 Could you do that if the dismissal were simply
24 for - - - on the arbitration clauses or failure to dismiss
25 - - - or failure to state a claim?



1 MR. VAN TOL: I - - - I'm not sure if you could.
2 And I recall that was an odd exchange with the court,
3 because weren't talking about forum non. It was not an
4 issue raised. But I can go to the forum non issue, which
5 is that Mr. Stein is a New York-trained lawyer. He lived
6 here. We believe that he did the first draft of the
7 agreement, which I think is relevant that a New York-
8 trained lawyer did it.

9 So we think - - - we're very comfortable we have
10 both personal jurisdiction and - - -

11 JUDGE STEIN: When did he last live here?

12 MR. VAN TOL: That's - - - that's a matter of
13 dispute, Your Honor.

14 JUDGE STEIN: Okay.

15 MR. VAN TOL: We say he last lived here in 2013
16 or '14. My friends, the appellants, say he left in 1997
17 and was traveling. It would be a litigated issue below if
18 this case were to continue.

19 JUDGE FEINMAN: Well, if we were to agree with
20 the dissent in this case, the Appellate Division dissent,
21 to - - - to get around this issue, wouldn't the remedy be
22 just to - - - rather than dismiss it, modify and leave the
23 complaint intact and stayed while you went and arbitrated
24 it in England?

25 MR. VAN TOL: The issue with that is, the New



1 York law on the - - - on how broad forum selection clauses
2 are. And what I'd like to do is hark back to what the
3 dissent said. The dissent said we take no issue with the
4 majority's finding that there was not a negation of the
5 forum selection clause. So in other words, there was full
6 agreement by five judges below that the clause was never
7 terminated - - - the forum selection clause was never
8 terminated.

9 JUDGE STEIN: But if - - -

10 MR. VAN TOL: The problem with what you
11 suggested, Your Honor, is it tramples upon my client's
12 rights under New York law to have litigation right now, not
13 later, not four or five years from now, once there's a
14 hotly contested arbitration in England, but today.

15 And if appellants wanted to avoid such a
16 situation, they needed to do what Judge Garcia mentioned,
17 which is make it expressly clear in a later agreement - - -

18 JUDGE FEINMAN: So you're back to saying you have
19 to have an obliteration clause?

20 MR. VAN TOL: If not obliteration, then at least
21 a mention in the clause itself of the prior clause. It was
22 - - - it's not hard to do as a New York lawyer to realize
23 I've got this other clause, I better deal with it, and I
24 better get rid of it, because it's problematic.

25 JUDGE STEIN: But counsel, if - - - if New York



1 law were applied to interpretation of the - - - the forum
2 clause, then wouldn't - - - wouldn't we - - - in some of
3 the - - - the contracts here, be applying English law to
4 some aspects of the contract and New York law to that
5 provision? And couldn't that result in really inconsistent
6 results? I mean, wouldn't that be a problem?

7 MR. VAN TOL: So you're saying - - - you're
8 saying below, if the - - - if the case goes back for
9 litigation. Well, we would argue that - - - we would have
10 another fight, I think, about choice of law. We would
11 argue that the act arose under the Quennington agreement
12 and that it's governed by New York law. And - - - and
13 also, Your Honors, this is a - - - this is a pretty plain
14 vanilla breach of contract - - - breach of fiduciary duty
15 case.

16 I hate to guess, but - - -

17 JUDGE STEIN: These are like identical contracts
18 except for - - - the first two, right? In - - - in - - -

19 MR. VAN TOL: In terms of their services, yes,
20 Your Honor. But what I was - - - to finish my thought,
21 what I was going to say is I'd be very surprised if there
22 were a true conflict between U.S. law and English law on a
23 breach of contract issue or something as plain vanilla as
24 this.

25 CHIEF JUDGE DIFIORE: Thank you, counsel.



1 MR. VAN TOL: Thank you. I see my time is up.
2 Thank you very much.

3 CHIEF JUDGE DIFIORE: Counsel - - - Mr. Siri?

4 MR. SIRI: Thank you. Four - - - four very quick
5 points.

6 First, in the Schlaifer case, the second
7 agreement did not have a forum selection clause in it,
8 which distinguishes it from our situation where you first
9 had a forum selection clause and then you have an
10 arbitration clause and a later contract which also
11 explicitly references the earlier agreements, states it
12 wants to amend the earlier agreements, terminated the
13 earlier agreements, as well as released all liability and
14 had an integration clause. Quite different than the
15 Schlaifer situation.

16 Second is in terms of the back-and-forth
17 regarding the breadth of the arbitration clause, I
18 respectfully submit that the breadth of the arbitration
19 clause was explicitly reserved to be decided by the
20 arbitrators. The arbitration clause here states - - - it
21 explicitly states - - - it incorporates by reference the
22 LCIA rules, which is different than most other cases that
23 just reference the - - - the arbitration rules.

24 And those rules explicitly provide that the
25 arbitrators decide the question of arbitrability, including



1 explicitly the scope of arbitration. That's Rule 23.1 of
2 the LCIA rules.

3 And - - - and if I may just point out that with
4 regard to the legal relationship under the Quennington
5 agreement, Aurdeley was not a party. My client was not a
6 party to that initial agreement. So the relationship that
7 arose from that agreement, at the most, was between Mr.
8 Stein and - - - and - and the other side. It wasn't - - -
9 it didn't involve Aurdeley.

10 And then as to - - - finally as to whether the -
11 - - the question of whether the later agreement superseded
12 and eliminated the forum selection clause, again, the
13 question of interpreting those later agreements and whether
14 or not they superseded the forum selection clause, I
15 respectfully submit, is a question for the arbitrators.
16 Thank you very much. I appreciate the indulgence.

17 CHIEF JUDGE DIFIORE: Thank you, Mr. Siri.

18 Mr. Grossman?

19 MR. GROSSMAN: Thank you, Your Honors. Just a
20 quick point of conclusion. With respect to the parties'
21 rights under the respective agreements, it is respectfully
22 submitted that the later agreements were arm's-length,
23 duly-negotiated agreements between the parties, which
24 sought to clearly and unmistakably not only amend,
25 terminate, supersede, and release all liability under the



1 prior agreements, but also provide for a new forum
2 selection clause via arbitration.

3 In doing so, that arbitration clause was
4 definitively broad as it relates to any dispute arising out
5 of or in connection with this agreement. Even taking
6 appellant's counsel's word as true for a second with
7 respect to that clause being limited to this agreement,
8 even if it were limited to the second agreement, the fact
9 that this dispute is in connection with that agreement,
10 meaning the second agreement, clearly encompasses the issue
11 of arbitrability and who gets to decide that.

12 With respect to the documents, again, the later
13 documents specifically reference the earlier documents and
14 the parties' intent to amend same. The later agreements
15 formally terminate the earlier documents.

16 And with respect to the interpretation of
17 agreement 4 and the termination agreement, it is
18 respectfully submitted that it is up to the arbitrator to
19 determine - - - to determine the scope of those arbitration
20 clauses and the impact and net effect on the prior forum
21 selection clause in the Quennington agreement.

22 CHIEF JUDGE DIFIORE: Thank you, counsel.

23 MR. GROSSMAN: Thank you.

24 (Court is adjourned)

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C E R T I F I C A T I O N

I, Penina Wolicki, certify that the foregoing transcript of proceedings in the Court of Appeals of Garthon Business Inc. and Crestguard Limited v. Kirill Ace Stein, et al., No. 99 was prepared using the required transcription equipment and is a true and accurate record of the proceedings.

Penina Wolicki

Signature: _____

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