NOTE: Where it is feasible, a syllabus (headnote) will be released, as is being done in connection with this case, at the time the opinion is issued. The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States* v. *Detroit Lumber Co.,* 200 U. S. 321, 337.

SUPREME COURT OF THE UNITED STATES

Syllabus

MASTROBUONO ET AL. *v.* SHEARSON LEHMAN HUTTON, INC., ET AL.

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

No. 94–18. Argued January 10, 1995—Decided March 6, 1995

Petitioners filed this action in the Federal District Court, alleging that their securities trading account had been mishandled by respondent brokers. An arbitration panel, convened under the arbitration provision in the parties' standard-form contract and under the Federal Arbitration Act (FAA), awarded petitioners punitive damages and other relief. The District Court and the Court of Appeals disallowed the punitive damages award because the contract's choice-of-law provision specifies that ``the laws of the State of New York'' should govern, but New York law allows only courts, not arbitrators, to award punitive damages.

Held: The arbitral award should have been enforced as within the scope of the contract between the parties. Pp. 3–12.

(a) This case is governed by what the contract has to say about the arbitrability of petitioners' punitive damages claim. The FAA's central purpose is to ensure ``that private agreements to arbitrate are enforced according to their terms.'' *Volt Information Sciences, Inc.* v. *Board of Trustees of Leland Stanford Junior Univ.,* 489 U. S. 468, 479. This Court's decisions make clear that if contracting parties agree to *include* punitive damages claims within the issues to be arbitrated, the FAA ensures that their agreement will be enforced according to its terms even if a rule of state law would otherwise exclude such claims from arbitration. See, *e.g., Allied-Bruce Terminix Cos.* v. *Dobson,* 513 U. S. ___. Pp. 3–6.

(b) The Court of Appeals misinterpreted the parties' contract by reading the choice-of-law provision and the arbitration provision as conflicting. Although the agreement contains no

express reference to punitive damages claims, the fact that it is intended to include such claims is demonstrated by considering separately the impact of each of the two provisions, and then inquiring into their meaning taken together. This process reveals that the choice-of-law provision is not, in itself, an unequivocal exclusion of punitive damages claims, that the arbitration provision strongly implies that an arbitral award of punitive damages is appropriate, and that the best way to harmonize the two is to read ``the laws of the State of New York'' to encompass substantive principles that New York courts would apply, but not to include special rules limiting the authority of arbitrators. Thus, the choice-of-law provision covers the rights and duties of the parties, while the arbitration clause covers arbitration; neither provision intrudes upon the other. Pp. 3–12.

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20 F. 3d 713, reversed.

STEVENS, J., delivered the opinion of the Court, in which REHNQUIST, C. J., and O'CONNOR, SCALIA, KENNEDY, SOUTER, GINSBURG, and BREYER, JJ., joined. THOMAS, J., filed a dissenting opinion.