

UNCOVERING UNIQUE RIGHTS IN NEW YORK'S GENERAL OBLIGATIONS LAW

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AUTOMATIC RENEWAL PROVISIONS IN CONTRACTS FOR SERVICES, MAINTENANCE OR REPAIR GENERAL OBLIGATIONS LAW 5-903

This series of articles is designed to uncover interesting and unique rights that are covered in New York's General Obligations Law. Our first subject will be Automatic Renewal Provisions in Contracts, legislated for and contained in General Obligations Law 5-903.

So, you've been offered a discount on services you want, and may use often, and the contract comes with an automatic renewal clause, which means that rather than ending on an agreed upon date, the contract will instead automatically renew and continue for another period. Such provisions are subject to Section 5-903 of the General Obligations Law.

Section 5-903 applies to contracts involving services, maintenance or repairs and states that when a contract falls into one of these categories and it contains an automatic renewal clause, certain requirements must be followed.

The primary condition is that the person receiving the services be notified that the contract is renewing. *See Healthcare I.Q., LLC v Tsai Chung Chao, MD*, 118 A.D.3d 98 (1st Dep't. 2014); *Telephone Secretarial Service v. Sherman*, 49 Misc. 2d 802 (Nassau Cnty. 1966). In the event proper notice is not given, courts have held that the contract may not automatically renew, or no longer be effective. *See Healthcare I.Q., LLC v Tsai Chung Chao, MD*, 118 A.D.3d 98 (1st Dep't. 2014); *Telephone Secretarial Service v. Sherman*, 49 Misc. 2d 802 (Nassau Cnty. 1966). Courts such as *Protection Indus. Corp v. DDB Needham Worldwide, Inc.* have stated that General Obligations Law 5-903 can render the automatic renewal clause in the contract unenforceable. *Protection Indus. Corp.*, 306 A.D.2d 175 (1st Dept. 2003).

If you have a contract with an automatic renewal clause, you might want to know whether it was properly extended. Should you have any further questions, please consult the Scolaro Law Firm on this matter.