

U.S. District Court Vacates Arbitration Award on Behalf of Gray Reed Client

April 21, 2014

DALLAS, TX – United States District Judge Sam A. Lindsay vacated a AAA arbitration award entered against Gray Reed client OMG, LP, John Gallo, and Greg Martin (“GMA”).

In 2011, GMA, the country’s leading high end antique and collectable firearms auction house sold its business to Dallas-based Heritage Auctions. The contract required Heritage to pay GMA a \$4.9 million dollar earnout over three and a half years. In February 2012, however, Heritage abruptly terminated its contract with GMA, refused to pay GMA under the contract, and initiated an arbitration proceeding.

Despite the existence of a 95–page fully integrated contract under which both parties had performed for nine months, the arbitrator concluded “no contract existed”, and thus GMA was not entitled to be compensated for the sale of its business to Heritage.

In January 2014, Magistrate Judge Irma Carrillo Ramirez granted GMA’s motion to vacate the arbitration award, concluding the Arbitrator “exceeded his authority” in determining no contract between GMA and Heritage was ever formed.

Subsequently, Judge Lindsay conducted an independent review of the Magistrate’s findings and adopted her decision.

“We are understandably appreciative of Judge Lindsay’s ruling and acknowledgement that the arbitrator overstepped his bounds,” Gray Reed Shareholder Jonathan Hyman said. “GMA deserves to be compensated for the sale of its business. Judge Lindsay’s ruling is a step in the right direction.”

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