HOW ARBITRATION WORKS: DISCOVERY, MOTIONS, HEARINGS

Kevin R. Casey
[Paper Presented at AIPLA Annual Meeting and Published with Meeting Materials 2002]

Arbitration has been a federally sanctioned and encouraged method of dispute resolution since at least 1925, when Congress passed the Federal Arbitration Act (FAA), now codified as Title 9 of the United States Code. As an option to litigation, arbitration remains one of the most accepted and widely applied forms of alternate dispute resolution (or "ADR"). Disputes over intellectual property rights give rise to special considerations for those contemplating arbitration.

As for many other substantive legal areas, an arbitration agreement involving intellectual property rights typically initiates the arbitration proceeding. Arbitration agreements fall broadly into two categories: pre-dispute agreements, generally incorporated into contracts concerning commercial transactions in the hope and expectation that disputes will not arise; and agreements to arbitrate a concrete dispute that his already arisen. The parties enter into pre-dispute agreements before either party has a full understanding of what may be gained or lost in a particular dispute by giving up the right to sue (or be sued) in court. Consent is the touchstone of arbitration and, once the dispute has arisen, often one party or the other will see a benefit to remaining within the traditional legal system and will withhold its consent. Thus, pre-dispute agreements are the more common of the two types.

In the area of intellectual property disputes, infringement claims usually arise between parties who are strangers, contractually speaking, to one another. Although it is certainly true that a former franchisee may be sued for trademark infringement once the franchise is revoked, or that a licensee under a patent may sue a licensor seeking to invalidate the patent that is the subject of the license, such cases are more the exception than the rule. More often, competitors sue one another for infringement without the existence of pre-dispute contractual arbitration

agreements. In addition, most corporations overwhelmingly favor arbitration for disputes involving relatively small stakes, but few prefer arbitration when the risks exceed the six or seven figures common in intellectual property disputes. Perhaps for these reasons, it may be the case that, in the area of intellectual property disputes, arbitration is less prevalent than in other areas of commercial law.

Still, the possibility of arbitrating a patent, trademark, copyright, or trade secret dispute is a real one. These particular areas of the law raise unique concerns, both procedural and substantive. Such concerns begin with drafting an arbitration clause as part of an agreement involving intellectual property or perhaps a separate agreement to arbitrate an intellectual property dispute. They continue with questions about whether an agreement to arbitrate will be upheld--especially in the international arena--and, if upheld, whether the result of the proceeding--especially a decision invalidating a patent, trademark, or copyright--will be confirmed and can be enforced. Much has been written addressing these and other concerns raised by the general topic of arbitration in the intellectual property area.

This article focuses more narrowly on the procedural "nuts and bolts" of an arbitration proceeding: discovery, preparing and filing motions, and the conduct of hearings. Aspects of these procedures specific to intellectual property arbitration are highlighted. An introduction section identifies the various types of arbitration and outlines the federal and state arbitration statutes. In the next section, titled "Sources of Help," the article mentions various rules and the agencies, organizations, and associations available to guide parties who wish to conduct an arbitration proceeding. The next three sections of the article address discovery, motions, and hearings, respectively. Finally, the article concludes, among other things, that the parties have

the opportunity in most instances to shape the procedures of the arbitration process to their own particular needs.

I. *Introduction*

Binding arbitration is one of the most accepted and widely applied forms of ADR tools. It has been used to resolve a variety of disputes in different cultures and industries. The several types of arbitration have facilitated its wide application. Administered or "institutional" arbitration is conducted by an independent agency, which typically charges a fee to oversee the proceedings. Some of these agencies are identified below. In contrast, in an ad hoc or non-administered arbitration, the parties appoint one or more arbitrators (hereinafter, "arbitrator" is meant to cover one or multiple arbitrators) who supervise the proceedings without institutional guidance. The arbitration rules of an established organization (see below) may be adopted, or the parties may draft their own rules entirely or partially.[1] Ad hoc arbitration is typically chosen when the parties are sophisticated in arbitration, particularly when the arbitration is part of a repetitive pattern, or for small cases.

As an alternative to one of the forms of binding arbitration outlined above, the parties may chose an informal, non-binding (advisory) arbitration when attempting to resolve their dispute. Typically, non-binding arbitration works in the same way as does binding arbitration with a few exceptions. The primary distinction, of course, is that the award in non-binding arbitration seeks to encourage voluntary settlement rather than to bind the parties. Consequently, the practice rules under which the non-binding proceeding is conducted can be relaxed even more than for binding arbitration: rules of evidence can be less stringent, discovery can be

---

[1] Because the rules of some agencies state that an agreement to arbitrate under their rules authorizes that agency to administer the arbitration, the parties must consider, in their arbitration contract, the ramifications of choosing both a set of applicable rules and who will oversee the proceedings. *See, e.g.*, Commercial Arbitration Rule 2 of the American Arbitration Association ("When parties agree to arbitrate under these rules . . . they thereby authorize the AAA to administer the arbitration.").

truncated, and the case can be presented by counsel with client input but without presenting witnesses. The suggested resolution or award may be presented orally (rather than in writing) by the arbitrator. To induce settlement, the arbitrator also should orally give reasons explaining the strengths and weaknesses of each party's case.[2]

Congress and the courts have embraced non-binding arbitration with statutes and local rules that offer or mandate "court-administered" or "court-annexed" arbitration.[3] Several district courts require parties in certain disputes to submit to arbitration before they are allowed to argue their case in court.[4] The arbitration award can be challenged, by requesting a trial de novo, within a certain period of time (typically thirty days).[5] Absent a timely challenge, however, the arbitrator's award is confirmed as a court judgment. Many of the local rules concerning court-administered arbitration provide little guidance for the procedural conduct of the proceeding. Therefore, the parties may face the decision between submitting to mandatory, non-binding arbitration under the local rules of a district court or voluntarily agreeing to arbitrate under guidelines (i.e., administered or ad hoc arbitration) selected by the parties themselves.

If federal provisions such as the FAA are inapplicable,[6] state laws may fill the void. State laws are usually patterned after the FAA or the Uniform Arbitration Act (UAA). The UAA was created by the National Conference of Commissioners on Uniform State Laws (NCCUSL) and approved by the House of Delegates of the American Bar Association (ABA) in 1955-56; it was

---

[2] T. Arnold, Patent Alternative Dispute Resolution Handbook ch. 8 (1991).
[3] Under the "Alternative Dispute Resolution Act of 1998, H.R. 3528, signed into law in 1999, all federal courts must adopt local rules directed to court-annexed mediation and arbitration. In addition, some federal and state statutes create procedural rules that apply to arbitration within the scope of the particular statute. The "lemon law" statutes enacted by many states, directed to automobiles, are typical.
[4] *See, e.g.*, N.D. Calif. R. 500-2, Mandatory Arbitration (requiring mandatory arbitration for all civil cases, in which the United States is not a party, which seek relief less than a certain dollar amount and are founded on diversity of citizenship).
[5] *See Parker v. Babcock*, 37 Cal. App. 4th 1682, 44 Cal. Rptr. 2d 602 (1995) (the opportunity for a de novo trial is what principally distinguishes court-annexed arbitration pursuant to the Judicial Arbitration Act from private arbitration conducted pursuant to party agreement).
[6] The FAA encompasses primarily interstate commerce. Intrastate disputes are governed by applicable state arbitration statutes.

revised in 2000.[7] The UAA covers many substantive and procedural aspects of arbitration that are not specifically addressed by the FAA, including depositions. A list of the arbitration statutes for the fifty states and the District of Columbia follows this article.

As a general proposition, the FAA, the UAA, state arbitration statutes, and the rules of the various arbitral institutions are intentionally designed to provide for a dispute resolution method different from a court or jury trial governed by formal procedural and evidentiary rules. Many who oppose arbitration do so, however, because they perceive that arbitration means no discovery, no rules of evidence, no cross-examination of witnesses, no record of the proceedings, and no written opinion. Such perceptions are inaccurate. The parties can have discovery, rules of evidence, cross-examination, a record, and a written opinion—among other procedures—if they expressly require such procedures in their arbitration contract. Of course, if the parties go too far and contract for most or all of the procedures normally inherent in litigation, they will also likely experience the expenses and delays of litigation.[8]

II. *Sources of Help*

Regardless of the type of arbitration, it is important that the parties and the arbitrator have some guidelines under which to conduct the arbitration. A recommended approach is to adopt an agency's rules with such modifications as desired and as recited in the agreement to arbitrate. When adopting rules, however, the parties should be as specific as possible. For example, the American Arbitration Association (AAA) (*www.adr.org*), an international non-profit entity founded in 1926 and dedicated to ADR with regional offices in most states, has several sets of

---

[7] The text of the revised UAA can be found at *www.law.upenn.edu/bll/ulc/ulc_frame*. *See generally*, T. Heinsz, "The Revised Uniform Arbitration Act: An Overview," 56 Disp. Resol. J. 28 (2001).

[8] Judge Learned Hand cautioned: "Arbitration may or may not be a desirable substitute for trials in courts; as to that the parties must decide in each instance. But when they have adopted it, they must be content with its informalities; they may not hedge about it with those procedural limitations which it is precisely its purpose to avoid. They must content themselves with looser approximations to the enforcement of their rights than those that the law accords them, when they resort to its machinery."

rules, among them the AAA International Arbitration Rules, the AAA Commercial Arbitration Rules, and the AAA Patent Arbitration Rules. Which rules apply if the parties' contract specifies only "the AAA rules"?[9] Moreover, too often parties adopt reference rules they have never read or considered. One way to reduce this risk would be to attach a copy of the reference rules as an exhibit or appendix to the arbitration contract.

Perhaps the most widely used rules in the United States, for ad hoc arbitration, are those promulgated by the CPR Institute for Dispute Resolution (CPR) (*www.cpradr.org*) (formerly the Center for Public Resources, Inc., founded in 1977), an independent non-profit organization created by an alliance of major U.S. corporations and leading law firms. For administered arbitration, the rules of the AAA are favored by many. JAMS/Endispute (*www.jamsadr.com*) is one example of a for-profit entity operating in most areas of the United States and having published procedural arbitration rules. There are many other private or independent entities that have their own set of procedural rules, such as the National Arbitration Forum (*www.arb-forum.com*).

Other rules may be useful in a particular situation. The arbitration of international commercial disputes is not new, for example, and will only increase in our expanding global economy.[10] It is beyond the scope of this article to address the specific considerations in arbitrating an international dispute. The AAA and CPR have international rules specifically drafted for such disputes. The primary entities specializing in international ADR are the World Intellectual Property Organization (WIPO) (*www.arbiter.wipo.int*) in Geneva, the International Chamber of Commerce (ICC) (*www.iccwbo.org*) in Paris, the United Nations Commission on

---

American Almond Prod. Co. v. Consolidated Pecan Sales Co., 144 F.2d 448, 451 (2d Cir. 1944), *quoted in* Tupman, "Discovery and Evidence in U.S. Arbitration," 44 Arb. J. 28 (Mar. 1989).

[9] When used in this article, the term "AAA Rules" refers to the AAA Commercial Arbitration Rules rather than to any of the other rules offered by the AAA.

International Trade Law (UNCITRAL) (*www.uncitral.org*), the Arbitration Institute of the Stockholm Chamber of Commerce (SCC) (*www.chamber.se/arbitration/english*), the London Court of International Arbitration (LCIA) (*www.lcia-arbitration.com*), the Japan Commercial Arbitration Association (JCAA) (*www.jca.or.jp*), the Commercial Arbitration and Mediation Center for the Americas (CAMCA), the Hong Kong International Arbitration Centre, the Netherlands Arbitration Institute, and the International Centre for Settlement of Investment Disputes (ICSID).[11]

In addition to private and public forums for arbitration, the procedure has spawned many professional organizations and associations. A partial list includes the Society of Professionals in Dispute Resolution (SPIDR) (organized in 1973); the National Institute of Dispute Resolution (NIDR) (organized in 1983); and specific sections of the American Intellectual Property Law Association (AIPLA), the American Association of Law Schools (AALS), and the ABA. Publications on the topic abound, including those of some of the listed organizations (e.g., newsletters of CPR and NIDR) and several specialized law reviews. In addition, most law schools offer courses that cover arbitration. In summary, there is no shortage of information available regarding arbitration; the challenge is sifting through the large amount of information to find useful guidance on a particular question.

III. *Discovery*

Perhaps the most important distinction between arbitration and litigation lies in discovery. In a court case, discovery is a way of life and often takes on an expensive and time-consuming life of its own. In arbitration, discovery, as a general rule, is not available unless the parties have provided for discovery in the arbitration contract or later voluntarily agree to

---

[10] International arbitration is subject to 9 U.S.C. § 201 et seq. (Convention on the Recognition and Enforcement of Foreign Arbitral Awards) and 9 U.S.C. § 301 et seq. (Inter-American Convention on International Commercial Arbitration).

conduct discovery. This limitation is consistent with the policy underpinnings of arbitration: speed, efficiency, and reduced expense.[12] In fact, one of the touted advantages of arbitration is the avoidance of the substantial burdens of discovery under the Federal Rules of Civil Procedure. The degree of formality and the nature and extent of discovery in arbitration can vary with the relationships involved, the nature of the dispute, and the choice of governing rules. The established rules of arbitration differ in their treatment of discovery.

A. Summary of Selected Rules

1. FAA. The FAA does not refer to discovery by written interrogatories, requests for admissions, depositions, or document requests. The courts have rejected the view that, because the FAA is silent, the Federal Rules of Evidence and of Civil Procedure apply. In one case,[13] for example, the respondent sought to depose the petitioner's employees before the arbitration hearing contending that, because the FAA did not provide for a pre-hearing discovery procedure, Fed. R. Civ. P. 81(a)(3) should make the federal discovery rules applicable to the arbitration proceedings. Rule 81(a)(3) provides that, in "proceedings under [the FAA], these rules apply only to the extent that matters of procedure are not provided for in [the FAA]." The court rejected the contention, holding that the term "proceedings under" refers to judicial proceedings collateral to the arbitration proceedings rather than to the arbitration proceedings themselves.

The court further held that, when discovery is sought during the arbitration proceeding on the merits, judicial rules for discovery do not apply:

---

[11] For a copy of many of these sets of rules, send an electronic communication to the author at *krcasey@ratnerprestia.com.*
[12] *See, e.g., Burton v. Bush*, 614 F.2d 389, 390 (4th Cir. 1980); *Suarez-Valdez v. Shearson Lehman/Am. Express, Inc.*, 845 F.2d 950 (11th Cir. 1988).
[13] *Commercial Solvents Corp. v. Louisiana Liquid Fertilizer Co.*, 20 F.R.D. 359 (S.D.N.Y. 1957).

> By voluntarily becoming a party to a contract in which arbitration was the agreed mode for settling disputes thereunder respondent chose to avail itself of procedures peculiar to the arbitral process rather than those used in judicial determinations. "A main object of a voluntary submission to arbitration is the avoidance of formal and technical preparation of a case for the usual procedure of a judicial trial." 1 Wigmore, Evidence § 4(e) (3d ed. 1940). . . . [A] party having chosen to arbitrate cannot then vacillate and successfully urge a preference for a unique combination of litigation and arbitration. The proposition that "[arbitration] is merely a form of trial . . ." which stated thus broadly might indicate the propriety of pre-hearing discovery in arbitration, was rejected by the Supreme Court in Bernhardt v. Polygraphic Co., 1956, 350 U.S. 198.
>
> The fundamental differences between the fact-finding process of a judicial tribunal and those of a panel of arbitrators demonstrate the need of pretrial discovery in the one and its superfluity and utter incompatibility in the other.[14]

Although pre-hearing discovery is not generally available to the parties,[15] Section 7 of the FAA does give the arbitrator the power to summon witnesses to testify and to order production

---

[14] *Id.* at 361-62; *accord, e.g., Burton*, 614 F.2d 389; *Penn Tanker Co. v. C.H.Z. Rolimpex Warszawa*, 199 F. Supp. 716 (S.D.N.Y. 1961).

[15] With respect to arbitrator orders of pre-hearing depositions of non-parties, for example, the courts are inconsistent. Some courts hold that the FAA does not permit such an order because the arbitration contract binds only the parties. *Integrity Ins. Co. v. American Centennial Ins. Co.*, 885 F. Supp. 69, 71 (S.D.N.Y. 1995). Other courts would not so limit the arbitrator's authority. *Stanton v. Paine Webber Jackson & Curtis, Inc.*, 685 F. Supp. 1241, 1242-43 (S.D. Fla. 1988) (plaintiff's motion for an order enjoining defendant from obtaining subpoenas and requesting documents prior to an arbitration hearing was denied).

by the witnesses of "any book, record, document, or paper which may be deemed material as evidence in the case" at the arbitration hearing. The arbitrator's subpoena power may be limited to witnesses and documents within the federal judicial district (or 100 miles) unless the arbitration contract expressly includes the Federal Rules of Civil Procedure, which permit the issuance and enforcement of subpoenas in other districts.[16] This subpoena power has been held to provide a legal basis for pre-hearing discovery in arbitrations governed by the FAA.[17] The arbitrator has rather broad authority to permit and control discovery or, as one court put it, almost "anything goes" before the arbitrator.[18]

2. UAA. Like the FAA, the UAA also does not provide for discovery. UAA § 7 does contain a provision comparable to the FAA, however, which permits a party to obtain evidence at the hearing. The arbitrators may also permit depositions to be taken, under UAA § 7(b), for use as evidence when a witness "cannot be subpoenaed or is unable to attend the hearing."

3. AAA. Consistent with the FAA and the UAA, the AAA Commercial Arbitration Rules do not give a party a right to discovery.[19] Thus, if the parties stipulate that the AAA Rules govern their arbitration, they waive their right to engage in discovery.[20] Nevertheless, several AAA rules, taken together, give the arbitrator authority to allow and

---

[16] *Commercial Solvents Corp.*, 20 F.R.D. at 362-63; *Amgen Inc. v. Kidney Center of Delaware County, Ltd.*, 879 F. Supp. 878, 883 (N.D. Ill. 1995), *appeal dismissed*, 101 F.3d 110 (7th Cir. 1996); S. Koda, "Subpoena Issues in Arbitration," in Currents: The Newsletter of Dispute Resolution Law and Practice (ABA, Spring 1997).

[17] *See, e.g., Stanton*, 685 F. Supp. at 1242-43 ("under the Arbitration Act, the arbitrators may order and conduct such discovery as they find necessary . . . . Plaintiffs' contention that § 7 of the Arbitration Act only permits the arbitrators to compel witnesses at the hearing, and prohibits pre-hearing appearances, is unfounded."). In fact, most courts will enforce an arbitrator's order requiring production of documents and witness lists before the actual hearing. *See, e.g., Integrity Ins. Co.*, 885 F. Supp. 69; *Meadows Indemnity Co. v. Nutmeg Ins. Co.*, 157 F.R.D. 42 (M.D. Tenn. 1994).

[18] *Commercial Solvents*, 20 F.R.D. at 363 (arbitrators "may be relied on to draw such inferences from the failure of the petitioner to produce [the witnesses] as they in their unreviewable judgment think the circumstances justify. Mere suggestion as to the testimony these witnesses would give if available at the hearing would in an arbitration hearing probably cast the onus on the petitioner to negate the unsupported assertion that if called their testimony would be unfavorable to its position. Fortunately or otherwise . . . almost 'anything goes' before arbitrators.").

[19] *United Nuclear Corp. v. General Atomic Co.*, 93 N.M. 105, 597 P.2d 290 (1979).

[20] *Harleysville Mut. Cas. Co. v. Adair*, 421 Pa. 141, 218 A.2d 791 (1966).

control discovery. This authority is helpful if the arbitrator will assume management initiative and control.

The arbitrator may suggest or order prehearing discovery if it is deemed appropriate. AAA Rule 10, for example, provides: "At the request of any party or upon the AAA's own initiative, the AAA may conduct an administrative conference, in person or by telephone, with the parties and/or their representatives. The conference may address such issues as . . . potential exchange of information . . . ." AAA Rule 23, titled "Exchange of Information," allows the parties to request discovery and, consistent with the expedited nature of arbitration, permits the arbitrator to (a) exercise discretion to direct "the production of documents and other information," and (b) "resolve any disputes concerning the exchange of information."

Therefore, a party who desires pre-hearing discovery should request it either by motion to the arbitrator or at a pre-hearing conference. It seems unlikely that the adverse party will refuse the arbitrator's suggestion that there be discovery.[21] AAA Rule 33 requires, at the arbitration hearing, that the parties "shall produce such evidence as the arbitrator may deem necessary to an understanding and determination of the dispute. . . . An arbitrator or other person authorized by law to subpoena witnesses or documents may do so upon the request of any party or independently." Thus, the arbitrator may deem necessary either depositions or responses to interrogatories and requests for admission.

4. CPR. The CPR rules for non-administered arbitration explicitly give the arbitrator power to define and control discovery. For instance, CPR Rule 11 allows the arbitration tribunal "to require and facilitate such discovery as it shall determine appropriate . . . . [T]he tribunal may issue orders to protect the confidentiality of proprietary information, trade

[21] Although some courts may grant pre-hearing discovery, other courts refuse to order discovery ostensibly in aid of an arbitration. *See, e.g., Cavanaugh v. McDonnell & Co.*, 357 Mass. 452, 258 N.E.2d 561 (1970).

secrets and other sensitive information disclosed in discovery." This rule clearly allows discovery to the extent the arbitrator thinks "appropriate."

5. UNCITRAL. Like the CPR, the UNCITRAL arbitration rules give the arbitrator power to define and control discovery. Article 24, Section 3, of the UNCITRAL rules provides that "at any time during the arbitral proceedings the arbitral tribunal may require the parties to produce documents, exhibits or other evidence within such a period of time as the tribunal shall determine."

6. ICC. Under European practice in general, the decisionmaker has wide discretion to adopt either the common law (adversarial) approach, the civil law (inquisitorial) approach, or a mixture of both. The ICC rules of arbitration seem to reflect such practice. Specifically, under Article 20, Section 1, the arbitrator shall "establish the facts of the case by all appropriate means." This provision seems to indicate that the arbitrator can require each party to produce evidence, perhaps even (under the inquisitorial approach) to the arbitrator but not to the other party. Such authority may be very helpful in the hands of a proactive arbitrator. As one commentator suggests, it can be especially useful in patent arbitrations for which an experienced patent trial lawyer acts as arbitrator. The arbitrator can early-on deliver to each party interrogatories designed to elicit interference-type information,[22] requests for document identification or production, and other discovery.[23]

7. WIPO. The WIPO rules, like the ICC rules, parallel European practice. Article 38 grants the arbitrator the general power to "conduct the arbitration in such manner as it considers appropriate." Articles 48, 49, and 50 expressly state, respectively, that the arbitrator can require each party to produce documents or other evidence; observe tests or other processes

---

[22] See the "Preliminary Statement" of 37 C.F.R. § 1.622.
[23] T. Arnold, *supra* n.2, at 7-48.

of verification; or "inspect or require the inspection of any site, property, machinery, facility, production line, model, film, material, product or process as it deems appropriate."

8. State Statutes. Many of the state arbitration statutes (see attached list) are modeled after the UAA. Some of the state statutes provide for discovery in varying degrees. In Massachusetts, for example, requests for the production of documents and entries onto land for inspection are permitted.[24] The parties are similarly entitled to discovery under the New Jersey statute.[25] The California arbitration statute expressly gives the parties the right to take, and the arbitrator the power to compel, discovery.[26] The Kansas arbitration act states, "[o]n application of a party the arbitrators may permit a deposition to be taken, in the manner and upon the terms designated by the arbitrators."[27] Other states, such as New York, significantly restrict discovery in arbitration proceedings.[28]

B. Court Intervention

Courts are most reluctant to compel pre-hearing discovery. Federal and state courts have permitted discovery, however, in at least two special circumstances. First, pre-hearing discovery may be compelled when a party contests the arbitrability of a dispute.[29] The second situation arises when the party seeking discovery has made a showing of "extraordinary

---

[24] Mass. Ann. Laws, ch. 251, section 7, subsection (e).

[25] Under the New Jersey Alternative Procedure for Dispute Resolution Act, each party is "entitled to discovery by way of oral deposition, including videotape deposition, inspection and copying of all relevant documents within the care, custody or control of a party or witness and interrogatories when authorized by leave of the umpire." New Jersey Stat. § 2A:23A-1, App. Doc. 4. With certain exceptions, "the rules of the Supreme Court governing discovery shall be applicable." In order for this provision to apply, however, the parties must refer to the Act in their agreement.

[26] The California arbitration statute provides that "parties to arbitration shall have the right to take depositions and obtain discovery regarding the subject matter of the arbitration." Cal. Civ. Proc. Code § 1283.05(a) (Deering 1981). Section 1283.05(b) gives the arbitrator broad powers to compel discovery: "[T]he arbitrator . . . shall have power to enforce discovery" coextensive to that of a court in civil actions. Except in the case of arbitrations involving negligent injury or wrongful death, however, discovery is not permitted unless the parties have expressly stipulated that Section 1283.05 applies to the arbitration proceeding.

[27] Kansas Stat. Ann. § 5-407.

[28] In New York, Section 3102(s) of the arbitration statute provides that, "before an action is commenced, disclosure to aid arbitration may be obtained, but only by court order." N.Y. Civ. Prac. L. & R. 3102(c) (McKinney Supp. 1990). The courts will not compel discovery, however, absent a showing of "extraordinary circumstances." *Motor Vehicle Acc. Indem. Corp. v. McCabe*, 19 A.D.2d 349, 243 N.Y.S.2d 495 (1963).

[29] Tupman, *supra* n.7, at 30.

circumstance" or particular need, mandating the use of discovery.[30] Thus, the key to obtaining court-compelled discovery, on those rare occasions when it is permitted, appears to be showing that the information sought is otherwise unavailable and cannot be developed before the arbitrators, and that undue delay inconsistent with the nature of arbitration will not result if discovery is permitted.[31] Even if a party clearly establishes such circumstances, courts will narrowly restrict discovery.

C. Suggestions

A discovery clause in an arbitration contract will likely be enforceable in court, but should also be specific. Parties who wish to conduct discovery are advised to be explicit, with reference to discovery type and timing. One practical suggestion is to include a contract clause that permits all of the discovery vehicles found in the Federal Rules of Civil Procedure. To preclude abuse, however, the application of these vehicles should be under the detailed management and control of the arbitrator who is admonished to expedite and limit discovery as much as is deemed reasonable.[32]

Parkinson's law works in arbitration as well as in litigation: the job expands to fill the time available. Therefore, the arbitration contract should include provisions that both allow the arbitrator to rule on discovery controversies (which by themselves may suggest only a passive role) and require the arbitrator to take an active initiative to ensure that discovery runs smoothly. The latter contractual instruction to act might prompt the arbitrator, for example, to hold an initial meeting to devise a discovery plan, draft a first round of written discovery or edit the parties' requests, and enforce set cut-off dates. The arbitrator might attend key depositions,

---

[30] *See, e.g., Oriental Commercial & Shipping Co. v. Rosseel, N.V.*, 125 F.R.D. 398 (S.D.N.Y. 1989).
[31] *Bigge Crane & Rigging Co. v. Docutel Corp.*, 371 F. Supp. 240 (E.D.N.Y. 1973).
[32] T. Arnold, *supra* n.2, at 7-11. Note that the ICC has, effective April 1, 1997, significantly revised its arbitration rules. Article 16 gives the arbitrator extensive powers to manage the proceedings for the stated purpose of expediting the resolution of disputes.

while there making instant rulings, disciplining unprepared or obstructionist counsel as needed, and learning more about the case. One caution: the arbitrator who attends depositions might be exposed to certain evidence that otherwise would not be offered later, during the hearing.

Many lawyers and parties refuse, or are at least hesitant, to yield their control over and need for thorough discovery. One response is the German system, which allows no discovery at all and a one-day patent infringement trial. Empowered arbitrators may be an acceptable balance between the Federal Rules of Civil Procedure and the German practice.

IV. *Motions*

Unlike rules applicable in litigation, the federal and state arbitration statutes and the AAA rules do not address the subject of motions during the arbitration hearing. In the absence of rules governing motions in arbitration, parties are free to make such motions at their discretion, and are not bound by timeliness or foundation requirements as is the case in court adjudications. The decision about whether to grant motions is a matter within the arbitrator's discretion.

A. Examples of Substantive Motions

1. Preliminary Injunctions. The courts split over whether they can grant preliminary relief (a preliminary injunction or a temporary restraining order (TRO)) when there is a dispute and a contract to arbitrate.[33] This split in authority counsels that parties should explicitly recite whether the relief of a TRO or a preliminary injunction is available from a court. Of course, the arbitrator has the power to grant interim awards and the power to grant injunctive relief enforceable by the courts.[34] Nevertheless, it is always wise to recite such power in the arbitration contract.

---

[33] *Compare Ortho Pharmaceutical Corp. v. Amgen, Inc.*, 882 F.2d 806, 811-12 (3d Cir. 1989) (relief may be granted), *with Merrill Lynch, Pierce, Fenner & Smith v. Hovey*, 726 F.2d 1286, 1291 (8th Cir. 1984) (relief may not be granted).

[34] *See, e.g.*, AAA Rules 36, 45; WIPO Arbitration Rules Art. 62(a).

2. Third Party Involvement. With a few exceptions, the arbitration proceeding is limited to the two parties to the arbitration contract. Although an arbitration proceeding may benefit from the inclusion of more than just the contractual parties, the law essentially provides that a party cannot be forced to arbitrate unless it has expressly agreed to do so.[35] Thus, in contrast with litigation under Rules 14, 19, 20, and 24 of the Federal Rules of Civil Procedure, in arbitration interested third parties cannot generally intervene or be implead by the parties in an existing arbitration absent agreement among the respective parties.

Of course, the risk attendant such a restrictive approach to third-party involvement is that piecemeal proceedings may result before separate tribunals who may issue conflicting decisions. The U.S. Supreme Court has decided that it was Congress's intent to accept that risk as a matter of policy:

> The pre-eminent concern of Congress in passing the [Federal Arbitration] Act was to enforce private agreements into which parties had entered, and that concern requires that we rigorously enforce agreements to arbitrate, even if the result is "piecemeal" litigation, at least absent a countervailing policy manifested in another federal statute.[36]

The general inability of a third party to intervene in an arbitration or for the parties to implead a third party should be considered when drafting the arbitration contract.[37] In many patent cases,

---

[35] *See* 9 U.S.C. § 4 (courts may compel arbitration only "in accordance with the terms of the agreement").

[36] *Dean Witter Reynolds, Inc. v. Byrd*, 470 U.S. 213, 221 (1985). *See also Del E. Webb Constr. v. Richardson Hosp. Auth.*, 823 F.2d 145, 148 (5th Cir. 1987) (courts must enforce arbitration agreement as written even if result is multiple actions).

[37] The arbitration provisions used in the construction industry are often drafted specifically to limit the parties that can or must participate in the arbitration proceeding. The American Institute of Architects, in paragraph 9.1 of its standard agreement between owners and contractors, provides that: "No arbitration, arising out of or relating to this Agreement, shall include, by consolidation, joinder or in any other manner, any additional person not a party to this Agreement except by written consent containing a specific reference to this Agreement and signed by the Architect, the Owner, and any other person sought to be joined. Any consent to arbitration involving an additional person or persons shall not constitute consent to arbitration of any dispute not described therein or with any person not named or described therein." Consequently, when a dispute raises the issue

for example, the accused infringer may have an indemnity agreement with its manufacturer or supplier. If so, the parties may specifically recite in their arbitration contract that the indemnitor has the right to intervene. Consider also the situation where one or both of the parties has applicable insurance; the insurance company's participation in the arbitration may be desired.

3. Consolidation of Multiple Pending Actions. A question related to third-party involvement is whether two or more arbitrations involving common issues of law and questions of facts may be consolidated by the courts absent agreement by the parties. The courts disagree on the answer to that question. The Second Circuit has held that precedent supports judicial consolidation of arbitrations under the federal statute.[38] The First Circuit has agreed, at least when the arbitration agreement is silent and state law permits such consolidation.[39] In the majority of circuits, however, the courts have refused to order consolidation arising from separate agreements to arbitrate absent an express agreement between the parties--even when the proceedings involve the same questions of fact and issues of law.[40] Therefore, when multiple

---

of the architect's duty as well as the owner's and contractor's duties, most courts will not compel the architect to be a party to the arbitration between the contractor and owner. *See, e.g., In re Mercury Constr. Corp.*, 656 F.2d 933, 945 (4th Cir. 1981), *aff'd sub nom., Moses H. Cone Mem. Hosp. v. Mercury Constr. Corp.*, 460 U.S. 1 (1983); *Martin K. Eby Constr. Co. v. City of Arvada, Colo.*, 522 F. Supp. 449 (D. Colo. 1981). *See generally* J. Tansey, "The Principal Differences between Arbitration and Litigation," in Commercial Arbitration for the 1990s at 45 (ABA Section of Litigation 1991).

[38] *See Compania Espanola de Petroleos, S.A. v. Nereus Ship.*, 527 F.2d 966 (2d Cir. 1975) (there is ample support in the case law for the propriety of court-ordered consolidation), *cert. denied*, 426 U.S. 936 (1976). Support may also be found in Fed. R. Civ. P. 42(a) and 81(a)(3). *But see Government of United Kingdom v. Boeing Co.*, 998 F.2d 68, 69 (2d Cir. 1993) (overruling previous judgments holding otherwise, the appellate court reversed the judgment of the district court because consolidation of arbitration proceedings arising from separate agreements between appellee ministry of defense and appellant helicopter manufacturer and between appellee and respondent engine manufacturer, absent the parties' agreement to allow such consolidation, could not be enforced).

[39] *See New England Energy, Inc. v. Keystone Shipping Co.*, 855 F.2d 1 (1st Cir. 1988), *cert. denied*, 489 U.S. 1077 (1989). In explaining its rationale, the First Circuit stated, "[t]he issue before us is whether state law may supplement that Act on matters collateral to the agreement to arbitrate." *Id.* at 5 n.2. The court resolved this issue in the affirmative by finding that (1) when the arbitration provision is silent on the issue of consolidation and (2) when state law permits consolidation, the federal court has the authority to determine whether the two arbitrations meet the requirements for consolidation. The court rejected the argument that Section 4 of the FAA prevents a court from ordering consolidation without the parties' consent.

[40] In *Protective Life Ins. Corp. v. Lincoln Nat'l Life Ins. Corp.*, 873 F.2d 281, 282 (11th Cir. 1989) (per curiam), the court stated: "We agree with the reasoning of *Weyerhaeuser Co. v. Western Seas Shipping Co.*, 743 F.2d 635 (9th Cir. 1984), in which the court held that under the Federal Arbitration Act, . . . the power of federal courts is 'narrowly circumscribed.' *Id.* at 637. . . . As the Ninth Circuit observed, this interpretation of section 4 'comports with the statute's underlying premise that arbitration is a creature of contract . . . .' Parties may negotiate for and include provisions for consolidation of arbitration proceedings in their arbitration agreements, but if such provisions are absent, federal courts may not read them in."; *accord Champ v. Siegel Trading*

arbitrations are foreseeable (e.g., licensing situations), the parties are advised to specify in the arbitration contract that further arbitrations involving at least one common party and common issues of law and questions of facts may or may not be consolidated into a single arbitration proceeding.[41]

4. Adjournments. The decision to grant a motion to adjourn the arbitration proceeding is generally within the discretion of the arbitrator.[42] A court will vacate a decision to adjourn only when that discretion is abused.[43]

5. Default. The failure of a party to appear for the arbitration hearing may result in sanctions. Such sanctions may include a default judgment. Under AAA Rule 3, the arbitration hearing may proceed in the absence of any party who, after due notice, fails to either attend or obtain a postponement.[44] The party who fails to appear then may be precluded from rejecting the arbitration award,[45] and may lose the right to appear at a jury trial.[46]

B. Briefs

Both pre- and post-hearing briefs often help inform the arbitrator of the issues involved in the dispute and the parties' relative positions. Despite the obvious benefits of briefs, neither relevant statutory provisions nor existing rules explicitly entitle the parties to submit briefs. For

---

Co., 55 F.3d 269 (7th Cir. 1995); *American Centennial Ins. Co. v. National Cas. Co.*, 951 F.2d 107, 108 (6th Cir. 1991); *Del. E. Webb Constr. Co. v. Richardson Hosp. Auth.*, 823 F.2d 145, 150 (5th Cir. 1987); *Baesler v. Continental Grain Co.*, 900 F.2d 1193 (8th Cir. 1990).

[41] *See generally* T. Stipanowich, "Arbitration and the Multiparty Dispute: The Search for Workable Solutions," 72 Iowa L. Rev. 473, 481-82 (1987).

[42] *See, e.g., Harwyn Luggage, Inc. v. Henry Rosenfeld, Inc.*, 90 A.D.2d 747, 747-48, 456 N.Y.S.2d 3, 3-4 (1982), in which the arbitrator had granted several adjournments over a five-month period. The court held that the arbitrator had not abused his discretion in denying the adjournment sought by the respondents, who were attempting to substitute counsel for the fourth time and who claimed that the second law firm it retained was holding files necessary for the preparation of its defense in the arbitration. The respondents had failed to specify the missing documents they considered essential and the steps they took to obtain documents.

[43] *See, e.g., Local 251, Int'l Bhd. of Teamsters v. Narragansett Improvement Co.*, 503 F.2d 309 (1st Cir. 1974).

[44] *Accord* WIPO Arbitration Rules Art. 56.

[45] *Morales v. Mongolis*, 293 Ill. App. 3d 660, 228 Ill. Dec. 219, 688 N.E.2d 1196 (1997).

[46] *Bachmann v. Kent*, 293 Ill. App. 3d 1078, 228 Ill. Dec. 299, 689 N.E.2d 171 (1997).

example, neither the FAA nor the UAA provides for post-hearing briefs or for the procedures governing their submission. AAA Rule 37 provides in pertinent part that:

> The arbitrator shall specifically inquire of all parties whether they have any further proofs to offer or witnesses to be heard. Upon receiving negative replies or if satisfied that the record is complete, the arbitrator shall declare the hearings closed. If briefs are to be filed, the hearings shall be declared closed as of the final date set by the arbitrator for the receipt of briefs.

Rather than a typical component of the arbitration procedure, the submission of briefs is within the arbitrator's discretion.[47] That discretion is limited: if an arbitrator's refusal to receive a brief deprives a party of a fair hearing, such refusal may prompt a reviewing court to vacate the arbitrator's award.[48]

At least two important distinctions should be noted between arbitration briefs and litigation briefs. First, many arbitration cases are conducted by non-lawyer arbitrators who may work without ready access to legal precedent. Even lawyer arbitrators may be disinclined to take the time (and incur for the parties the expense) to independently review legal authority. The AAA states that, if some legal issues "require further clarification," the arbitrator should "ask counsel for each side to explain the law," rather than conduct independent research.[49] Therefore, an arbitration brief should include a discussion of relevant cases sufficiently complete in both

---

[47] Factors determining whether briefs are appropriate include whether the case (1) is factually complex, (2) is legally complex, (3) involves high stakes, and (4) is subject to judicial review. Donovan Leisure Newton & Irvine ADR Practice Book at 52 (J. Wilkinson, ed., 1990 & 1999 Supp.) (hereafter "J. Wilkinson").

[48] In *Allstate Ins. Co. v. Fioravanti,* 451 Pa. 108, 299 A.2d 585 (1973), the arbitrators refused to receive a brief on the controlling legal issue. The reviewing court stated that, when such refusal would lead to the "complete omission of critical factual evidence," vacating the award might be justified. 451 Pa. at 113, 299 A.2d at 588. Because Allstate had the opportunity to, and did, argue the issue during the arbitration hearing, however, the court held that there had been no denial of a full and fair hearing that would justify setting aside the arbitration award. In support of its decision, the court noted that the AAA Rules contained no explicit provision on the right to file briefs; rather, briefing was a matter of the arbitrator's discretion. *Id.* at n.3.

[49] AAA, A Guide for Commercial Arbitrators 7 (1988) (hereinafter "AAA Guide").

factual background and holding to permit comprehension of the significance of each case without having to read them. A copy of an essential opinion should be attached to the brief. As is true for litigation briefs, string citations should be avoided in arbitration briefs.

Second, arbitration briefs should avoid giving undue weight to the legal issues and legal reasoning of the case. Typical litigation briefs may be of little help in advancing the party's objective in the context of a more flexible arbitration proceeding. Arbitrators are more likely than courts to focus on commercial realities and the economics of the parties, especially because their decision (and reasoning, if written) will not carry the weight of precedent.[50]

V. *Hearings*

The parties are generally free to negotiate the procedural rules that will govern their arbitration hearing.[51] In some states, however, the parties may not provide for court involvement not authorized by state statutes or rules.[52]

A. Preliminary Administrative Hearing. A preliminary hearing to schedule and identify ground rules (e.g., witnesses, discovery, timing, etc.) can and should be held.[53] Such a preliminary hearing facilitates subsequent proceedings. Suggested topics for discussion include: essential and irrelevant issues to clarify the substantive issues to be resolved; stipulated facts; discovery; qualification and appointment of arbitrators; identification of all essential parties, their related parties, and any possible conflicts of interest; and rulings on preliminary evidentiary questions. Topics of secondary importance may include issues of arbitrability, the necessity of

---

[50] T. Arnold, *supra* n. 2, at 7-70.

[51] *See, e.g., Shearson Lehman Bros., Inc. v. Brady*, 783 F. Supp. 1490 (D. Mass. 1991); *Baravati v. Josephthal, Lyon & Ross, Inc.*, 28 F.3d 704, 709 (7th Cir. 1994) ("short of authorizing trial by battle or ordeal or, more doubtfully, by a panel of three monkeys, parties can stipulate to whatever procedures they want to govern the arbitration of their disputes.").

[52] *See, e.g., Brucker v. McKinlay Transp., Inc.*, 454 Mich. 8, 18, 557 N.W.2d 536, 540 (1997) ("M.C.R. 3.602 . . . does not allow the parties to use the courts as a resource that will issue advisory opinions to guide the arbitrator through the more difficult portions of the task.").

[53] *See* AAA Commercial Arbitration Rules 10, 22; WIPO Arbitration Rules Art. 47. In its "Optional Procedures for Large, Complex Commercial Disputes," the AAA requires both an administrative conference under Rule L-2, "unless it determines same to be unnecessary," and a preliminary hearing under Rule L-4.