

## Court Confirms Arbitration Award as Not in Manifest Disregard of the Law

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Metso Minerals Canada Inc. and Metso Minerals Industries Inc. entered into a contract with ArcelorMittal Exploitation Minière Canada and ArcelorMittal Canada Inc. to supply a specialized mill to a mining mill that ArcelorMittal operated in Quebec, Canada. The contract contained an arbitration clause requiring the parties to submit all disputes arising from the contract to arbitration. ArcelorMittal initiated an arbitration proceeding asserting causes of action under Quebec law, including contract-based claims and a claim for breach of the duty to inform. The breach-of-duty-to-inform claim was based on the allegation that Metso knew of a potential defect in the mill but did not inform ArcelorMittal.

The panel granted an award in favor of Metso stating that the mill met the design criteria in the contract, and therefore a duty to inform about possible defects was meaningless. Metso moved to confirm the arbitration award against ArcelorMittal, and ArcelorMittal cross-moved to vacate the award. The court confirmed the award. The court explained that courts may vacate an arbitration award on four narrow grounds under 9 U.S.C. § 10. In addition, an award can be vacated for “manifest disregard of the law.” “Manifest disregard” is one of “last resort” and is limited to “exceedingly rare instances where some egregious impropriety on the part of the arbitrators is apparent.” In evaluating a motion to vacate an award based on manifest disregard of the law, a court looks to three questions: (1) whether the law that was allegedly ignored was clear and explicitly applicable to the matter before the arbitrator; (2) whether the applicable law was in fact improperly applied resulting in an erroneous outcome; and (3) whether the arbitrator intentionally disregarded the law. The court explained that despite the fact that the law regarding the duty to inform was potentially unclear, it was plausible for the panel’s majority to find that the undisclosed risks ArcelorMittal identified were insufficiently important to warrant disclosure and that the only facts Metso had to disclose were those regarding whether the mill could meet contractual design criteria and fulfill ArcelorMittal’s expectations under the contract. As such, the court confirmed the award in favor of Metso.

*Metso Minerals Canada, Inc. v. ArcelorMittal Exploitation Minière Canada*, No. 1:19-cv-03379 (S.D.N.Y. Nov. 4, 2019).

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