

# PANORAMIC **COMMERCIAL CONTRACTS**

Armenia



LEXOLOGY

# Commercial Contracts

Contributing Editors

**Jennifer Brooks Crozier and Jared R Friedmann**

Weil, Gotshal & Manges

**Generated on: August 21, 2025**

The information contained in this report is indicative only. Law Business Research is not responsible for any actions (or lack thereof) taken as a result of relying on or in any way using information contained in this report and in no event shall be liable for any damages resulting from reliance on or use of this information. Copyright 2006 - 2025 Law Business Research

# Contents

## Commercial Contracts

### CONTRACT FORMATION

- Good faith in negotiating
- Oral contracts
- 'Battle of the forms' disputes
- Language requirements
- Signatures and other execution formalities

### STATUTORY CONTROLS AND IMPLIED TERMS

- Controls on freedom to agree terms
- Standard form contracts
- Implied terms
- Vienna Convention
- Good faith in entering and performing

### LIMITING LIABILITY

- Prohibition on exclusions and limitations
- Financial caps
- Indemnities
- Liquidated damages

### PAYMENT TERMS

- Statutory time limits on payments
- Late payment interest
- Civil penalties

### TERMINATION

- Implied terms
- Notice period
- Automatic termination on insolvency
- Termination for financial distress
- Force majeure
- Frustration and impossibility of performance
- Material adverse events and material adverse changes

### SUBCONTRACTING, ASSIGNMENT AND THIRD-PARTY RIGHTS

- Subcontracting without consent
- Statutory rules
- Assignment of rights and obligations
- Enforcement by a third party

---

## **DISPUTES**

Limitation periods  
Contract interpretation  
Choice-of-law clauses  
Efficiency of the local legal system  
New York Convention

## **REMEDIES**

Available remedies

## **UPDATE AND TRENDS**

Recent developments

# Contributors

## Armenia

Concern Dialog Law Firm



Lilit Karapetyan

[lilit.karapetyan@dialog.am](mailto:lilit.karapetyan@dialog.am)

Lusine Hakobjanyan

[lusine.hakobjanyan@dialog.am](mailto:lusine.hakobjanyan@dialog.am)

Ani Mkrtumyan

[ani.mkrtumyan@dialog.am](mailto:ani.mkrtumyan@dialog.am)

## CONTRACT FORMATION

### **Good faith in negotiating**

#### **Is there an obligation to use good faith when negotiating a contract?**

The Civil Code of Armenia does not explicitly impose an obligation on parties to use good faith when negotiating a contract. Nevertheless, some implications of the obligation of good faith may be found in the Civil code (eg, the rule setting the liability for damages caused by the unlawful use of undisclosed information).

**Law stated - 8 August 2025**

### **Oral contracts**

#### **Is an oral contract binding in your jurisdiction?**

Yes, an oral contract can be binding under Armenian law. If the law or the parties do not require a written (simple or notarised) form, the contract may be concluded orally. This includes most agreements that are performed at the moment of conclusion, except for cases where the law specifically requires a notarised form or states that failing to follow the written form makes the contract invalid. Additionally, even agreements related to performing a written contract may be made orally if the law, other legal acts, or the contract itself do not prohibit it.

**Law stated - 8 August 2025**

### **'Battle of the forms' disputes**

#### **How are 'battle of the forms' disputes resolved in your jurisdiction?**

Yes, an oral contract can be binding under Armenian law. If the law or the parties do not require a written (simple or notarised) form, the contract may be concluded orally. This includes most agreements that are performed at the moment of conclusion, except for cases where the law specifically requires a notarised form or states that failing to follow the written form makes the contract invalid. Additionally, even agreements related to performing a written contract may be made orally if the law, other legal acts, or the contract itself do not prohibit it.

**Law stated - 8 August 2025**

### **Language requirements**

#### **Is there a legal requirement to draft the contract in the local language?**

There is no legal requirement for contracts to be drafted in Armenian. The parties are free to choose the language of the contract. However, if the contract is subject to notarisation or state registration, it must be either in Armenian or multilingual, with Armenian version as the prevailing one.

### Signatures and other execution formalities

In what circumstances are signatures or any other formalities required to execute commercial contracts in your jurisdiction? Is it possible to agree a B2B contract online (eg, using a click-to-accept process)? Does the law recognise the validity of electronic and digital contract signatures? If so, how are they treated in comparison to wet-ink signatures?

In Armenia, the formation of commercial contracts is generally flexible, with no strict requirement for wet-ink signatures unless otherwise prescribed by law or agreed by the parties. Signatures may be executed through mechanical reproduction (eg, facsimile), electronic or digital means, provided such use is permitted by law, other legal acts or by party agreement.

B2B contracts may be validly concluded online, including through click-to-accept processes, as long as the identity of the parties can be established and their consent clearly expressed. Electronic contracts have the same legal force as handwritten ones, even without a digital signature, provided the form of the contract does not require otherwise and the authenticity, identity and immutability of the contract can be ensured.

## STATUTORY CONTROLS AND IMPLIED TERMS

### Controls on freedom to agree terms

Are there any statutory or other controls on parties' freedom to agree terms in contracts between commercial parties in your jurisdiction?

Under the general rule the parties to contract have contractual freedom to agree the terms of the contract, however the Civil Code of the Republic of Armenia limits such freedom by imposing some statutory norms to which the parties may not derogate.

The most common example of such statutory control is the limitation of the maximum amount of annual penalty to be imposed by the parties under the contract, which should not exceed four times the reference rate of the bank interest rate set by the Central Bank of the Armenia or the limitation on the total amount of all penalties determined by the contract not to exceed the principal amount of the outstanding debt at that time.

In addition, other form of control over the freedom of parties is the right of the court or the financial system mediator to reduce the amount of the contractual penalty payable or already paid at the debtor's request if the penalty is manifestly disproportionate to the consequences of the breach of obligation, which is, however, applicable in limited cases provided by legislation.

## Standard form contracts

### Are standard form contracts treated differently from those that are freely negotiated?

The Armenian legislation does not address the standard form of contracts as such; however it provides the concept of the adhesion contract, the conditions whereof are defined by one of the parties in a standard form, and the other party may only accept these conditions by a full adhesion to the offered contract.

To compensate for the lack of free negotiations the adhering party has the right to demand the amendment or termination of the contract even if it does not contradict the applicable legislation, but

- it deprives that party of the rights usually granted under such contracts;
- excludes or limits the liability of another party for violating the obligations; or
- contains other conditions explicitly non-gratuitous for the adhering party that the latter, based on its own reasonably acknowledged interests, would have not accepted if provided with the opportunity to participate in the defining of the conditions of the contract.

Such logic is more consistent with the consumer protection legislation requirements and hence applicable to adhesion contracts with consumers. On the other hand, this protection is not applicable to adhering party in relation to the engagement of the latter in entrepreneurial activity, provided that such party has known or should have known the terms and conditions under which the latter is entering into the contract.

**Law stated - 8 August 2025**

## Implied terms

### What terms are implied by law into the contract? Is it possible to exclude these in a commercial relationship?

The Armenian legislation does not address the standard form of contracts as such; however, it provides the concept of the adhesion contract, the conditions whereof are defined by one of the parties in a standard form, and the other party may only accept these conditions by a full adhesion to the offered contract.

To compensate for the lack of free negotiations the adhering party has the right to demand the amendment or termination of the contract even if it does not contradict the applicable legislation, but

- it deprives that party of the rights usually granted under such contracts;
- excludes or limits the liability of another party for violating the obligations; or
- contains other conditions explicitly non-gratuitous for the adhering party that the latter, based on its own reasonably acknowledged interests, would have not accepted if provided with the opportunity to participate in the defining of the conditions of the contract.

Such logic is more consistent with the consumer protection legislation requirements and hence applicable to adhesion contracts with consumers. On the other hand, this protection is not applicable to adhering party in relation to the engagement of the latter in entrepreneurial activity, provided that such party has known or should have known the terms and conditions under which the latter is entering into the contract.

**Law stated - 8 August 2025**

## **Vienna Convention**

### **Is your jurisdiction a signatory to the United Nations Convention on Contracts for the International Sale of Goods (the Vienna Convention)?**

Republic of Armenia has ratified the Vienna Convention on 8 December 2005, which entered into force for Armenia on 1 January 2010.

As to the reservations, the Republic of Armenia had made a reservation pursuant to article 94(1) and (2) of the Convention, declaring that it shall not apply the Convention on Contracts for the International Sale of Goods to contracts of sale where the parties have their places of business in the Republic of Armenia.

In addition, pursuant to article 95 of the Convention, Armenia has declared that it will not be bound by article 1(1)(b) of the Convention in respect of any state that has made a declaration under the same provision, as well as it declared that provisions allowing non-written contracts or communications (articles 11, 29 and Part II) do not apply where one party has its place of business in Armenia.

**Law stated - 8 August 2025**

## **Good faith in entering and performing**

### **Is there an obligation to use good faith when entering and performing a contract?**

The standard of good faith is not expressly recognised as an independent legal obligation under Armenian civil law and, on its own, does not constitute a separate ground for liability of a contracting party. Nevertheless, the obligation of good faith can be inferred from various legal provisions. In particular, where non-performance or improper performance of an obligation results from the fault of both parties, the court may reduce the extent of the debtor's liability.

Similarly, another implication of the good faith principle is that the debtor's liability may be reduced if the creditor has intentionally or negligently contributed to the increase in damages caused by the non-performance or improper performance, or has failed to take reasonable measures to mitigate those damages.

**Law stated - 8 August 2025**

## **LIMITING LIABILITY**

### **Prohibition on exclusions and limitations**

**Can parties agree to limit liability? If so, are there any limits on what liabilities can and cannot be excluded or limited by contract (including, for example, by a supplier in a contract)?**

Under Armenian law, parties may agree to limit liability arising out of the contract. In practice, limitations usually apply to exclusion of liability for lost profit (ie, holding the party liable only for real damage). Additionally, the liability may be limited (capped with) to the penalty, if indicated under the contract for a specific breach.

In the meantime, the law explicitly indicates, that an agreement that excludes or limits liability for intentional breach of obligation is void. Another limitation relates to the agreements with consumers, particularly, the Civil Code of Armenia explicitly prohibits limitation of liability in contracts concluded with consumers (ie, liability of the entity who enters into an agreement with a consumer may not be limited).

**Law stated - 8 August 2025**

### **Financial caps**

**Are there any statutory controls on using financial caps to limit liability for breach of contract?**

According to the Civil Code of Armenia, the parties are entitled to determine a penalty for non-performance or improper performance under the contract. The law further determines the maximum amount of such penalty. Specifically, the annual amount of penalty agreed by the parties cannot exceed four times the Central Bank of Armenia's official refinancing rate (12 per cent currently), unless otherwise provided by law.

Furthermore, the total amount of all penalties stipulated in the contract cannot exceed the principal amount of the outstanding debt at the time. Any contractual provision that exceeds these limits is deemed null and void.

**Law stated - 8 August 2025**

### **Indemnities**

**Are there any statutory controls on indemnities used to cover liability risks in contracts?**

Although indemnities are widely used in commercial contracts, there are no specific regulations with respect to indemnities. The only limitations applicable, are those applied to liabilities itself.

**Law stated - 8 August 2025**

### **Liquidated damages**

## Are liquidated damages clauses enforceable and commonly used in your jurisdiction?

The concept of 'liquidated damages' as such is not specifically regulated under Armenian law. However, penalties may be indicated under the agreement and, respectively, it may be indicated that liability for a specific breach is limited to the amount of the penalty.

In practice, penalty clauses are commonly used and enforceable in commercial contracts governed by Armenian law.

Law stated - 8 August 2025

## PAYMENT TERMS

### Statutory time limits on payments

#### Are there statutory time limits for paying invoices? Is it possible to agree a different payment period?

There are no statutory time limits regarding the payment of invoices, hence the parties are free to agree on the terms of the payment. In practice, the parties try to agree on the terms of the payment taking into account the tax regime of each party and the terms of their obligations to pay taxes.

In case the term of the payment is not defined under the agreement the general rules on the performance of the obligations apply, meaning that the payment should be made within a reasonable time. In addition, if the payment is not performed within a reasonable term or if the occurrence of payment obligation is conditioned with the demand of the creditor, then the payment should be done within seven days of the date of submitting the claim. However, these regulations apply unless other term implies from the nature of the obligation, term of the obligation or legislation, other legal acts, business custom.

Law stated - 8 August 2025

### Late payment interest

#### Is statutory interest charged on late payments? Is it possible to agree a different rate of interest?

Under Armenian legislation, the parties may provide in contract the penalty for the late payment.

If the contract does not provide a penalty for the late payment, it is still possible to demand a statutory late payment interest provided under legislation that, however, is not charged automatically, but at the request of the party to the contract. The rate of late payment may not exceed twice the reference rate of the bank interest set by the Central Bank of the Republic of Armenia, hence the parties are free to agree an interest rate not exceeding such amount.

Law stated - 8 August 2025

## Civil penalties

### What are the civil penalties for failing to comply with statutory interest rate or late payment of invoices?

In the context of a purchase and sale contract, the Civil Code provides that in the event of non-payment, the seller is entitled to claim both the principal payment and the applicable statutory interest. If the buyer refuses to accept and pay for the goods in breach of the contract, the seller may, at its discretion, either demand payment or terminate the contract. Additionally, where further goods are to be delivered under the same contract, the seller has the right to withhold subsequent deliveries.

Importantly, unless otherwise stipulated by the contract, the seller retains ownership of the goods until full payment is made. In the case of non-payment within the agreed term, the seller may demand the return of the goods.

To exercise these rights, the seller must file a claim before the court.

**Law stated - 8 August 2025**

## TERMINATION

### Implied terms

#### Are there rules regarding termination and duration of contracts that will be implied by law into a contract? Can these terms be excluded or limited by including appropriate language in the contract? Do special rules apply to termination of a supply contract?

The Civil Code of Armenia defines the cases when a party may unilaterally terminate the contract. There are two separate processes that may result in termination of the contract (other than based on the mutual agreement of the contract).

First, a party may submit a claim to the court with a request to terminate a contract due to the material breach of the contract by the other party. This process is imperative for any contracts and may not be excluded under the contract. The parties may further agree on further grounds based on which an agreement may be unilaterally terminated in judicial manner.

Second, the Civil Code of Armenia has the concept of 'rescission from the contract', which reads as refusal to perform obligations under the contract. If a party chooses to rescind from the contract the agreement shall be deemed as respectively terminated under law.

Under the Civil Code of Armenia, the parties to a supply contract have the right to terminate a supply contract in the case of a material breach of the contract by either of the parties.

Breach of the contract of supply by the supplier is presumed material in the following cases:

- supply of good of improper quality with defects that cannot be eliminated within the time period acceptable to the buyer; and
- repeated failure to meet the deadlines for supply of good.

Breach of the contract of supply by the buyer is presumed material in the following cases:

- repeated failure to pay for goods on time; and
- repeated failure to collect goods.

Although parties may not exclude any of the above-mentioned grounds based on their agreement they are entitled to agree on further grounds for unilateral change or rescission of the contract.

**Law stated - 8 August 2025**

### **Notice period**

**If a contract does not include a notice period to terminate a contract, how is it calculated?**

Armenian law does not define a default notice period to terminate a contract. Furthermore, when a party intends to claim unilateral termination of the contract due to the material breach of the other party, a demand for termination of a contract may be made by a party to the court.

**Law stated - 8 August 2025**

### **Automatic termination on insolvency**

**Will a commercial contract terminate automatically on insolvency of the other party?**

A commercial contract does not terminate automatically upon a party's insolvency. However, in certain cases the Civil Code of Armenia determines that the insolvency may lead to termination of a contract, such as contract of Commission, the Agency contract, the contract of Entrusted Management, the Franchising contract. Moreover, under Armenian law, an obligation ceases upon the liquidation of the legal entity acting as the debtor or creditor. Therefore, if insolvency proceedings result in the liquidation of a contracting party, the contractual obligations may be deemed terminated accordingly.

**Law stated - 8 August 2025**

### **Termination for financial distress**

**Are there restrictions on terminating a contract if the other party is in financial distress?**

There are no such restrictions, if grounds for termination of a contract may rise as a consequence of financial distress, the other party may be entitled to request unilateral termination from the court or rescind from performance under the contract, in compliance with specific conditions and requirements applicable to the respective contract.

**Law stated - 8 August 2025**

## **Force majeure**

### **Is force majeure recognised in your jurisdiction? What are the consequences of a force majeure event?**

Under Armenian law, unless otherwise provided by law or contract, a person engaged in entrepreneurial activity who fails to perform an obligation or performs it improperly is liable, unless they can prove that proper performance was rendered impossible due to force majeure, that is, extraordinary and unavoidable circumstances under the given conditions.

Additionally, force majeure does not include a counterparty's breach of contract, the absence of necessary goods in the market or the debtor's lack of funds. Accordingly, a commercial party is not held liable for a breach caused by force majeure.

If the contract stipulates a penalty for non-performance or improper performance, the liable party is not required to pay the penalty if the failure to perform was caused by a force majeure event. However, the parties remain free to modify these default rules by agreement, including by expanding the scope of force majeure or excluding its effect altogether.

**Law stated - 8 August 2025**

## **Frustration and impossibility of performance**

### **Are the doctrines of impossibility or frustration of purpose recognized in your jurisdiction?**

Under the Civil Code of Armenia, an obligation is terminated if its performance becomes objectively impossible due to circumstances for which neither party is responsible. In such cases, the creditor has no right to demand performance from the debtor. If the impossibility of performance arises due to the creditor's fault, the debtor is released from the obligation, and the creditor is not entitled to reclaim what was already performed under the obligation.

In contracts of service provision, if the impossibility is caused by the client, the client shall pay the full price of the services, unless otherwise provided by law or contract. And in cases where the impossibility of performance is due to external factors beyond the control of both parties, the client is generally obliged to compensate the contractor for the actual expenses incurred, unless otherwise defined by law or agreed by the parties.

As for the doctrine of frustration of purpose, although the Civil Code of Armenia does not expressly recognise this principle, its effects may arise under the principle of fundamental change of circumstances that were unforeseeable at the time of contract formation. In such cases, the contract may be modified or terminated when the criteria under law are met.

**Law stated - 8 August 2025**

## **Material adverse events and material adverse changes**

### **Are material adverse event (MAE) or material adverse change (MAC) clauses used or enforced in your jurisdiction?**

Under Armenian law, MAE/MAC clauses are not specifically regulated but can be used and enforced, provided they do not contradict mandatory legal provisions. Although not common in local practice, similar concepts exist in the Civil Code, which allows a contract to be amended or terminated if there has been a fundamental change in circumstances that the parties assumed would remain unchanged and that could not have been reasonably foreseen or overcome. If such changes severely disrupt the balance of contractual obligations, and the parties cannot agree on how to proceed, the court may terminate or, in exceptional cases, amend the contract.

MAE/MAC-type clauses can be contractually agreed upon and are enforceable under Armenian law if they do not contradict mandatory legal provisions.

**Law stated - 8 August 2025**

## SUBCONTRACTING, ASSIGNMENT AND THIRD-PARTY RIGHTS

### **Subcontracting without consent**

**May a supplier subcontract its obligations under the contract without seeking consent from the other party?**

The Civil Code of the Republic of Armenia permits the performance of contractual obligations by third parties, in which case the creditor is generally required to accept such performance. However, this rule does not apply where personal performance is required by law, the nature of the obligation or the terms of the contract or other legal acts.

To safeguard contractual relationships, the debtor remains liable for non-performance or improper performance by the subcontractor, unless the law provides that the third party bears personal liability for fulfilling the obligation.

**Law stated - 8 August 2025**

### **Statutory rules**

**Are there any statutory rules that apply to subcontracting in your jurisdiction?**

In addition to the general contractor's liability for improper performance of obligations by the subcontractor, the Civil Code provides that the general contractor is also liable for losses caused by the subcontractor if the subcontractor was engaged in a breach of the contract, or where the obligation to perform personally arises from the contract or the law.

**Law stated - 8 August 2025**

### **Assignment of rights and obligations**

**May a party assign its rights and obligations under the contract without seeking the other party's consent?**

The assignment of rights and obligations in Armenia is subject to different rules depending on whether the assigning party is the creditor or the debtor.

For creditors, assignments are generally permitted unless restricted by law, other legal acts, or the contract. However, assignment is not allowed where the rights are inherently personal to the creditor – such as claims for alimony or compensation for harm to life or health. As a rule, the debtor's consent is not required for such assignments unless the law or contract specifies otherwise, particularly where the identity of the creditor is essential to the debtor.

For debtors, the approach is the opposite: the creditor's consent is generally required for assignment, except in specific cases provided by law – such as under the Law of the Republic of Armenia 'On Insurance and Insurance Activities' or the law 'On Secured Mortgage Bonds'.

**Law stated - 8 August 2025**

### **Assignment of rights and obligations**

#### **What statutory controls apply to the assignment of rights or obligations under a supply contract?**

To best manage the parties' risks, irrespective of what is provided under the assignment contract, the civil code establishes that in case of the change of debtor the new debtor has the right to submit those objections regarding the claims of the creditor that are grounded on the relationship between the initial debtor and the creditor.

At the same time, in the case of a change of creditor, the debtor keeps the right to submit those objections regarding the claims of the new creditor that are grounded on the relationship between the initial debtor and the creditor that existed on the moment of the notice regarding the assignment.

As to the responsibility of the parties, it should be noted that the assigning creditor is responsible for the validity of the assignment or claim, but is not responsible for the performance of such claim by the debtor, except for the cases where the assigning creditor has undertaken suretyship for the debtor to the new creditor.

**Law stated - 8 August 2025**

### **Enforcement by a third party**

#### **Can a third party enforce a term of the contract and, if so, are there any limitations on doing so?**

As a general rule, a contract does not create rights or obligations for third parties. However, such rights may arise under the law, other legal acts or from the terms of the contract itself.

Specifically, the Civil Code recognises contracts for the benefit of third parties, under which the debtor is required to perform obligations in favour of a third party – whether or not specifically identified in the contract – who is entitled to demand performance.

If the third party waives the rights granted under the contract, those rights may revert to the original creditor, provided this does not contradict the law, other legal acts or the contract.

Most importantly, once the third party notifies the debtor of its intent to exercise the contractual right, the parties to the original contract may no longer amend or terminate the contract without the third party's consent. As for limitations, the debtor may raise against the third party any objections that could have been raised against the creditor.

**Law stated - 8 August 2025**

## DISPUTES

### Limitation periods

**What are the limitation periods for breach of contract claims? Is it possible to agree a shorter limitation period?**

The Civil Code of Armenia allows actions for breach of contract to be brought within three years. This rule is mandatory and the law does not entitle the parties to agree on alternative limitation periods.

For specific types of claims Armenian legislation establishes special limitation period of actions reduced or longer in comparison with the general limitation period.

These specific actions include but are not limited to actions on the invalidity of contacts. More specifically, the limitation period for the claim on application of the effects of invalidity of a null and void transaction is ten years upon its performance and the limitation period for claim on declaring a disputable transaction invalid and on applying the consequences of its invalidity, where the transaction has been entered into under the influence of violence or threat, is one year following the day of its termination or following the day when the plaintiff has become aware or should have become aware of the circumstances serving as a ground for declaring the transaction as invalid.

As well as the limitation period of actions for claims made in connection with improper quality of the work done under a contractor agreement is one year starting from the date of acceptance of the work.

With respect to the application of limitation period clauses, it should be noted that the court accepts a claim for the protection of rights regardless of the expiry of the limitation period and will apply the statute of limitations only upon the request of a party to the dispute.

**Law stated - 8 August 2025**

### Contract interpretation

**How do courts in your jurisdiction approach contract interpretation when a dispute arises? How is the intent of the parties determined? Can extrinsic evidence (ie, evidence outside the four corners of the written contract) be admitted to show intent?**

Under Armenian law, courts begin by interpreting the contract based on the plain and literal meaning of the words and expressions used. If the literal meaning is unclear, courts will interpret the clause in the context of the other provisions and the overall purpose and structure of the contract.

When the above-mentioned approach does not allow the court to determine the meaning of a provision, the court seeks to identify the parties' real common will, considering the purpose of the contract. In doing so, it may take into account extrinsic evidence, including pre-contractual negotiations, correspondence, the established course of dealings between the parties, customary business practices and the parties' subsequent conduct.

Thus, Armenian courts allow the use of extrinsic evidence to establish intent where the wording of the contract is ambiguous or insufficient to determine the parties' common will.

For consumer contracts, special interpretation rules apply: if terms are unclear or ambiguous, they are interpreted in favour of the consumer.

**Law stated - 8 August 2025**

### **Choice-of-law clauses**

#### **Do your courts recognise and respect choice-of-law clauses stipulating a foreign law?**

The courts recognise and respect choice-of-law clauses stipulating a foreign law. When a contract provides for the application of foreign law, Armenian courts are required to ascertain the existence and content of the relevant foreign legal norms, in compliance with their interpretation and application in the foreign jurisdiction. The court may request the parties to assist in proving the existence and substance of the chosen foreign law. However, in the case of absence of the applicable foreign law, the court will instead apply the relevant provisions of Armenian law.

**Law stated - 8 August 2025**

### **Choice-of-law clauses**

#### **Do your courts recognise and respect choice-of-jurisdiction clauses stipulating a foreign jurisdiction?**

When a contract contains a choice-of-jurisdiction clause in favour of a foreign court, the Armenian court will first examine whether the dispute falls within one of the exclusive jurisdiction categories listed below.

Under Armenian law, certain categories of disputes involving foreign persons are subject to the exclusive jurisdiction of Armenian courts. These include:

- disputes concerning rights to immovable property located in Armenia;
- adoption matters involving Armenian citizens;
- disputes arising from carriage contracts where the carrier is located in Armenia; and
- divorce proceedings between an Armenian citizen and a foreign national if both spouses reside in Armenia.

If a contract contains a choice-of-jurisdiction clause, the Armenian court will retain jurisdiction regardless of the parties' agreement. If not, the court will typically decline

to accept the claim into proceedings, considering that it falls outside the jurisdiction of Armenian courts.

**Law stated - 8 August 2025**

### **Efficiency of the local legal system**

**How efficient and cost-effective is the local legal system in dealing with commercial disputes?**

The Armenian legal system provides a structured and accessible framework for resolving commercial disputes. The courts of general jurisdiction handle most commercial matters, with appeals available to higher courts, including the Civil Court of Appeal and the Court of Cassation.

In terms of efficiency, proceedings can be subject to delays due to court caseload and procedural formalities. On average, commercial disputes may take from one to several years to reach a final resolution, depending on complexity and whether appeals are pursued. Arbitration and mediation are available as alternative mechanisms, the application of which expanded during recent years.

As for cost-effectiveness, even though there has been a considerable increase of the state fees for judicial claims, they are still relatively low by regional standards. However, the total cost of litigation, including attorney's fees, expert opinions (where needed) and potential enforcement proceedings, may vary considerably. Generally, litigation in Armenia remains affordable for most businesses.

**Law stated - 8 August 2025**

### **New York Convention**

**Is your jurisdiction a signatory to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards? Which arbitration rules are commonly used in your jurisdiction?**

Armenia is a party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, which entered into force for Armenia on 29 March 1998.

In the context of commercial contracts, especially in cases involving ad hoc arbitration, it is common for parties to adopt the UNCITRAL Arbitration Rules. Further, depending on the nationality of the parties, the disputes are referred to ICC or LCIA.

**Law stated - 8 August 2025**

## **REMEDIES**

### **Available remedies**

**What remedies may a court or other adjudicator grant? Are punitive damages awarded for a breach of contract claim in your jurisdiction?**

Depending on the nature of the disputes, common remedies include compensation for damages, specific performance, restoration of the situation having existed before the violation of the right, prevention of actions violating the right or creating a threat for the violation thereof, applying the consequences of the invalidity of a void transaction, declaring a disputable transaction as invalid and applying the consequences of the invalidity thereof, etc.

The list of remedies under the Civil Code of the Republic of Armenia is not exhaustive, and parties may seek additional remedies before the court, provided they are consistent with general principles of civil law.

With respect to punitive damages, Armenian law does not recognise them as such and the remedies available are primarily compensatory in nature, aimed at restoring the injured party.

**Law stated - 8 August 2025**

### **Available remedies**

**Can a court order specific performance (ie, can a court mandate that a party perform under a contract)?**

Under the Civil Code of the Republic of Armenia, one form of civil rights protection is the enforcement of specific performance, whereby the court compels the breaching party to fulfil its contractual obligations in kind.

The rules on release from specific performance differ depending on whether the obligation was not performed at all or was performed improperly. In cases of non-performance, payment of penalties or compensation for damages generally releases the breaching party from the duty of specific performance, unless otherwise stipulated by law or contract. Conversely, in cases of improper performance, this release does not apply.

In sale and purchase agreements, the latter rule is statutory – payment of penalties or compensation for damages does not release the breaching party from its obligation to perform.

Additionally, if due to delay the creditor no longer has an interest in performance and refuses to accept it, as well as when a default penalty is paid as a refusal fee, the debtor is released from the obligation to perform in kind.

**Law stated - 8 August 2025**

## **UPDATE AND TRENDS**

### **Recent developments**

**Are there any other current developments or emerging trends that should be noted?**

One of the key recent developments in Armenian legislation is the formal introduction and regulation of option agreements, convertible loan agreements and Simple Agreement for Future Equity agreements. Additionally, the legislation on consumer protection has materially

changed, which introduces new rules with respect to contracts concluded with consumers (including adhesion contracts).

**Law stated - 8 August 2025**