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A Court for Every Conflict: Resolving Business Disputes in New Mexico

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A clear, detailed contract with a dispute resolution clause is the best defense when a business and client disagree over performance or other conditions.

But even the most airtight agreement can't inoculate a business from all potential conflicts with customers, partners or other businesses.

Simple arguments can be resolved through formal mediation or arbitration, but more complex disagreements require judicial intervention.



Different Courts for Different Conflicts

If a business believes a client or competitor has broken federal law, say, by infringing on a trademark or copyright, it can bring the case in state or federal court.

If a business needs to collect from a client who's seeking bankruptcy protection, it files its claim on the client's assets in Bankruptcy Court.

But most disputes between businesses and their clients, investors or colleagues involve breaches of contract — including violations of confidentiality or noncompete clauses or of the terms of employment — or disagreements over service agreements, lease terms and real estate transactions. And most of these are heard in state courts.

Size Matters

A business that wants to collect on a delinquent bill can start at the lowest level of New Mexico's civil court system if the amount owed is less than \$10,000. This small claims court is called Magistrate Court or Municipal Court in most parts of the state and Metropolitan Court in Albuquerque.

Cases involving larger damages or more complex conflicts go to District Court, as do cases on appeal from small claims court. Appeals from District Court proceed to the Court of Appeals and from there to the New Mexico Supreme Court.

No matter what the cause of action, the court can only hear a case if it has “personal jurisdiction” over all the parties involved. That means the court has legal authority to make a decision that binds the plaintiff and defendant.

Federal and state courts automatically have the appropriate jurisdiction over most businesses that operate in New Mexico, because most businesses are run by people who live here.

It gets more complicated when the defendant lives outside the state or country, but a business can protect itself by making sure the “choice of law” or forum clause of any contract it signs specifies that contract terms will be interpreted according to New Mexico law.

New Mexico requires that foreign companies doing business in the state obtain a certificate of authority from the Secretary of State and maintain a registered office and registered agent to accept service of process.

For venue purposes, suits against foreign corporations admitted to do business in the state may only be brought in the county where the plaintiff resides, where the contract sued on was made or is to be performed, where the cause of action originated, where the indebtedness sued on was incurred, or where the foreign corporation’s statutory agent resides.

Ounce of Prevention

Because business transactions involve relationships between people, some amount of conflict is inescapable. Not all of it leads to litigation.

A business can avoid many legal contests by making sure all contractual agreements are written in clear, unambiguous language and the duties, rights and privileges of each party are specified.

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